

A good mood indicator, discretionary travel remains on hold.

When the economy is uncomfortable, the advertising industry is one of the first to feel the pain. Many corporations cut back on brand-building. Fast-moving consumer goods are the last to react, because consumers need their everyday essentials. At the other end of the spectrum is discretionary travel, quickly disappearing off the family agenda. Even everyday essential travel is affected, minimised, cheaper alternatives considered. Business travel is under scrutiny and holidays are off the agenda.

A luxury for most Indonesians even at the best of times, only 10 to 15 per cent of the population indulge in discretionary travel each year, depending on the economic conditions. Of these travellers, 98 per cent travel within Indonesia with only about 2 per cent of the population travelling overseas each year. Since March of 2007, that population of 20 million travellers dwindled to just 15 million by March 2009. About 85 per cent of these trips within Indonesia are short, between 1 and 3 days each. More than half the visits overseas also fall within the short strip category, underlining the importance of short-haul flights to Singapore and the region. The 17.5 million short-trip travellers two years ago is now down to 13.6 million. All these numbers have steadied with no further decline, seemingly on a holding pattern awaiting the return of more bouyant times.

Within this diminished universe of travellers, a noticeable trend has emerged. Of all the people who took a short trip in the last 12 months, 63 per cent had taken one as at March 2007. That population had shrunk to 41 per cent two years later. Conversely, the number of travellers who have taken two, three or four trips in the last 12 months have grown rapidly. Notably, travellers who have taken three short trips has grown from 8 to 18 per cent in just two years influenced of course by the steep decline in the group of casual travellers. This comes as no surprise, with travel becoming more a facet of life for a smaller group of travellers who are financially better off. Simply put, the universe of travellers has shrunk significantly but is holding steady at that plateau. Even at that level, holiday travel dwarfs business travel, with three out of four visitors choosing to do so for personal reasons.

Buses remain the most popular form of transportation, even for discretionary short trips. Selected by 70 per cent of all travellers two years ago, that popularity has declined to 62 per cent. Much of that slack has been taken up by motorcycles, climbing from 13 to 19 per cent during that period. This is a clear indication of the relatively short distances covered by short-trip travellers in Indonesia. Next are cars, holding steady at 11 per cent, followed by trains which have grown in share from 4 to 7 per cent. Boats and ferries remain flat at 1 per cent while air travel has declined in popularity to just 1 per cent share of short trips in recent times. 88 per cent of travellers stay with friends or relatives, with hotels, motels, guest houses and losmen competing for the rest.

Long trips, defined by durations over 3 days, present a different picture when analysed. That small universe has shrunk dramatically in two years. From 5.2 million long-trip travellers in the last 12 months as at March 2007, there were just 2.3 million as at March 2009. The number of such travellers to destinations overseas had also shrunk, by more than 50 per cent. Garuda's performance in these difficult circumstances is all the more creditable, turning

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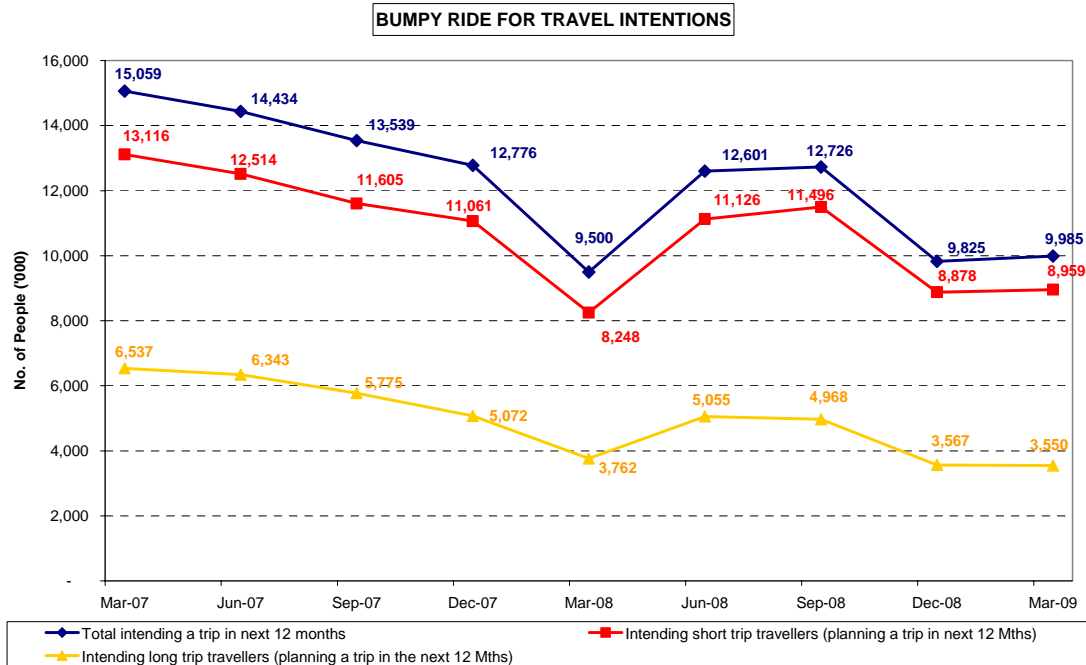
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around into profitability against the odds. The forthcoming visit of aviation experts and a much-awaited lifting of the ban on Indonesian carriers to EU countries augurs well for the national flag carrier.



Looking to the future, intentions to travel have seen it all in recent times, peaks, troughs and plateaus. Presently, there are almost 10 million people planning to travel in the next 12 months, down from 15 million intenders two years ago. Small though it may be, the number of intenders grew by 150,000 people in the last quarter alone. Similar results were visible in both short and long trip intenders. Too early to tell, but a levelling off is hopefully a precursor to recovery. If the confidence level of the Indonesian consumer is any indication, that lift upwards should not be too far away. What marketers do to stimulate that confidence into action will produce returns on investments made in these difficult times. There are troubled airlines in the region giving away tickets for the cost of taxes, keeping the aircraft flying and the staff employed. Now is the time for Indonesia's domestic carriers to work with hotels and tourism authorities to join hands, offer deals that keep the wheels turning. When the travel industry returns to better load factors and occupancy rates, the mood of the nation will have turned full circle.

These opinions are based on Roy Morgan Single Source, a syndicated survey with over 25,000 Indonesians 14 years and older interviewed each year. That national database is updated every quarter, reflecting changes in consumer behaviour as they occur in the unpredictable times we are living in. Almost 90 per cent of the population is covered, in both urban and rural Indonesia, unique in that national perspective.

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