



In the latest Abacus Asia Travel Sentiment Survey of around 200 leading travel agents across the region, 92.3% said that the changes they have adopted during the economic downturn have strengthened their business and put them in better shape for 2010.

“The sale of ancillary products was cited as the number one strategy. We found that almost 60% of the agents indicated that the sale of ancillary products such as hotels, travel insurance and other non-air products had helped sustain their business revenues. This is an additional revenue stream for which we have been providing keen support to our travel agents through relevant solutions and partnerships,” said Mr Bailey.

Meanwhile, around 40% of the agents ranked the launch of promotional deals and packages as the second most important change. Allocating more resources to online channels tied with technology investments as the next most important changes with 30% of the travel agents saying that these investments have brought improvements to their businesses.

Mr Bailey explained that the surge in online travel bookings had helped revive overall booking figures over the past year: “The huge increase in internet penetration in emerging markets as well as aggressive airline promotions have helped boost passenger numbers.” The prospect for the online segment continues to look positive. According to the Abacus Asia Travel Sentiment Survey, 71.3% of the travel agents that have no existing online business component said they are planning to develop one.

Another key contributor that will further stimulate growth in the region’s travel industry this year is the low cost carrier sector. As fuel prices make an upward trend, consolidation efforts as well as network expansion will form key strategies in the year ahead.

Moreover, as competition stiffens in the industry, network carriers may well adopt ancillaries as the next revenue strategy whereby fares are unbundled and categorised according to specific airline services and flight requirements.

In the year ahead, nascent trends that the industry is currently showing sporadic interest in are expected to emerge stronger as travel players discover the relevance and benefits that they can bring to their businesses. These trends include the use of online marketing, as well as the adoption of digital applications and mobile technology.

In conclusion, Mr Bailey said: “Asia’s huge potential for growth and its relatively younger travel industry mean that travel players in this region are strategically well-placed to capitalise on the new realm of opportunities as the economy steps into a recovery phase.”



Market Highlights

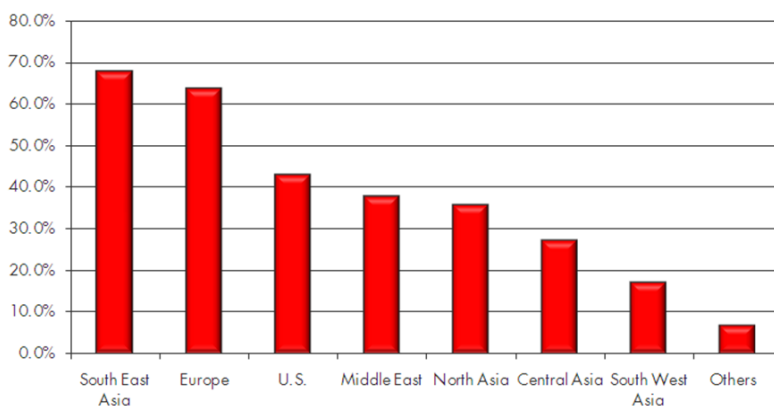
Despite the economic downturn, Abacus’ booking figures revealed that a number of markets had seen their travel bookings rise in 2009. Looking ahead, growth spurts from markets including Bangladesh, Cambodia, Indonesia, Kazakhstan, Myanmar, Nepal, Pakistan, the Philippines, South Korea and Vietnam are expected to continue.

In addition, travel agents surveyed in Abacus Asia Travel Sentiment Survey have listed South-east Asia (67%), Europe (63%) and U.S. (42%) as the top three regions that their customers are currently making bookings to.

The rise of the middle class and increase in foreign business investments have largely contributed to positive booking numbers for most of the aforementioned markets. According to Euromonitor 2010’s market report, Kazakhstan registered a strong 8.1% year-on-year growth in inbound travel last year and is expected to grow by 8.6% this year. Meanwhile, Nepal showed strong figures across all sectors; with more than 10% growth registered for last year and forecasted growth this year in overall air departures as well as inbound and outbound travels.²

“We are indeed fortunate to be able to leverage the high growth potential of the emerging markets but in order to capitalise on the rising business cycles of these markets, one must have strong in-market understanding of the complexities of these new markets and an innovative team dedicated to developing niche products that work best for the individual market. A one-size fits all approach is not one that works in this region,” commented Abacus International Vice-President Channel Management, Mr Patrick Lai.

Which are the top three regions your travellers are making bookings to?



² Euromonitor International, 24 December 2009



Key Travel Segments Outlook

Corporate travel

The recession has had a pronounced impact on corporate travel, with many corporations implementing strict cost controls and revised travel policies.

