

Traveloka: Number One Online Travel Agent in Indonesia

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Abstract

Rapid growth of travel and tourism industry in Indonesia has made Traveloka one of the first successful unicorn company that exist in Indonesia. Traveloka is an online travel agent (OTA) that provides online booking for flights, airport shuttle, tourist attraction, hotel reservation and many other services which gives them credits as a travel and lifestyle one-stop go-to app. Continuous development is one of Traveloka's key business strategy that has led them to be one of the pioneers in Indonesia's OTA industry. Each year Traveloka keep introducing new features to fulfill all the customer's needs when traveling.

Keywords: *Unicorn Company, Continuous Development, Pioneer*

Introduction

Traveloka is the third unicorn company in Indonesia that was founded on 2012 by Ferry Unardi, Derianto Kusuma and Albert (Traveloka Press, 2019). Ferry Unardi was a student in Boston and a Microsoft employee in Seattle. He found himself having a hard time in booking a flight ticket from Indianapolis to Padang, Indonesia. Therefore, he created Traveloka, which the purpose at the beginning was a website to compare flight ticket prices from one website to another or a meta search website. Ferry suddenly feel the urged to be an entrepreneur and develop the idea of Traveloka into a business with his two fellow friends. By using his engineering skills, Ferry and his two friends successfully developed Traveloka website. Currently partnering with 70 domestic and international airlines and offering over than 100,000 routes throughout Asia Pacific, Europe and America, making Traveloka the leading OTA in Indonesia. This report will discuss about the key success factors of Traveloka in dominating the online ticket and hotel reservation in Indonesia and identifying the challenges that Traveloka faces.

Background

2012-2014: The Beginning of Traveloka

As a student in Boston and a Microsoft employee in Seattle, Ferry Unardi was a very busy traveler.

Ferry had to travel back and forth from Indianapolis to his hometown, Padang, Indonesia. Therefore, Ferry developed his own meta search website to help him compare and find the best airline ticket price. According to Gunawan (2018), Ferry, Derianto and Albert first launched Traveloka website on September 2012. One month later, Traveloka was officially released and available to the public. Within 1 year of the release, Traveloka got the first fund injection from East Ventures and changed their business base from a meta search website to an online ticket reservation platform where it does not only compare flight prices from different airlines, but customer also able to book their flight ticket from Traveloka.

The web traffic increased significantly after fund injection from Global Founders Capital and many airline companies started to join providing online booking in Traveloka. Traveloka understand the existing opportunity to expand their business platform, thus in 2014, they introduced hotel reservation service where it allows customer to have tremendous options of hotel located throughout Indonesia. Traveloka also introduced a slogan “best price guarantee” where the customer will be assured that they are paying for the best cheapest price in the market. One month after that, Traveloka launch their mobile application for iOS and android, to make the purchasing even more convenient and to maximize the ubiquity of e-commerce transactions (Gunawan, 2018).

2014-now: Business Expansion and Explore New Market

Traveloka saw an opportunity to enter a whole new market throughout South East Asian countries such as Malaysia, Thailand, Singapore, Philippines and Vietnam. Traveloka succeeded to become the first OTA in Thailand due to the fact that Thailand people regards Traveloka as a Thailand company, because the name “Traveloka” is from a Sanskrit language that Thailand is using (Baziad, 2016). The market expansion itself received a warm welcome from the hosting countries’ stakeholder such as government agencies and travel agents.

Traveloka keep adding new features to their services such as Price Alert, where the customer will be notified if the price of flights in the desired date and budget are met. ‘Easy Reschedule’ were also introduced where customer can easily reschedule their flight reservation in Traveloka without hassle. The user interface became simpler with faster reservation process (Gunawan, 2018). In 2018, Traveloka keep expanding their service range by adding train and bus ticket reservation for Indonesian market. Traveloka also associated with taxi companies and introduced airport shuttle transportation. Traveloka introduce another new feature such as Pay Later, where it allows the customer to purchase flight or hotel without having to pay it right away. Customer are able to pay it later in the next 3, 6 or 9 months with installments.

