

Travel, Logistics & Transport Infrastructure Practice

# Indonesia's Traveloka finds strength in local markets amid the pandemic

Traveloka president Henry Hendrawan discusses how the online travel unicorn has rebounded by helping travelers in Southeast Asia find—and finance—fun close to home.



**A year ago**, Henry Hendrawan was working on expanding offerings on the eight-year-old online platform while preparing for the possibility of going public. Then came the COVID-19 pandemic. As travel suddenly halted, the president of Traveloka went from managing growth to laying off staff and focusing on survival. Despite more challenges ahead, he believes the crisis has made Traveloka stronger. He recently spoke with Suyin Soon, a partner in McKinsey's Singapore office, and Diane Brady, a senior editor in New York. Edited excerpts of his comments appear below.

### **Helping customers through a crisis**

From day one, our focus has been on local customers in Southeast Asia—Indonesian, Thai, and Vietnamese—and their local travel and lifestyle needs. In April, the government announced that they would stop commercial flights in Indonesia. That meant our revenue was pretty much zero in our biggest market. The number of refunds was quite massive. At one point, there were more than 150,000 refund requests, totaling over \$100 million, and that was just for flights.

We had to take decisive action to ensure our survival. We did everything that we could to conserve cash and learned to do more with less. We also raised more funding to ensure that we could outlast any crisis scenario. I still remember the Asian economy crisis. You always need to have a crisis scenario.

Customer service is the one area where we have actually spent more during the pandemic. In fact, almost 1,000 of our employees volunteered to help customers get refunds or rebook. We also worked more closely with our partners, airlines, and hotels. We needed to work together to stay afloat.

### **Moving beyond travel bookings**

We have always had a customer focus. Traveloka launched in 2012 with basic services, offering flight and hotel accommodations. A number of our customers do not have credit cards, which means a

lot of people have to wait to accumulate their cash until they can make a [travel] purchase, even for the big public holidays or religious events. In markets such as Indonesia, Thailand, and Vietnam, more than 90 percent of the booking window will be three days or less—and that was pre-COVID-19—whereas in Western countries you see booking windows of a month or more. During the COVID-19 crisis, the booking window became even shorter. That could mean the flight or hotel might have already sold out, which creates challenges to operations and delivery of services.

We decided to provide credit lines so that people wouldn't need to wait until the last minute to accumulate their cash to be able to book a flight or hotel. Financial service is incredibly important because you have an underbanked market in Southeast Asia, which creates pain points when you are trying to provide travel and lifestyle services. We wanted to play a role in helping people to understand that travel can be easy, painless, and reasonable. That's how you build trust.

We offer almost 40 different payment options across Southeast Asia. It's important to think in different ways about the local customers, including the local inventory and payment options.

### **Investing in local markets**

We strongly feel that this is the time to go deeper, not broader, in terms of geography. So the focus for us in the next couple of years is more about expanding products and services within those geographies where we already have a presence and less about finding new geographies. We feel that the market opportunity is significant and large enough in Indonesia, Thailand, Vietnam, or other parts of Southeast Asia for us to become bigger, even versus before the pandemic. So the outlook that we have in Southeast Asia is relatively still optimistic. We feel that the changes that are happening will be positive to our platform, given that at the end of the day, this pandemic makes people rely more on trusted brands and platforms.

# When people don't have credit cards, it doesn't necessarily mean that they don't have spending power, right?

Localization is quite important—again, think about Indonesia: for the inbound travelers, for many travelers from the US, Europe, or let's say Australia, Indonesia perhaps is just about Bali, and Bali is only about that select area where there are four- or five-star hotels.

But for Indonesian customers, there are dozens of local cities or locations in Indonesia that we like to go to. So the difference between “the global platform” and a platform such as ours, which is “focusing on the locals,” is that we think in terms of the local customers—where do they want to go?

What we have learned through the years is that there will always be challenges and obstacles. We started as a very small platform—you could say an “underdog”—and as we grew to a bigger platform,

we had challenges after challenges. And we have actually gone through multiple ones, with COVID-19 being the biggest one.

We like to think that we are always an underdog. Maybe it's the paranoia mindset. We could always be disrupted, because at the end of the day, with technology, disruption can come very fast. And it might not come from an old industry [or the same industry]; it might come from another industry or a new business model.

So you always need to be paranoid, and always need that hungry mentality that believes it's not done yet and [your company] is not the leader or you are not safe and secure. In a way, while you need to be optimistic and positive, you also cannot be feeling so safe that you let your guard down.

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