



Local Wisdom-Oriented Differentiation Strategies in Increasing the Competitiveness of Tourist Destinations: Evidence on Derawan Island

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Abstract: The tourism industry in Indonesia is faced with various challenges in facing the dynamics of competition while still paying attention to sustainability, especially amidst the government's efforts to develop new super-priority destinations named Derawan Island in Berau Regency. This study aims to analyze the effectiveness of local wisdom-based differentiation strategies in increasing the competitiveness of Derawan Island as tourist destinations. The research used a mixed method. The population in this study were tourists at Derawan Island, and the local government, destination managers, business actors, and local communities became the primary informants, and tourists became informants. 80 respondents were obtained from the purposive sampling. Data was collected through in-depth interviews and surveys and analyzed using thematic and inferential statistics. The study concludes that local wisdom-based differentiation strategies significantly and positively affect Derawan Island's competitiveness as tourist destinations. This result can support the development of marketing strategies oriented towards local wisdom to increase the attractiveness of tourist destinations and create sustainable added value. There needs to be synergy from all stakeholders in maintaining cultural authenticity while increasing tourist appeal.

Keywords: derawan island tourism; differentiation strategy; local wisdom; tourism destination competitiveness

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INTRODUCTION

Reporting from ekonomi.bisnis.com (2024), the global tourism industry has experienced significant growth, with economic contributions reaching US\$9.5 trillion of world GDP by 2023 ([Anggela, 2024](#)). Tourism is one of the most dynamic economic sectors in the world, with significant contributions to job creation and national income ([Harefa, 2020](#); [Hikmah & Nasrudin, 2021](#)). In 2023, the travel and tourism sector contributed 9.1% to global GDP, up 23.2% from 2022 and only 4.1% below 2019. There were 27 million new jobs in 2023, an increase of 9.1% compared to 2022 and only 1.4% below 2019 (World Travel and Tourism Council, 2021). According to a survey by [Bloomberg Technoz](#) (2023), tourism was expected to be a US\$15.5 trillion industry representing more than 11.6% of the global economy, with a 50% increase from the US\$10 trillion value in 2019, when travel represented 10.4% of the world's gross domestic product. This trend was driven by increased international travelers, reaching 1.5 billion visits in 2019, before the COVID-19 pandemic ([UNWTO, 2020](#); [WTTC, 2021](#)). Despite a significant downturn due to the pandemic, the sector rapidly returned as travel restrictions were eased and travelers' interest in unique and authentic destinations increased. In the face of increasing global competition, tourist destinations continue to innovate by adopting various strategies to improve their competitiveness. Adopting local wisdom-based differentiation strategies increases attention, which enables tourist destinations to create a unique competitive edge by utilizing local cultural values and traditions ([Sunarti et al., 2023](#); [Wahyudi et al., 2024](#)). This strategy increases the destination's attractiveness for international tourists and contributes to cultural preservation and environmental sustainability.

Indonesia has great potential in the tourism sector, attracting millions of tourists annually and playing an important role in regional economic and social development ([Bhartiya & Bhatt, 2023](#); [Mahadevan et al., 2017](#)) with its cultural diversity and abundant natural richness. Based on data from the Central Bureau of Statistics (2020), the number of foreign tourists visiting Indonesia reached 16.1 million in 2019, contributing to GDP of around 5.7%. However, during increasingly fierce competition, challenges remain in improving destination competitiveness, especially amid the government's efforts to develop super-priority destinations, including new destinations close to the National Capital in East Kalimantan, such as Derawan Island in Berau Regency. It is a tourist destination with the potential for exotic underwater natural beauty and rich local culture. However, in an era of increasingly fierce competition in the tourism industry, Derawan Island needs to develop

strategies that differentiate it from other destinations. This strategy offers Derawan Island a unique and exciting tourism experience and strengthens its cultural identity and local traditions.

Given the importance of creating unique and authentic experiences to attract tourists, this concept involves utilizing elements of culture, tradition, and local knowledge to differentiate a destination from its competitors. [Kuswardani et al. \(2023\)](#) and [Wijayanto et al. \(2024\)](#) show that an effective differentiation strategy can increase a destination's competitiveness by highlighting deep local values and providing a more personalized and resonant experience with tourists. [Adyatma et al. \(2023\)](#) and [Li et al. \(2021\)](#) identified that destinations that successfully integrate local wisdom into their tourism offerings show higher levels of tourist satisfaction and greater loyalty, where local wisdom is used to create unique and immersive cultural experiences, contributing to the positive image and attractiveness of the destination ([Kastenholz & Gronau, 2022](#)). Therefore, this study aims to explore how implementing a local wisdom-oriented differentiation strategy can improve the competitiveness of Derawan Island as a leading tourist destination. With this approach, Derawan Island is expected to be known as a nature tourist destination and offers unique experiences in local culture and traditions.