Traveloka Eats and even activities and attraction reservations were also introduced where Traveloka Eats provide the nearby recommended restaurants, and activities and attractions reservation allow customer to book their entry ticket to the desired tourist attractions (Traveloka Press, 2019). These new features development is to increase the ease-of-use and improve customer experience so that Traveloka can become a one-stop and hassle-free OTA. Until present time, Traveloka has gained a high profit margin due to their reputation as the number one OTA in Indonesia.

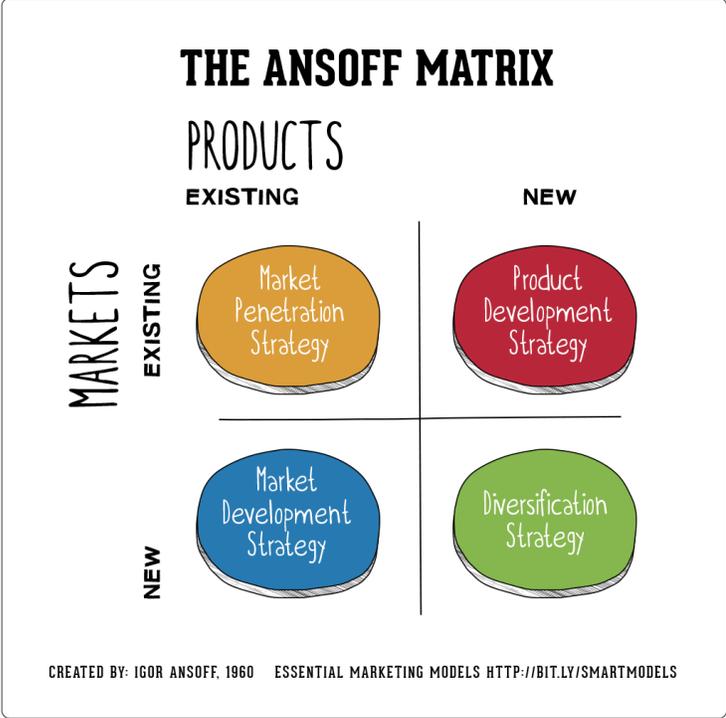
Business Strategies

Market Penetration

In accordance to Wainana and Oloko (2016), market penetration is when a business penetrates deeper

into their existing market. It is a strategy that involves increased selling of the existing product to a market that is already exist in order to acquire a bigger market share than the competitors. It allows the company to increase their sales and revenue.

Figure 1: Ansoff Matrix (Ansoff, 1960)



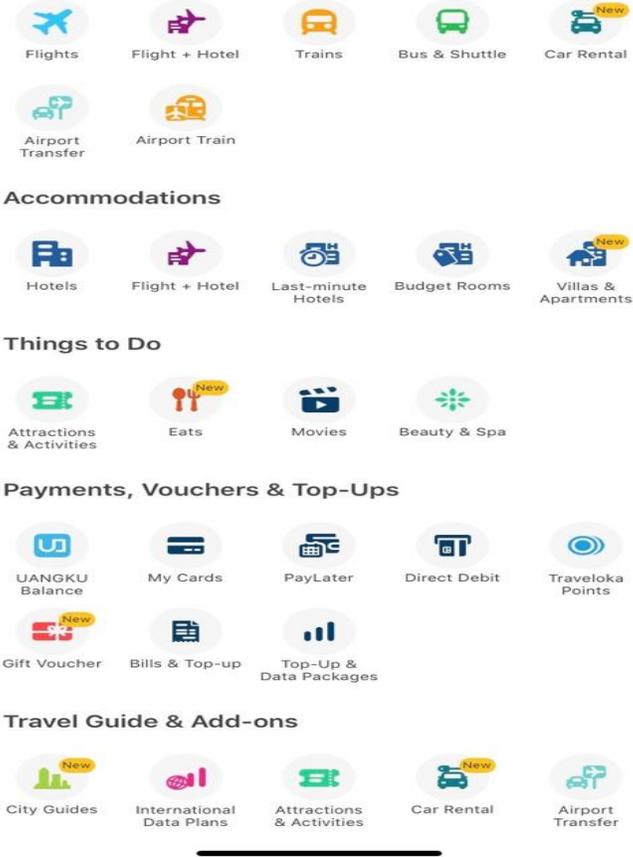
Traveloka was able to apply the market penetration strategy is by introducing loyalty scheme where a customer can register as a Traveloka member and gain points as a reward each time they finish a transaction in Traveloka. The points itself can be redeemed and converted to a discount voucher or any voucher that Traveloka offers. Traveloka also does a lot of special offer such as 20% off if a customer purchased a flight on particular date of the month or using particular airline. The user interface of Traveloka also become simpler and easier, whereas complicated and difficult user interface might make customer cannot enjoy their purchasing.

