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Business pivoting to domestic departure terminal of I Gusti Ngurah Rai Airport Bali for business sustainability

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ABSTRACT

PT Travelindo International (Travelindo) is a travel retail company that operates in the Bali airport. They operate in the international terminal of I Gusti Ngurah Rai Airport Bali. The problem is due to Covid-19 pandemic, the business drops as direct impact of travel restriction of international travelers to Bali and they would like to pivot their business to domestic departure terminal as business continuity plan. The company plan to pivoting their business to domestic departure terminal however they lack of knowledge on the customer profile there. To analyze and research this both quantitative and qualitative research methodology is used to gain information and alternatives of market segmentation that Travelindo could focus on. The primary data gathered from spreading online questionnaires and depth-interview with selected respondents. For analysis technique, K-mean clustering analysis is performed. To pivoting the business to domestic departure terminal, there are five market segments that Travelindo should focus on which consist of three market segments from buyers and two market segments from browsers. The important findings are the majority of the domestic travelers are having impulsive shopping behavior and their product type preference is souvenir.

INTRODUCTION

Travel retail industry is affected severely by the covid-19 pandemic, the travel restrictions set by the government has impacted on the massive drop on the number of international travelers visiting Bali. Travelindo is one of the companies affected in this industry and their business drop close to 100% due to covid-19 pandemic since they only operated duty-free shops in the international terminal of Bali airport. Number of travelers both in domestic and international terminal is dropped since pandemic hit the country in early of 2020. In June 2020, both terminals recorded -100% passengers drop versus 2019 as direct impact of travel and movement restriction set by the government. However, starting in July 2020 onwards domestic terminal started to have travelers while international terminal remains at -100% versus 2019 due to international travelers not allowed to flight directly to Bali. Figure 1 shows that the recovery of international travelers visiting Bali is slower compared to the domestic travelers in the domestic terminal. In December 2021, the number of domestic travelers pass through domestic departure terminal has reached 354 thousand which is equal to -22% versus 2019 while international terminal remains at -100%.

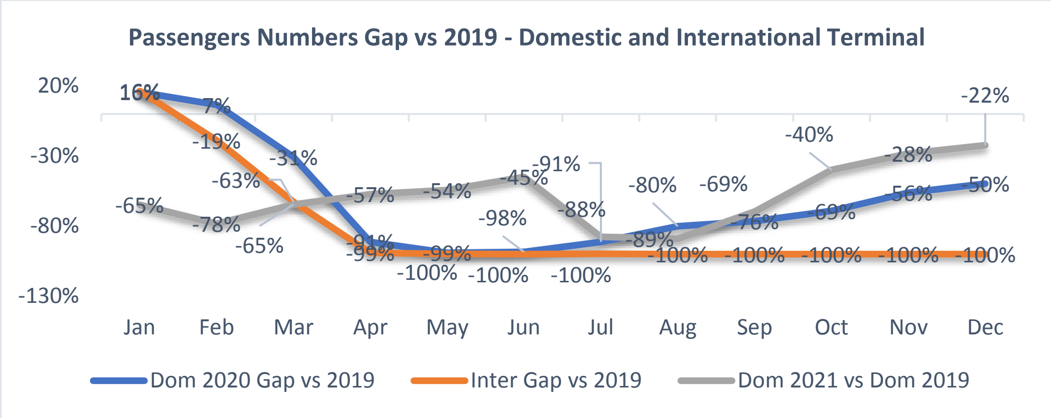

Figure 1 Passengers **numbers gap vs, 2019**
Source: Bali tourism board, compiled by author

This situation triggers Travelindo to pivot part of their business to domestic departure terminal as business continuity plan. The problem is Travelindo lack of knowledge on the characteristics and shopping behaviors of domestic travelers at domestic departure terminal of I Gusti Ngurah Rai Airport. Their main questions related to the domestic travelers are: (1) what are the available market segmentation in the domestic departure terminal, (2) which target market that they need to focus on? (3) what are their main characteristics and shopping behavior? (4) what are the product types those segments look for? (5) How much is the spending level? (6) What are the marketing stimuli? (7) What is the consumer journey? (8) What kind of marketing communication and (9) what are the additional services could be provided?.