Previous studies have shown a gap in tourism differentiation strategies on Derawan Island. [Vitrianto \(2023\)](#) highlighted that tourism marketing on Derawan Island still focuses on natural beauty, such as underwater panoramas, with minimal attention to integrating local culture as a differentiating element. Meanwhile, [Kuswardani et al. \(2023\)](#) and [Wijayanto et al. \(2024\)](#) proved the effectiveness of local wisdom-based differentiation strategies, but their studies have not explicitly discussed their implementation on Derawan Island. In addition, [Utomo et al. \(2023\)](#) and [Đukić and Volić \(2017\)](#) highlighted the positive impact of local wisdom-based differentiation on tourism sustainability and community development, but their focus was still general and did not highlight the unique potential of Derawan Island. On the other hand, [Wibisono et al. \(2023\)](#) emphasized the importance of integrating local culture in marketing strategies but have not explored relevant approaches for destinations such as Derawan Island.

This study aims to analyze the effectiveness of local wisdom-based differentiation strategies in improving the competitiveness of Derawan Island tourist destinations. This study presents novelty by discussing local wisdom-based differentiation strategies on Derawan Island, which have not received much attention in previous studies. In addition, this study integrates local culture, tradition, and marketing strategies into a comprehensive differentiation framework, going beyond the partial approach taken by previous studies. According to [Adyatma et al. \(2023\)](#) and [Li et al. \(2021\)](#), this study also measures tourist satisfaction and loyalty through local wisdom-based experiences designed explicitly for Derawan Island. Developing findings by [Utomo et al. \(2023\)](#), this study highlights the contribution of differentiation strategies to preserving local culture and empowering local communities. With this approach, this study offers new perspectives and practical recommendations for developing differentiation strategies on Derawan Island that increase tourism competitiveness and maintain the local culture's sustainability.

METHODS

Following the objectives of this study, a mixed methods design was used. Qualitative research aims to explore the application of local wisdom-based differentiation strategies in Derawan Island, while quantitative research aims to examine the effect of applying local wisdom-based differentiation strategies on the competitiveness of Derawan Island. Therefore, this research is comprehensive. The population in this study consisted of tourists in Derawan Island. The qualitative method determined that local government officials and tourism managers of Derawan Island were key informants, local tourism businesses and communities around Derawan Island were primary informants, and tourists were informants.

Meanwhile, purposive sampling was used in this study for the quantitative sample, with specific criteria for selecting respondents. Participants were required to be at least 17 years old, interested in local culture and wisdom, and have participated in cultural activities during their visit. Additionally, they needed to be able to communicate in either Indonesian or English and be willing to complete the questionnaire. The sample size was determined based on statistical assumptions, including a confidence level (Z) of 1.96, corresponding to a 95% confidence level, a margin of error (e) of 5% or 0.05, and a population proportion (p) of 0.5. Based on the sample size calculation, 80 representative respondents were obtained to provide comprehensive insight into tourist perceptions of implementing local wisdom-oriented differentiation strategies on Derawan Island.

The primary and secondary data used in this research are primary and secondary. Primary data were obtained from in-depth interviews with local government officials related to tourism, destination managers, local tourism businesses, local communities, and tourists. Secondary data include tourism policy documents (regional tourism development plans, tourism-related government policy documents), tourist reports, and tourist satisfaction surveys (Tourist survey reports, online tourist reviews). The data collection techniques used in this research are direct observation, face-to-face interviews, and document analysis. Observations were made directly at the Derawan Island tourist destination location to observe the practices of differentiation strategy

implementation. A pre-prepared interview guide was used to gain insights directly from respondents. Related documents were thoroughly researched to collect relevant data on implementing differentiation strategies in Derawan Island.

A qualitative analysis was conducted through several key steps. First, data coding was performed by identifying relevant information from interview transcripts and group discussions and assigning specific codes based on emerging themes or topics. Next, these codes were organized into broader categories of analysis, reflecting the main themes or dimensions relevant to the research. Thematic analysis was then carried out to identify recurring patterns and themes, followed by a thorough review to ensure that all significant themes were well-defined. Finally, the findings were interpreted by analyzing the identified themes and explaining their implications within local wisdom-oriented differentiation strategies in Derawan Island. A comprehensive and in-depth narrative was developed to articulate respondents' perspectives and experiences regarding these strategies.