Product Development

Crawford and Di Benedetto (2011) stated that product development is introducing new products in the market in order for the business to continue their success. Product development also contributes to the company growth which leads to the increasing profits. Since the beginning of its launch, Traveloka has always been focusing on their product development by adding more range of services such as bus and train ticket reservation, car rental, airport shuttle, Traveloka Eats, attraction and activities and many more. Traveloka even introduced a packaged of Flight+Hotel where customer can get both at a cheaper price. While at first, Traveloka was only a meta search website and until now it has wide ranges of services to choose. Customer can purchase any necessary thing that they need when travelling, such as internet data, car rental, and even purchase the desired attraction ticket. Any competitor of Traveloka does not have this much range of services and that makes Traveloka a

leading one stop OTA in Indonesia. Although the services have not yet available in other region, currently Traveloka is developing their services in other region as well.

Figure 2: Traveloka's Services (2019)



Market Development

In accordance to Ansoff (1985), market development describes as bringing existing products and services and finding new market by opening up the previously excluded market segments, new marketing and distribution channels and entering new geographic markets. Meanwhile McCarthy (1960) explained there are two methods of implementing market development strategy which are moving the existing product to a whole new geographical area and expanding the sales by attracting new market.

In 2016, Traveloka begun to venture their market expansion to South-East Asian (SEA) countries as well as opening regional offices in Malaysia, Thailand, Singapore, Philippines and Vietnam. The expansion itself receive a warm welcome from the local stakeholder because the initial goal of the expansion is not to compete, but to open up the market by giving a chance for lesser known destination and small towns to be on the global map, admit Traveloka head of Marketing, Dannis Muhammad (Baziad, 2016). Traveloka planned to repeat their success in Indonesia and bring it to other countries in SEA. With four new SEA markets, Traveloka has employed over than 1,000 full-time and part-time employees and experiencing amazing company growth rate.

Cost Leadership

According to Porter (1980), cost leadership is being able to lead in production cost in the industry, where the firm are able to produce their product or services at lower cost than their competitors. It allows company to be a low-cost producer and making more profits than the competitor because of low costs of production and enjoy the economies of scale. This become an advantage for the first-movers like Traveloka. Porter (2008) stated that once a company achieved low cost, it provides a high profit margins where it allows the firm to re-invested in new technologies and modern facilities to maintain the cost leadership. Pearce and Robinson (2005) explained that this strategy can be executed by using superior management techniques, not adding unnecessary value to the product which customer finds it as unimportant and thus the customer are not willing to pay for that. The strategy should not interfere with the product quality as it will generate negative impact in the market.

Figure 3: Porter's Generic Strategies (Porter, 1980)



Traveloka has a slogan “best price guarantee”, where Traveloka assure their customer that they are paying at the best possible rate. If the customer found the exact booking somewhere else with cheaper price, Traveloka will reward the customer with a discount coupon for their next transaction. Indeed, to compare the same flights in Traveloka with another OTA, Traveloka offer the lowest price (Traveloka 2019). The reason why Traveloka do a cost leadership strategy, is to generate traffic to their website and application and enjoy high margin of profits.