RESEARCH METHODS

Quantitative and qualitative methodology used in this research. Quantitative study conducted by distributing online questionnaire to 122 respondents who travels through departure domestic terminal for period April 2020 – February 2022. Number of respondents determined by using slovin formula with total population is number of passengers in the domestic terminal in 2019 and margin error 10%. The aim of this questionnaire is to gather the domestic traveler's profile from demographic and psychographic factors.

To analyze the questionnaire in more detail, researcher used cluster analysis which is the most common statistical technique for segmentation (Hague, et.al 2016). The clustering methods that will be used in this research is the most prominent and widely used: K-means. Tripathi (2018) mentioned that K-Means is simple, efficient and apply for relatively small data set where the results are depicted. The goal of the K-means is to minimize the squared error as an indicator of the distance of the data points to their respective cluster centers.

While online depth-interview applied to 10 selected respondents as these numbers has reached the saturation level which is the common criteria to determine whether sufficient sample size has been reached in qualitative research is saturation (Charmaz, 2003; Glazer & Strauss, 1967; Merriam, 2009). The aim of this depth-interview is to gain deep insight on domestic travelers shopping behavior and product preferences.

RESULTS AND DISCUSSION

Available Market Segment

Six market segments are available at domestic departure terminals. Four segments are buyers, travelers who buy products at domestic departure terminals and two segments are browsers, travelers who didn't buy products at domestic departure terminals. Segments from buyers are: Millenialls Z Leisure Travelers (MZLT), Millennials X leisure travelers (MXLT), Mature Mix Segments (MMT) and Young Business Travelers (YBT). The characteristics of each segment as shown in table 1.

Table 1 Buyer segmentation matrix, source: Survey results

		MilZ Leisure Traveles [MZLT] (CL1)	MilZ Leisure Traveles [MZLT] (CL2)	MilZ Leisure Traveles [MZLT] (CL3)	MilZ Leisure Traveles [MZLT] (CL4)
	% of Buyers	18%	24%	45%	12%
	% of total respondents	12%	16%	30%	18%
Base segmentation	criteria				
geographic	domicile	Jabodetabek (60%), java (20%), non java (20%)	Jabodetabek (55%), java (25%), non java (20%)	Jabodetabek (54%), java (27%), non java (19%)	Jabodetabek (40%), java (30), non java (30%)
demographic	Gender	Female (60%), male (40%)	Female (65%), male (35%)	Female (49%), male (51%)	Female (50%), male (50%)
	Age	<20 – 39 yo	<40 yo (50%), 40-49 yo (50%)	20 -> 49 yo	<40 yo (80%)
	Spending social media users	IDR 1 Mio up to > IDR 5 Mio	>IDR 5 milion	IDR 1.5 up to > IDR 5 mio	IDR 4 mio up to > 5 Mio
psychographic	Active social media users	YES	YES	YES	YES
	Number of social media platform user	>1 platform (86%)	>1 platform (75%)	>1 platform (81%)	>1 platform (90%)
	Purpose of traveling	Vacation (73%), visiting family (30%)	Vacation (50%), visiting family (25%)	Vacation (54%), visiting family (40%)	Vacation (20%), visiting family (50%)
	Frequency of traveling before pandemic	1-2x (86%), >5x (13%)	1-3x (80%)	1-4x (78%)	>5x (70%
	Frequency of traveling during pandemic	Just on time (80%)	Just on time (60%)	Just on time (57%), 2x (37%)	>2x (90%)
Shopping behavior	Bu product	yes	yes	yes	yes
	Type of product bought	F&B (74%), Cigarette (6%), souvenir (20%)	F&B (40%), Perfume (5%), souvenir (55%)	F&B (49%), Perfume(5%), souvenir (46%)	F&B and souvenir (80%)
	Impluse/plan buyers	Impluse buyers (73%)	Partially plan, partial impulse (70%)	Impluse buyers (64.8%)	Plabbuyer (90%)
	Basket size	1-4pc	1-12pc	1-8pc	1-12pc
	Forwhom	Myself (53%)	Family and friends (70%)	Family and friends (62%)	Family and friends (60%)
	Spending level	IDR 50-299K	IDR 100 upto >299K	IDR 50 upto >299k	IDR 100 upto >299K
	Type of promotion like	Single unit (47%), multi unit (20%), one price promo (25%), GWP (7%)	Single unit (30%), multi unit (50%), one price promo (10%), GWP (15%)	Single unit (32%), multi unit (46%), one price promo (11%), GWP (11%)	Multi unit (100%)
	Diong price comparison?	Yes (93%), no (7%)	Yes (100%)	Yes (3%), no (97%)	Yes (40%), no (60%)

While for browsers segment, it consists of Long Stay Mix Travelers (LSMT) and Long Stay Individual Travelers (LSIT), the characteristics of these two segments are shown in table 2.