A statistical analysis based on quantitative data was conducted through several steps to achieve the first objective. The process began with data collection, ensuring that survey or questionnaire data were complete and valid, followed by validation to confirm accuracy and completeness. Next, a descriptive analysis was performed to summarize and describe the characteristics of the sample. Descriptive statistics were calculated for relevant variables, such as mean, median, standard deviation, and frequency distribution. Subsequently, statistical tests were conducted to analyze relationships and differences within the data. A t-test was used to compare means between two groups, while ANOVA was applied to compare means across more than two groups. Correlation analysis was employed to evaluate the relationship between two numerical variables, and regression analysis was conducted to examine the relationship between one dependent variable and one or more independent variables. The findings from quantitative analysis were integrated with qualitative data to develop a more comprehensive understanding of the implementation and impact of local wisdom-oriented differentiation strategies in Derawan Island. Finally, the results were presented using tables, graphs, or diagrams, followed by an explanation of their implications within the context of theory, managerial practice, and tourism policy development. The overall research flow is presented in Figure 1.

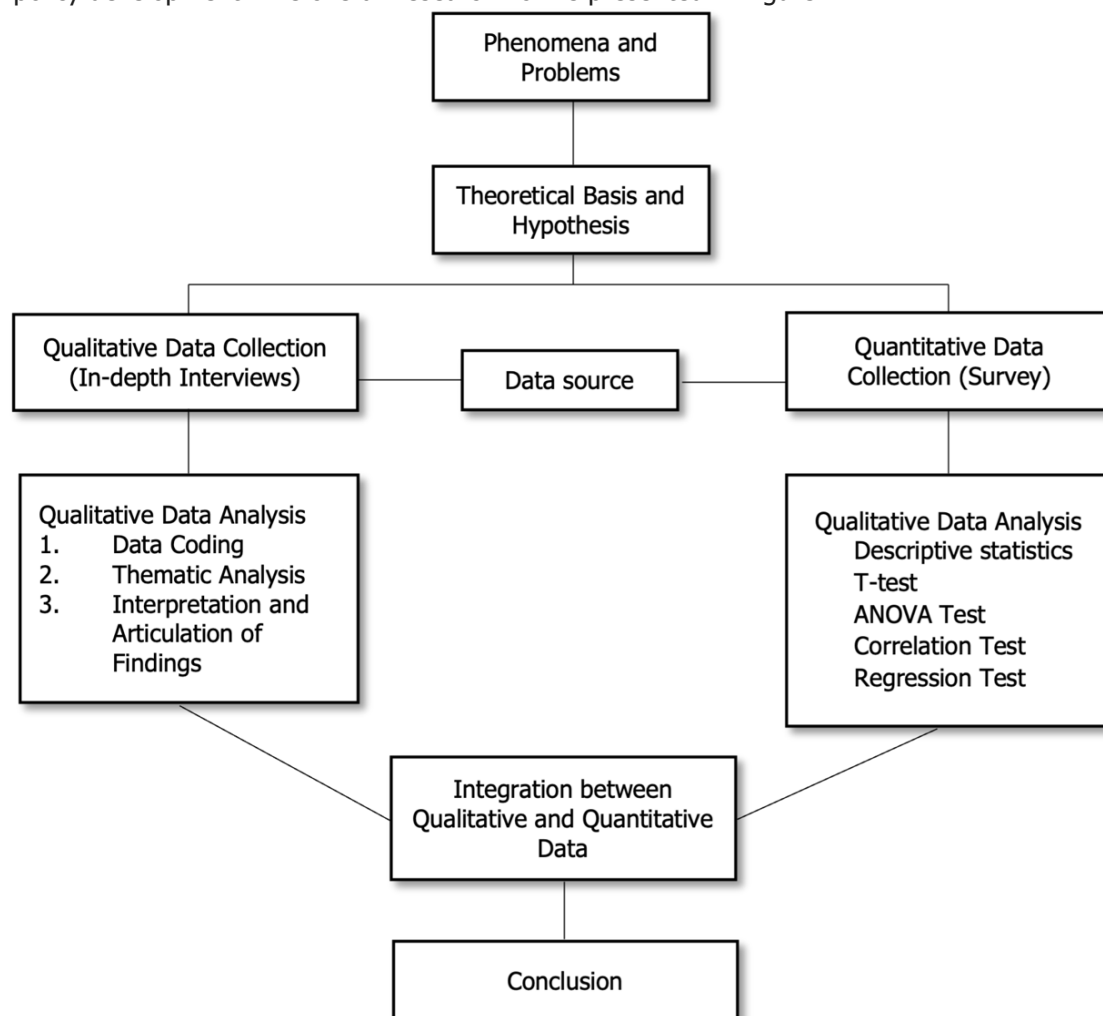


Figure 1. Research Flow

RESULT AND DISCUSSION

The implementation of a local wisdom-based differentiation strategy on Derawan Island to increase the competitiveness of tourist destinations is carried out by: a. combining every element of traditional culture in various tourism activities to create a unique and authentic experience for tourists; b. Destination managers on Derawan Island actively utilize local wisdom in various tourism events, such as cultural festivals and traditional performances; c. Strong support from the local government in the form of policies and subsidies for promoting local culture has facilitated the implementation of this strategy. However, skepticism among some people indicates the need for better communication and involvement to ensure wider acceptance and support. The study results indicate that the local wisdom-based differentiation strategy effectively increases Derawan Island's competitiveness by attracting more tourists and increasing satisfaction, positively impacting visits and income from the tourism sector. However, challenges such as difficulties in involving all local businesses and coordination between various parties need to be overcome to ensure this strategy's success, as presented in Table 1.

Table 1. Qualitative Data Coding (Interview Transcripts by Respondent)

Code	Theme	Sub-Theme	Description	Excerpt
K1	Strategy Implementation	Local Wisdom	Implementation of differentiation strategies based on local wisdom	"We integrate local customs in every tourism event."
K2	Stakeholder Acceptance	Stakeholders' Support	Support or rejection of the strategy implemented	"Most people support this effort, but some are skeptical."
K3	Impact on Competitiveness	Increased Competitiveness	The influence of strategy on destination competitiveness	"The application of local wisdom significantly increases tourist visits."
K4	Challenges in Implementation	Difficulties and Obstacles	Problems or challenges faced in implementing the strategy	"We had difficulty in effectively engaging all local businesses."
K5	Community Engagement	Community Participation	Local community involvement and role in the strategy	"The community is very involved in organizing local cultural events."
K6	Policy and Support	Government Support	Support or policy from the local government	"Local governments subsidize the promotion of local culture."
K7	Strategy Effectiveness	Strategy Evaluation	Assessment of the effectiveness of the differentiation strategy	"This strategy has proven effective in increasing the destination's attractiveness but needs continuous evaluation."
K8	Visitor's Feedback	Travelers' Experience	Feedback from visitors on their experience	"Tourists feel more connected to the local culture after joining this program."