"About 70% of organisations have introduced policies for all aspects of travel, and there has been reductions in trips by 15-20% as well as a reduction in travel spend by 25-40% in the past year," said Abacus International Vice-President Marketing, Mr Brett Henry. "Less travel, tightening of travel policy and shorter trips have been implemented by companies, but many of them do not necessarily view these adjustments as negative aspects. These travel adjustments can add value to corporate travel strategies and ultimately, to their bottom lines."

"As businesses resume to the 'new normal', we should also see an upward adjustment in travel budgets as business activities improve in a more thriving economic climate. We are expecting to see a gradual 10-15% growth in corporate travel in 2010, especially in traditional corporate travel markets like Singapore, Malaysia and Hong Kong," said Mr Henry. In the Abacus Asia Travel Sentiment Survey, the majority of the travel agents (58%) believed that corporate travel will be an area of growth over the coming year.

China leading the way

With travel demand still relatively strong in Asia Pacific, China is expected to lead the way with projected GDP growth of 9% accordingly to International Monetary Fund's October 2009 report.

In a recent report by American Express Business Travel, fare increases of up to 8% are expected. As indicated in the Global Business Partnership (GBP) survey which includes 180 organisations across China, only half of respondents look to a decreased travel spend in 2010. The majority of companies in China have focused on monitoring and controlling travel expenditure, with almost 80% of organisations surveyed having formal policies in place, up from 70% in the previous year.³

The GBP report was contrary to a recent PhocusWright report⁴ which indicated that China is still in the early stages when it comes to corporate travel. The limited usage of IT systems and protocols, centralised travel management still in infancy and cash being used as the dominant form of payment were reasons cited.

³ American Express Business Travel, Global Business Travel Forecast 2010

⁴ Corporate Travel Management and Practices in China, PhocusWright Inc, January 2009



“Based on our in-market observations, Abacus has seen vast improvements in the adoption of IT related systems for corporate travel management in China. The huge influx of multi-national companies has brought sophisticated technologies into the market that systematically helped track and analyse executive travels. This is in fact a key growth area that we have observed in China’s corporate travel sector over the past few years,” said Mr Henry.

IT, Travel Management, Strict Processes Here to Stay

Compared to other economic recessions, many travel professionals believe the current issue has been different and will have lasting effects. More than 80% of travel buyers believe that many of the controls implemented will outlast the recession period. These controls include virtual meeting alternatives, pre-trip approvals, advance bookings and tougher enforcement of policy.⁵

Travel management strategy has increasingly become a key focus area as travel and entertainment expenses are one of the largest and most controllable spend for most organisations. To ensure a holistic approach to managing corporate travel, IT systems and processes are increasingly being adopted while audits are conducted on travelling executives and the potential outcomes of specific overseas meetings evaluated to help with the negotiation of fares and rates.

“Overall, companies will need to focus on the end-to-end travel management process, collect and analyse new levels of data and measure meaningful travel metrics to create sustainable competitive advantage for their businesses in 2010,” concludes Mr Henry.

The New Corporate Travel Model

As the corporate travel segment rejuvenates itself, many of the policies put in place by organisations to retain costs look to remain while new travel business models have evolved to permanently guide corporations in travel management.

Mr Henry stated, “Caution and balance are key to corporate travel. Companies are accepting policies and developing KPIs for trips, while technology has been embraced more to minimise costs. There is a definite need for a sustained investment in corporate travel, but simultaneously there appears to be a new model with companies conducting a balancing act in deriving business performance and return from business travel.

⁵ AirPlus International, Post-recession, has the travel management landscape changed permanently



"It will be interesting to note the evolution in 2010 in corporate travel as companies all seek to gain competitive advantage in preparation for full economic recovery," added Mr Henry.

Online travel

The online travel segment was hugely successful in 2009 as it threw an important life line for the travel industry at a time of economic crisis, and it looks set to enjoy wider success in 2010. "Abacus' overall figures for 2009 showed a much higher-than-expected growth of more than 15% and although it was amidst harsh market conditions, we made further in-roads in the online segment of markets such as Indonesia, Philippines, Vietnam and China," commented Mr Bailey.

Certainly regarded by many in the industry as an area where greater growth is to come, Asia alone saw 546% growth in internet users for the period of 2000-09 as compared to 304% growth in the rest of the world. Asia also has to date the world's largest number of internet users according to the Internet World Stats.⁶

"Higher internet penetration and rising incomes from the emerging markets will bring forth an increased dependence on this channel for travel consumption," added Mr Bailey.

He continued: "With the industry stepping into the recovery phase, this can be seen as an even more opportune time to assess how far online distribution can take travel businesses to when normal business cycles take place, discretionary income rises and opportunities in emerging markets further mature.

"Initiating or expanding an online plan has become one of the key pillars in a company's rebuilding efforts as this channel has proven its strength in the face of challenging economic conditions. Overall, we are forecasting 20% industry growth in 2010 as technology adoption across the region continues to increase."