Table 2 Browsers Segment, Source: Survey Results, analyzed by researcher

		Segment/cluster	
		Long stay mix travelers (LSMT) [CL1]	Long stay mix travelers (LSMT) [CL1]
geographic	domicile	Jabodetabek (77%), non java (15%), west java	Jabodetabek (59%), west java (41%)
demographic	Gender	Female (46%), male (54%)	Female (41%), male (59%)
	Age	20-49 yo	20-49 yo
	occupation	Private sector (70%)	Private sector (70%), entrepreneur (22%), givernment officer (7%), housewife (37%)
	spendmonth	IDR 3 M upto > IDR 5 M	IDR 1.5 M upto >5M
psychographic	PurpVis	Business (46%), vacation (54%)	Business (33%), vacation (67%)
	FreqTraB4pandeminc	1-2x (46%), never been to bali (8%)	1-2x (41%), >5x (26%)
	Stay duration	>3night (69%)	>3night (63%)
	With whom travel	Family & friend (92%), alone (8%)	Family & friend (81%), alone (19%)
Shopping behavior	Reason not buy products	Limited time (38%), noproducts needed (27%), price higher (35%)	Limited time (6%), noproducts needed (67%), price higher (27%)

Customer Personas, Main Characteristics and Shopping Behavior

From those segments explained previously, six customer personas as target market defined which are: Marsya, Fanny, Rian, Dini, Fara and Novri. Each of this customer personas represents each available market segment. Among these six customer personas, Travelindo should focus only to five customer personas: Fanny, Rian, Dini, Fara and Novri. Marsya is the only customer persona excluded as the characteristic is not aligned with the company plans to extend its souvenir products to domestic departure terminal. These five customer personas represent 88% of market size which is big enough for Travelindo to sustain their business and gain profitability.

Fanny is is representing MXLT segment that consists of millennials and generation X. This segment has 16% market size. She is a frequent flyer traveler who loves to have leisure travel to Bali. One year before pandemic, she traveled to Bali 2 times and after the pandemic she still flight to Bali one time. She bought 1 – 12 pc of souvenir products during her travel time at domestic departure terminal with average spending more than IDR 299K.

Rian is representing Mature Mix Travelers (MMT) segment that consists of mix demographic travelers with age range 20 years up to above 49 years old. This segment has the biggest market size which represent 30% of market size. Similar like Fanny, Rian is a frequent flyer traveler who loves to have leisure travel to Bali together with his spouse. Prior to pandemic time, he traveled to Bali 2 times per year and during the pandemic, he had already one time travel to Bali. Rian is a partial impulse buyer which mean he had already a thought to buy products at the airport based on recommendation from his friends. Rian's basket size is between 1 – 8 pc per transaction and his spending level is range between IDR 200K up to IDR 299K and he is willing to increase his spending level as long as he found products that match with his needs.

Dini representing Young Business Traveler (YBT) segment that has 8% market share over total market size. She is frequent flyer traveler with more intense travel frequency to Bali compared to Fanny and Rian. In the pre-pandemic time, she travels to Bali 5 times every year and during pandemic, she had already visited Bali 3 times. She is a planned buyer who prepare the list of products that she would like to buy and the person intended to receipt. Her basket size is on average of 1 up to 12 pc with spending level in average IDR 200 – 299K.

Fara is representing Long Stay Mix Traveler (LSMT) segment that has 11% market share over total domestic travelers. She is frequent flyer traveler who visited Bali 2 times per year during pre-pandemic time. After pandemic come, she has visited Bali one time. She didn't buy anything during her journey at domestic departure terminal with the main reasons: limited time, can't find the products that she needed, and the price at the airport is higher compared to downtown. however she is open to purchase products especially for the food souvenir as long as she can find products that she has awareness and there is good offer.