Source: Primary Data (2024)

Table 1 shows that local communities on Derawan Island that are directly involved in the development and promotion of local wisdom show a high level of participation, and government policies that support cultural sustainability and increase destination attractiveness are key factors in the success of this differentiation strategy. However, the effectiveness of this strategy needs to be monitored and continuously adjusted to ensure long-term relevance and effectiveness. In addition, the strategy's success in creating a satisfying and authentic tourist experience emphasizes the need to integrate local wisdom to improve the tourist experience and support sustainable destination competitiveness. Table 2 shows the thematic analysis of implementing local wisdom-based differentiation strategies in Derawan Island and the deep integration between local culture and tourism activities.

Table 2. Thematic Analysis (Application of Local Wisdom-Oriented Differentiation Strategy in Improving Competitiveness of Derawan Island Tourist destination)

Theme	Sub-Theme	Description	Excerpt
Strategy Implementation	<i>Local Wisdom in Tourism Activities</i>	Integration of local cultural elements in various tourism activities, such as festivals and performances that reflect the local wisdom of Derawan Island	"The cultural festivals we organize feature traditional dances, which are an important part of our local heritage."
	<i>Development of Culture-Based Tourism Products</i>	Development of tourism products that utilize local wisdom, such as handicrafts and traditional culinary	"We developed a tour package that includes the experience of cooking local traditional cuisine, which tourists highly favor."
Stakeholder Support	<i>Role of Local Government</i>	Support from the local government in the form of policies and subsidies to promote local culture as part of the differentiation strategy	"The subsidy policy of the local government allows us to introduce more local cultural events to tourists."
	<i>Involvement of Business Actors and Local Communities</i>	Active involvement of local businesses and communities in promoting and implementing local wisdom-based differentiation strategies	"Local businesses actively promote local culture through souvenir shops and restaurants serving local food."
Challenges and Skepticism	<i>Coordination Between Parties</i>	Difficulty in coordination between the government, businesses, and communities in implementing differentiation strategies	"There are challenges in coordinating cultural events between the government and local businesses, often resulting in scheduling conflicts."
	<i>Community Skepticism</i>	Skepticism from some communities on the long-term benefits of local wisdom-based differentiation strategies	"Some residents still doubt whether investing in these cultural events will bring long-term economic benefits."
Impact on Travelers	<i>Tourist Satisfaction</i>	Increased tourist satisfaction due to authentic experiences connected to local culture	"Tourists are satisfied that they can experience authentic local culture first-hand and feel connected to the local community."
	<i>Increased Visits</i>	Increased number of tourist visits as a result of engaging and differentiated tourism experiences	"There was a significant increase in the number of tourists visiting after we started offering more authentic local cultural experiences."
Local Community Involvement	<i>Participation in Cultural Events</i>	Active participation of local communities in organizing cultural events and promoting local wisdom	"Local people are very involved in cultural events, from preparation to execution, which makes the events more lively and interesting for tourists."
	<i>Knowledge of Local Wisdom</i>	Local communities' in-depth knowledge of local wisdom and its contribution to tourism development	"Local people have in-depth knowledge of folklore and traditions that they share with tourists during the tour."
Policy Support	<i>Promotion and Subsidy Policy</i>	Government policies that support the development of local wisdom-based tourism through promotions and subsidies	"Promotional policies and subsidies from the government help us to organize more cultural events and increase the visibility of our destination."