Key Success Factors

Innovative and Creative

In the process of developing new feature, Traveloka not only carefully learn the market trend, but they also listen to what customer wants and need (Pratama, 2018). Traveloka does not simply add new feature without carefully plan it with their special execution team. Just like PayLater feature, where it is a very risky choice for Traveloka to make but turns out it receive a good feedback from customer. Because it focuses on the customer that does not have enough money or does not have credit card to pay for their transaction in Traveloka, where that is exactly what the customer currently

needs. Initially, Traveloka was a flight and hotel reservation website. But now, it become known as an application for travel and lifestyle.

Ever since Traveloka first exist, they never stop to create and develop new features to meet the fast-changing market trend and demand. Traveloka knows really well the behavior of Indonesian civilian that they like an instant and fast purchasing process at one time. Therefore, Traveloka provides a one stop e-ticketing platform that fulfill the customer's needs when they are traveling such as car rental, international plan data, restaurant recommendation or Traveloka Eats, and many more. This makes Traveloka has a very strong branding position, whereas in the situation that a customer wants to purchase a flight ticket or wants to book a hotel room, they will think about Traveloka (Yuliawati, 2018).

Favorable Conditions and Good Timing

When Traveloka started to develop in 2012, Indonesia travel market was still in its early phase where not many Indonesians were aware of the existence of OTA and not many OTA was established in Indonesia at that time. Traveloka saw an opportunity to simplify the flight booking process in Indonesia, a market where the majority of travelers are first timers and not yet very experienced booking travel online. Traveloka did not realize at first that it became the moment where Traveloka first started exploits an opportune moment to launch an e-ticketing marketplace in Indonesia (Bui, 2013). Although Traveloka started their business quite late in 2012, where few companies already established their OTA business in Indonesia, Traveloaka still able to capture the customers' heart by truly understand their customer's behavior and up to date to the current market trend (Yuliawati, 2018). In 2019, many local and foreign OTA startups such as JD.ID began to saw the opportune in Indonesian travel market. But Traveloka already has a strong branding image because they already started in 2012 with the variety of benefits and features that they offer to their loyal customer. Therefore, Indonesian citizen are getting so used to Traveloka as their first choice of OTA.

Challenges

Arising Competition in Indonesian OTA Industry

Traveloka has many competitors that targets similar market as them. Other online travel agent in Indonesia started to rose and also offering a low-price flight. According to STAAH (2019), Traveloka's direct competitors are Booking.com, Pegipegi, Agoda, Expedia, and many more. Although Traveloka has the highest brand awareness amongst Indonesian civilian, these competitors might affect Traveloka profits whereas customer now have another choice in choosing which OTA for them. Moreover, the recent case where AirAsia decided to stop their cooperation with Traveloka due to an unhealthy business practices, customer might go to another online travel agent. In accordance to Antara (2019), Air Asia smells an unhealthy competition in Traveloka where Traveloka kept making AirAsia's flights missing from their page. Taking a serious action regarding the issue, AirAsia decided to permanently stop their cooperation with Traveloka. However, Air Asia still cooperating with other OTA that does not discriminates their flights like Traveloka. This issue will furthermore result the customer turnover to another OTA that serves Traveloka in their services. Because mostly OTA users are traveler who is looking for a cheap flight like Air Asia (Putra, 2018).

Figure 4: Indonesia Top Online Channels (STAAH, 2019)



Hacker and Bug

Being an online travel agent makes Traveloka vulnerable to cyber-attack such as hacker and bugs. Hackers usually refers to those who breaks into computer systems or simply a computer criminal and electronic vandal (Chandler, 1996). While Kelly (2007) described bugs as defects in the code that cause a program to crash or produce invalid output. Traveloka's direct competitor, Tiket.com, experienced a hacker attack in 2016 and had loss equal to USD\$220,820 (Prihadi, 2017). Although Traveloka haven't had any hacker attack to their system, but Traveloka had experience some bugs where the flight prices dropped 80% from the original prices that results loss for Traveloka and the involving airlines. And although Traveloka's system was never being the target by the hacker, but the less educated customer become the prey of these hackers where they will call the customer and ask regarding their personal credentials data (Putra, 2018). Despite the fact that the stolen personal data is not Traveloka's fault, it will affect the customer's perception of Traveloka and turn to another OTA. E-commerce doers really need to be aware of their system vulnerability, or else hacker and bugs may attack the system and results great loss for their company. Not only financially, but also company will lose their credibility and the long-built customer's loyalty.