Novri is part of Long Stay Individual Traveler (LSIT) segment that represents 22% market share of domestic travelers. He is frequent flyer travelers who visited Bali more than 3 times a year during pre-pandemic time and even in the pandemic time he visited Bali 3 times. He doesn't buy any products during his journey at domestic terminal with main reason: the price in the airport is much higher compared to downtown shops. Even though Novri doesn't buy anything during his journey. he still keen to buy products as long as he could get good promotion offer that makes the price is more attractive for him.

Fanny, Rian and Dini are categorized as priority personas that the company should focus on as they have already bought products and the focus is to increase their spending level. While for Fara and Novri the priority is less and the focus of the company is to convert them to be a buyer.

Shopping behavior of those personas are different in each segment. 80% of YBT segment has mix plan and impulse buyers, 10% pure impulsive buyers, the rest is pure plan buyers. While for MMT segment, 65% are pure impulsive buyers, 30% are mix buyers which mean they plan to buy product however, they also being impulse with external stimuli. For MXLT segment, 70% are mix buyers and 30% are pure impulsive buyers. Overall, 51% of the domestic travelers are impulsive buyers, 43% are mix buyers and only 6% are pure plan buyers. With this high level of impulsive buying, Travelindo should focus to create external stimuli to convert the browsers and increase the spending level of the buyers.

Products preference and Spending Level

34% of the domestic travelers surveyed prefer to buy souvenirs. 28% prefer to buy food souvenir while 5% prefer to buy non-food souvenir. This result is higher compared to previous study from Bali tourism board that 24% of tourists visited Bali allocate their spending for souvenirs. The spending level in each segment is varied. 30% of travelers in the YBT, MMT and MXLT segment have average spending level above IDR 299K. Overall for all segments, majority of the travelers have average spend IDR 200 – 299K.

Marketing Stimuli

There are four marketing stimuli that could influence domestic travelers to buy products in the domestic departure terminal: products packaging, promotion, store characteristic which involving sales staff and retail merchandising. Related with products packaging, majority of domestic travelers will be influenced by attractive product packaging in particular those with Balinese design. Related with the promotion, majority of domestic travelers who pass through domestic departure terminal could be stimulated to buy by multi-unit promotion which offer higher price-off for more units bought.

While for store characteristics, domestic travelers could be stimulated to buy products with store that bring basic convenience atmosphere such as clean, bright, have music and attractive shop design. Sales staff is potential external stimuli that could be utilized by Travelindo to attract domestic travelers to buy products. Attractive products merchandising display is the other influencing external stimuli that could convince domestic travelers to buy products.

Consumer Journey

In this study, researcher used 5A framework: Awareness, Appeal, Ask, Act and Advocate which is combined with the customer journey of Travelindo that they use in their daily business operation. The buyer segments the awareness phase started from their home prior to their departure journey to the airport. The phases continue until act in the retailer shop at domestic departure terminal and the advocate phase when the travelers arrived at their destination. Different with the buyers, the journey of browsers stops at ask phase which showed that the browsers were not convinced with the products offered at retailer shop at domestic departure terminal hence they didn't continue to act phase.

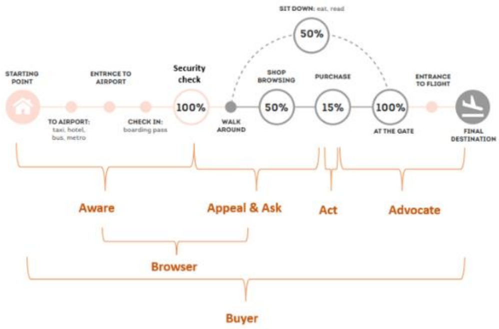

Figure 2 Customer Journey Buyer and Browsers

Researcher found that level of awareness will directly impact on the travelers' buying decision. For buyer segments, higher awareness level will lead to higher basket size and spending level while for browsers segment, higher awareness level could convince the travelers to move from ask phase to act phase which is a conversion process.

Since the buyers segments have good awareness level and they have been convinced to buy products, the focus of Travelindo on this segment is to create loyalty program which the main objective is to increase the basket size and spending level. While for browser segment, the focus of Travelindo is to convince the browser by providing more external stimuli that can convert browser to be a buyer.