Source: Primary Data (2024)

Table 2 shows that cultural elements such as festivals, traditional performances, handicrafts, and local cuisine have been optimized to attract tourists by offering unique and authentic experiences. These culture-

based tourism products enrich the tourist experience and support the preservation of local cultural heritage. Support from local governments is significant through policies and subsidies that promote local culture. These policies allow for the organization of cultural events that attract more tourists. The involvement of local businesses and communities is also crucial. Businesses, such as souvenir shops and restaurants, promote cultural products, while local communities are actively involved in cultural events and promotions, strengthening this differentiation strategy. However, coordination between government, businesses, and communities often experiences obstacles, such as scheduling conflicts and ineffective communication. Some residents also expressed skepticism about the long-term benefits of this strategy. Despite investment in cultural events, concerns about the expected economic impact indicate the need for better communication and concrete evidence of its benefits. According to tourists, the local wisdom-based differentiation strategy has been proven to increase their satisfaction. Authentic experiences connected to local culture provide added value that increases the number of tourist visits and strengthens the destination's attractiveness. In addition, the involvement of local communities in organizing cultural events also enriches the tourist experience and shows in-depth knowledge of local wisdom. This participation helps in creating interesting events. So, it can be seen that the implementation of the local wisdom-based differentiation strategy on Derawan Island has succeeded in increasing the destination's competitiveness by utilizing cultural wealth as the main attraction. Although there are some challenges, support from various stakeholders and its positive impact on tourists show the great potential of this strategy for sustainable tourism development.

Table 3. Descriptive Statistics (Implementation of Local Wisdom-Oriented Differentiation Strategy in Improving the Competitiveness of Derawan Island Tourist destination)

Variables	N	Mean	Median	Std. Dev.	Min	Max
Traveler Satisfaction	80	4.2	4.1	0.6	2.8	5.0
Quality of Cultural Experience	80	4.3	4.2	0.5	3.0	5.0
Local Community Involvement	80	4.1	4.0	0.7	2.5	5.0
Government Support	80	4.0	4.0	0.6	3.0	5.0
Quality of Cultural Products	80	4.4	4.5	0.5	3.2	5.0
Destination Accessibility	80	3.9	4.0	0.7	2.5	5.0

Source: Data Processing Results (2024)

An influence test was conducted to determine the extent to which the implementation of local wisdom-based differentiation strategies is effective in the competitiveness of Derawan Island. It was first conducted with descriptive statistical tests, showing several important findings about tourist perceptions of implementing local wisdom-based differentiation strategies on Derawan Island. The results can be seen in Table 3. The level of tourist satisfaction is quite high, with an average value of 4.2. The quality of the cultural experience has an average of 4.3, which indicates that the elements of local culture presented on Derawan Island are highly appreciated by tourists.

Furthermore, the involvement of the local community is also quite positive, with an average of 4.1. Government support is also quite good, with an average of 4.0, but this support can be further improved. In addition, the quality of cultural products has an average of 4.4, which indicates that the cultural products offered to tourists are of high quality. However, destination accessibility has the lowest value with an average of 3.9, indicating that although access to Derawan Island is generally good, several challenges require further attention, so it can be seen that the implementation of local wisdom-based differentiation strategies on Derawan Island has succeeded in creating a satisfying experience for tourists, although there are still several areas that need to be improved, especially in terms of accessibility and fair local community involvement.