Conclusion

Traveloka is an OTA, the third unicorn company in Indonesia that became successful leading the e-ticketing market in Indonesia as well as other South-East Asian regions such as Thailand. The reason behind the success of Traveloka is that they are very creative and innovative, as well as actively listen to their customer in developing their features. Traveloka also started the business in the right timing where the online ticketing market in Indonesia was still in its early phase, whereas Traveloka enjoy the economies of scale by offering the lowest price amongst another OTA. Furthermore, it was analyzed that the business strategy that Traveloka is applying was the three out of four Ansoff matrix strategies, which are market penetration, product development and market development.

Market penetration because Traveloka keeps increasing the quality and the ease of use of the application, as well as offering loyalty member benefits discounts. Traveloka also keep adding and

developing new features to their services in order to generate more profits by providing one stop e-ticketing platform that provides everything. In 2016, Traveloka did a massive expansion to a whole new market in South-East Asia, and also Australia. Cost-leadership is also one of the strategies that Traveloka is practicing, by offering the best price guarantee in the market.

However, although Traveloka is the number one OTA in Indonesia, they still face several challenges in performing their business. The arising of new OTA can be a threat where customer might go to another OTA to find a cheaper option. Cyber-attack is also one of the biggest threats for e-commerce doers. Despite the fact that Traveloka never had any hacker attack, but they have experienced bugs in their system. The recommendation below will provide how Traveloka may overcome these challenges.

Recommendation

With the arising of OTA in Indonesian market, Traveloka has done their part to remain in the competitive market which are developing new features, simplify the purchasing process, apply an interesting loyalty scheme benefits and entering new market in order to retain the existing customer and attract new customer. But it does not mean Traveloka can sit back and relax, because in the meantime, Traveloka customer might go to another OTA because they offer cheaper price than them. Although Traveloka has this claim “best price guarantee”, Traveloka need to carefully study their competitor’s behavior and strategy, so that it will not outsmart the current strategy that Traveloka has. Traveloka also need to keep up to date to the current market trends so that they can adjust their features to suit what the current market needs.

Furthermore, any e-commerce doers are vulnerable to a cyber-attack. Therefore, Traveloka needs to strengthen their cyber security team and build a strong proxy wall and system. Traveloka also need to use a secure connection and partnering with a credible online payment gateway. To educate their employee and customer to beware of the social engineering scams are also important, as the hackers not only targeting the weakness in the system, but also targeting the less educated customer and gain their personal data (Baig, 2017).

Lessons Learned

OTA business in Indonesia is growing at a really fast pace, whereas travel and tourism industry in Indonesia grew twice as fast as global average, making Indonesia the perfect market for OTA industry to compete. Not only local startups begun to rise, but foreign company also started to look at this opportunity to open their OTA business in Indonesia such as JD.ID. In the beginning of its launch, not a single airline wants to cooperate their business with Traveloka due to the new unknown brand.

Not being the first mover in Indonesia, was also a challenge for Traveloka, to compete with Tiket.com who started a year earlier in the e-ticketing business. OTA business is also need to pay attention to their system, to build a secure and safe connections where the hacker cannot attack. Although Traveloka’s system is strong enough from the hacker, but they still experience bugs in their system. OTA’s leader need to regularly maintain the health of their system.

Despite the challenges that Traveloka faces from their early launch up until now, Ferry Unardi and his two fellow co-founders does not simply give up and never stop developing new features for their loyal customer. Their goals are to provide customer a straight to the point services, with best prices,

with the best quality of services as well in order to make a happy customer.