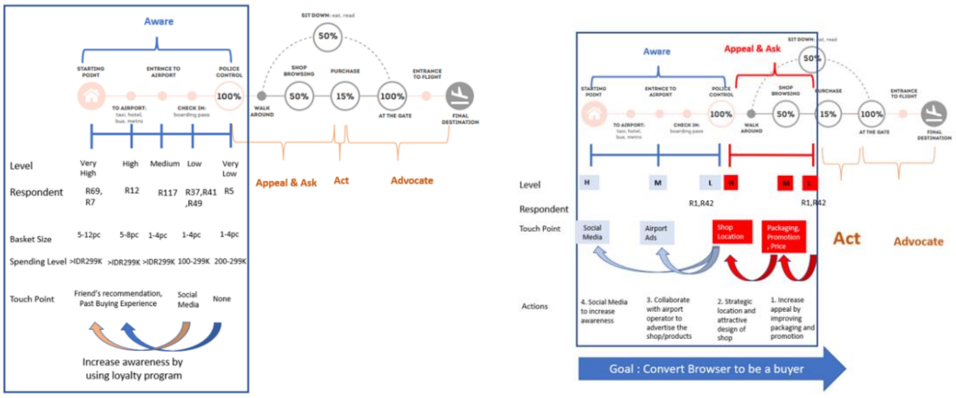

Figure 3 Customer Journey modification for buyers and browsers

Marketing Communication

Researcher has revealed that in-store communication is the main source of marketing communication that could stimulate domestic travellers to buy products. From the interview session with one of the browser respondents, researcher find similar point that she will be more attracted with the in-store communication instead of staffs "Personally, I prefer to read all the stopper or other communication format in the shop compared to be approached by the staff. The promotion that packed with strong message could stimulate me better compared to a well-knowledge staff that pursue me during my browsing time" (respondent R1).

The other communication channel that can influence the domestic travelers is social media. From the survey, researcher find that 18% of respondents mentioned their purchasing decision influenced by social media and 91% of domestic travelers are using Instagram as one of their social media platforms besides Facebook.

Additional Services

From the survey, there are 3 additional services suggested by domestic travelers that can solve their pain points: special payment/priority lane, create home delivery program, improve store communication through digital screen and providing the special packaging (big box).

Special payment or priority lane could be implemented by utilizing the technology as Travel group shop in Dallas that collaborating with Amazon run the concept. Other way is to utilize Travel group pre-order application and extend the operation into domestic departure terminal. Creating home delivery is the second additional services that Travelindo could offer at domestic departure terminal. Finding the right logistic partner is key to implement this action. Install digital screen at the shop could be additional services that the company could be implemented to improve the in-store communication. While the last one is providing special packaging particularly big box to ease travelers to carry the products inside into airplane.

CONCLUSION

Based on the spending level information gathered from the survey, researcher estimates that the potential market size of domestic departure terminal could reach up to USD 26 million. This shows that the market is big enough and Travelindo has the capability to penetrate this market. Therefore, for business sustainability, Travelindo should pivot part of their business to domestic departure terminal of I Gusti Ngurah Rai Airport Bali while their business operation in the international departure terminal will keep maintained. There are 5 market segments that Travelindo need to focus at domestic departure terminal: Millennials X Leisure Travelers (MXLT), Mix Mature Travelers (MMT), Young Business Travelers (YBT), Long Stay Mix Travelers (LSMT) and Long Stay Individual Travelers (LSIT). They are frequent flyer travelers, impulsive buyers and could be stimulated by attractive product packaging designs, good promotion offer and unique store design. Product preferences of these segments is food souvenir with average basket size ranging from 1 until 12 pc and spending level starting from IDR 50K up to above IDR 299K. The customer journey is need to modify for each market segment. Buyer segment need to have loyalty program that could increase their spending level while for browser segment, the focus is to create more external stimuli with the aim to convert them to become a buyer. In-store communication still the main communication channel while social media is the communication channel that Travelindo should develop further to influence the travelers far before their travelling time. Additional services could be provided by creating special payment line, home delivery and providing big packaging box could increase the loyalty of the travelers and increase the spending level.

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