Table 4. The T-test

Group	N	Mean	Std. Deviasi	t-value	df	Sig. (2-tailed)
Domestic Travelers	40	4.2	0.5	2.34	78	0.02
Foreign Travelers	40	3.9	0.6			

Source: Data Processing Results (2024)

Table 4 shows the differences in perception between domestic and foreign tourists towards implementing local wisdom-oriented differentiation strategies on Derawan Island. The results of the T-test found that the average perception of domestic tourists (Mean = 4.2, SD = 0.5) was higher than that of foreign tourists (Mean = 3.9, SD = 0.6). The t-value of 2.34 with a degree of freedom (df) of 78 and a two-way significance value (Sig. 2-tailed) of 0.02 indicates that this difference is statistically significant in how domestic and foreign tourists assess the effectiveness of local wisdom-based differentiation strategies implemented on Derawan Island. Domestic tourists tend to be more influenced by differentiation strategies that utilize local wisdom than foreign tourists. Domestic tourists tend to be more familiar and feel emotionally connected to the culture and traditions used in the strategy, so they give a more positive response. Meanwhile, foreign tourists interested in the uniqueness of local culture but have different understandings of local wisdom can be different, affecting how they assess the differentiation strategy.

Destination managers and related stakeholders can use the results of the T-test in Table 4 to design marketing strategies and destination development to increase the attractiveness for foreign tourists. Additional efforts are needed to introduce them to the values of local wisdom and how they are integrated into the tourism experience. In addition, these results indicate that a differentiation strategy oriented toward local wisdom is quite effective in attracting and satisfying domestic tourists, but there is still room to increase its attractiveness in the international market. The results also show significant differences in perceptions between the three groups of tourists- domestic, foreign, and local- regarding the implementation of local wisdom-oriented differentiation strategies in Derawan Island, as presented in Table 5.

Table 5. ANOVA Test

Source of Variation	Sum of Squares	Degrees of Freedom (df)	Mean Square	F Value	Significance (Sig.)
Between Groups	2.34	2	1.17	4.56	0.014
Within Group	19.36	77	0.25		
Total	21.70	79			

Source: Data Processing Results (2024)

The results of the F test in Table 5, with an F value of 4.56 and a significance level of 0.014, indicate that each group of tourists has a different view of how local wisdom affects the attractiveness and competitiveness of Derawan Island as a tourist destination. Domestic tourists are more familiar with elements of local wisdom due to cultural proximity, while foreign tourists have a different perspective based on their expectations for a more unique or authentic tourist experience. Local tourists who live around the destination have a deeper perception of local wisdom and see it as an integral part of the identity and sustainability of their community. The results of this study indicate the need for a differentiation strategy oriented towards local wisdom to be communicated and implemented in a way relevant to various tourist segments. By understanding these differences, destination managers can develop tourism programs and promotions that follow each tourist's preferences to increase satisfaction and strengthen the competitiveness of Derawan Island as a unique and sustainable tourist destination. Some important findings related to the relationship between the implementation of local wisdom-oriented differentiation strategies and the increasing competitiveness of Derawan Island can also be seen from the correlation test in Table 6.

Table 6. Correlation Test

Variable	Correlation Coefficient (r)	p-value	Interpretation
Differentiation Strategy and Competitiveness	0.65	0.001	Strong positive correlation, significant
Local Wisdom and Competitiveness	0.58	0.004	Moderate positive correlation, significant
Local Wisdom and Differentiation Strategy	0.72	0.000	Strong positive correlation, significant

Source: Data Processing Results (2024)

Based on the results presented in Table 6, there is a strong positive correlation between the implementation of the differentiation strategy and the competitiveness of Derawan Island ($r = 0.65$, $p = 0.001$). The more effective the differentiation strategy is implemented, the higher the destination's competitiveness will be, thus strengthening its position in the competitive market. The results of the correlation analysis also show a significant positive relationship between local wisdom and the competitiveness of Derawan Island ($r = 0.58$, $p = 0.004$). These results confirm that local wisdom plays an important role in increasing the attractiveness and competitiveness of a destination. Using local wisdom enriches the tourist experience and creates a unique identity that is difficult for other destinations to imitate, thus strengthening the competitiveness of Derawan Island as a leading tourist destination. In addition, the correlation test results also show a strong positive relationship between local wisdom and differentiation strategy ($r = 0.72$, $p = 0.000$) in creating unique added value for tourist destinations. Integration of local wisdom in marketing strategies and destination management can strengthen the uniqueness of Derawan Island, increasing its competitiveness in the tourism market. These findings provide important implications for policymakers and tourism industry players to focus on developing strategies that utilize local wisdom to create added value and increase destination attractiveness. Integrating local wisdom into differentiation strategies has proven effective in building a unique and strong identity, which is essential in competing in an increasingly competitive tourism market.

Table 7. Regression Test

Variable	Coefficient (B)	Standard Error	t-value	p-value	R ²
Constant	2.50	0.45	5.56	0.000	
Differentiation Strategy	0.55	0.10	5.50	0.000	
Local Wisdom	0.40	0.12	3.33	0.001	
Model					0.71

Source: Data Processing Results (2024)

In Table 7, the results of the regression test show that both local wisdom-oriented differentiation strategies and local wisdom significantly influence the competitiveness of Derawan Island tourist destinations. The regression coefficient for the differentiation strategy is 0.55 with a p-value (0.000), which indicates that a differentiation strategy that utilizes local wisdom can substantially contribute to the attractiveness and competitiveness of Derawan Island in the tourism market. Likewise, the coefficient for local wisdom is 0.40 with a p-value of 0.001, which indicates the importance of local wisdom in creating added value and uniqueness that strengthens the destination's competitiveness. The R² value of the model of 0.71 indicates that the regression model can explain 71% of the variance in the competitiveness of Derawan Island. This model explains how the independent variables studied affect the destination's competitiveness.

Table 8. Integration between Qualitative and Quantitative Data

Variable	Quantitative Data	Qualitative Findings	Integration
Differentiation Strategy	Coefficient: 0.55, p-value: 0.000	Interviews show that differentiation strategies that adopt local wisdom significantly enhance the attractiveness of destinations as they offer unique experiences that cannot be found elsewhere.	Quantitative results show a significant positive effect, in line with qualitative findings that local wisdom-oriented differentiation strategies strengthen destination competitiveness.
Local Wisdom	Coefficient: 0.40, p-value: 0.001	Interviews and observations revealed that local wisdom is the main attraction that enriches tourists' experience and increases their satisfaction.	The qualitative research confirms that local wisdom is a key factor in competitiveness, consistent with the quantitative results showing a significant effect on destination competitiveness.
Destination Competitiveness	R ² = 0.71	Observations and focus group discussions indicate that the competitiveness of Derawan Island is improved through local wisdom-based management that integrates cultural and environmental aspects.	The quantitative model explains most of the variance in competitiveness, supporting the qualitative results, which show that local wisdom-based management improves competitiveness substantially.

Source: Data Processing Results (2024)

The integration of qualitative and quantitative research results in Table 8 shows that implementing local wisdom-oriented differentiation strategies significantly increases the competitiveness of Derawan Island. Based on the quantitative regression analysis, a positive coefficient of 0.55 was obtained with a p-value of 0.000, indicating that increasing the implementation of differentiation strategies will significantly increase destination competitiveness. This finding aligns with qualitative data showing that local wisdom elements, such as local traditions and cultures, add significant value to the Derawan Island tourist experience. In addition, local wisdom also has a positive effect on destination competitiveness, with a coefficient of 0.40 and a p-value of 0.001. This shows that local wisdom is important in enriching tourist experiences, increasing tourist satisfaction, and providing unique attractions. Qualitative data supports this finding, showing that local wisdom-based management creates an authentic and satisfying tourist experience, strengthening the destination's competitiveness. The R^2 value of 0.71 also shows that 71% of the variance in destination competitiveness can be explained by implementing local wisdom-oriented differentiation strategies and using local wisdom. These results confirm that strategies integrating local wisdom can effectively increase tourist attractiveness and satisfaction and strengthen Derawan Island's position as a leading destination.

Based on the research results, implementing a differentiation strategy based on local wisdom has a significant positive impact on increasing the competitiveness of the Derawan Island tourist destination. This strategy has created an authentic and satisfying tourist experience, reflected in increased visits and tourist satisfaction. Although the differentiation strategy aims to create uniqueness that can increase competitiveness (Sunarsi & Ahmar, 2022; Abdellah, 2024), this study provides a new context by showing how local wisdom (culture, traditions, and local values) is the main factor in creating unique attractions for tourists. On Derawan Island, local wisdom, such as culture, traditions, and values, are key elements that create this uniqueness, which can ultimately increase the attractiveness of tourist destinations. This shows the study's novelty in combining economic, cultural, and tourism analysis in one framework to evaluate the impact of local wisdom-based differentiation strategies. Unlike other studies that emphasize marketing aspects based on modernization or destination branding, this study emphasizes how local cultural elements such as festivals, traditional cuisine, and customary values can be used as the main factors in creating sustainable competitive advantages. Based on the theory of tourist experience, authentic and distinctive tourist experiences are one of the main aspects influencing tourist satisfaction and loyalty (Butarbutar et al., 2023; Saleh & Said, 2019). This is per destinations that can offer unique experiences based on local wisdom, having greater appeal than other destinations that are less able to differentiate in the global tourism market (Sulthony et al., 2023; Sopanah et al., 2020). In addition, strong support from the local government and the active role of the local community play an important role in the success of this strategy. This shows the importance of local community involvement in managing and developing tourist destinations (Dong & Nguyen, 2023). Local communities on Derawan Island with in-depth knowledge of local wisdom play an important role in creating an authentic and satisfying tourism experience. This follows the research results of Chen et al. (2024), which state that community-based tourism can improve local communities' welfare while strengthening destinations' competitiveness. The results of this study are also relevant to the customer satisfaction theory by Kotler and Keller (2016), where customer satisfaction is influenced by consumer perceptions of the quality of the products or services they receive. In tourism, implementing a local wisdom-oriented differentiation strategy can improve the quality of tourist experiences, increasing satisfaction (Sangpikul, 2018). This is reflected in qualitative data showing that tourists highly value the elements of local wisdom presented in tour packages on Derawan Island, thereby increasing overall tourist satisfaction.

This study also provides new insights related to regression models, showing that 71% of the variance in destination competitiveness can be explained by implementing differentiation strategies and using local wisdom. This provides strong empirical evidence of the impact of these strategies on the competitiveness of tourist destinations. The theory of sustainable competitive advantage also supports this finding, where unique and inimitable resources, such as local wisdom, can be a source of sustainable competitive advantage for tourist destinations. In the context of sustainable tourism, this strategy emphasizes the balance between economic, environmental, and socio-cultural interests (Cavalheiro et al., 2020). By integrating local wisdom into marketing strategies and destination management, Derawan Island can strengthen its appeal as a destination that offers natural beauty and sustainable cultural wealth (Wendy & Ge, 2023; Winarno, 2021). This strategy also allows local communities to participate actively, improving their economic welfare while maintaining and preserving their cultural heritage (Kuswardani et al., 2023; Saidah et al., 2020). This study also identifies challenges in implementing local wisdom-based strategies, such as over-commodification risk that can reduce cultural authenticity. Local wisdom-based differentiation strategies provide benefits and have potential risks that must be managed carefully (Amin & Ritonga, 2024).

Thus, this study contributes to the science of tourism marketing strategies and destination development based on local wisdom. The findings of this study confirm that the integration of local wisdom in differentiation

strategies not only increases the competitiveness of destinations but also has the potential to create a more in-depth and satisfying tourism experience. In addition, this study has implications for sustainable tourism management, where the balance between economic, social, and cultural aspects is the key to successful tourist destinations. Therefore, destination managers and other stakeholders are advised to continue to develop and promote elements of local wisdom as an integral part of their marketing strategies to achieve sustainable competitive advantage. The findings of this study emphasize the importance of differentiation strategies oriented towards local wisdom as an effective tool to improve the competitiveness of tourist destinations. By utilizing unique and authentic local cultural elements, Derawan Island can create meaningful tourist experiences while supporting economic sustainability and cultural heritage preservation. Further research can explore how this strategy can be integrated with other tourism initiatives, such as community-based and sustainable tourism, to further strengthen the competitiveness and resilience of tourist destinations amidst increasingly fierce global competition.

CONCLUSION

Implementing a local wisdom-based differentiation strategy has a significant positive impact on increasing the competitiveness of Derawan Island tourist destinations. Integrating local culture, traditions, and values as the main elements in this strategy has created an authentic and unique tourism experience, which contributes to preserving local culture and identity. Support from the local government and active involvement of the local community are also key factors in the success of this strategy, which is in line with the concept of community-based tourism that improves the community's economic welfare while maintaining cultural authenticity. However, implementing this strategy must be carried out carefully to avoid excessive commodification that can damage the authenticity of local culture. The impact of the results of this study on Derawan Island tourist destinations is that by implementing a local wisdom-based differentiation strategy, Derawan Island can strengthen its appeal in the global tourism market. The uniqueness of culture, traditions, and local values in the tourism experience can make Derawan Island more competitive than other destinations. In addition, an authentic and distinctive tourism experience based on local wisdom can increase tourist satisfaction so that satisfied tourists are more likely to return and recommend Derawan Island to other tourists, which positively impacts the level of visits. Implementing the results of this study can help Derawan Island strengthen its position as a leading tourist destination that not only offers natural beauty but also authentic and sustainable cultural experiences while maintaining the welfare of local communities and environmental sustainability.

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