Travel agents across Asia have ranked this channel as one of the top items in their wish list for the year according to Abacus Asia Travel Sentiment Survey. Of the travel agencies that have no existing online business component, 71.3% said that they are planning to develop one and more than half said they will have the website ready within the next six months.

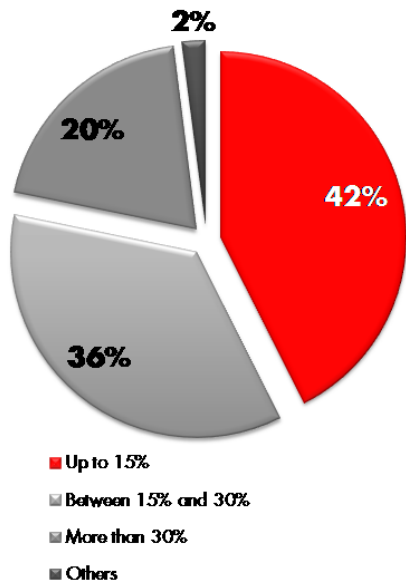
In addition, the survey found that online bookings contributed up to 15% of revenue for 42.6% of the agencies last year while another 35.6% said it contributed 15 – 30% of their revenue. These responses from the ground clearly show the gradual shift that market players

⁶ <http://www.internetworldstats.com>

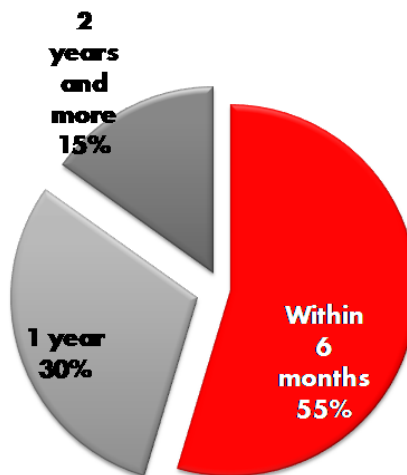


are taking in embracing the online platform as one of the core revenue streams in the new decade.

How much have online bookings through your website contributed to your agency's revenue over the last year?



When will the website would be ready?



Travel Industry Outlook

The overall aviation market

Although yearly visitor rates in Asia Pacific were down, figures released by PATA showed a 5% year-on-year increase in international visitors last year.⁷ There is a positive outlook on Asian travel growth for the coming year, especially among low cost carriers, of which most posted a profit in the past year.

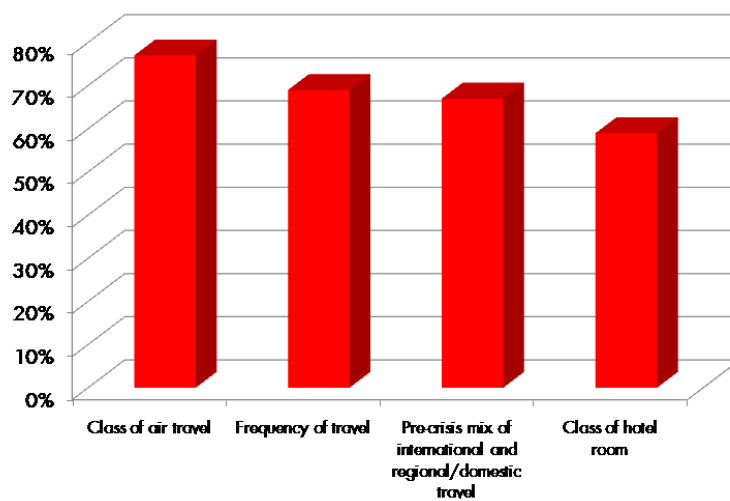
Already, there are signs that the low cost players will exert an even stronger strategic impact on the aviation industry. Tiger Airways' successful initial public offering and the alliance between AirAsia and Jetstar indicate the forthcoming changes that will shift the dynamics of the aviation industry.

Mr Bailey explained: "Even with tighter cash flows, rising fuel prices and high consumer debt, there are still some signs of a healthy recovery for the aviation industry. From the IATA December 2009 data, consumer confidence has increased, load factors are back, fleet sizes are growing and cash balances are more comfortable."

⁷ <http://www.pata.org>

According to the Abacus Asia Travel Sentiment survey, travel agents across the region said they have seen signs of customers’ travel habits returning to pre-economic crisis period. Almost 80% of travel agents indicated that they have seen improvements in their customers’ choice of class of air travel and frequency of business travel while 67% has seen a return to a pre-economic crisis mix of international and regional/domestic travel.

Do you see signs of your customers’ travel habits starting to return to that of pre-economic crisis period?



Ancillary revenues

A key revenue strategy that is gaining traction in the aviation industry is the increased focus on ancillary revenues. According to an IdeaWorks report in September 2009, worldwide ancillary revenue posted a 345% jump in 2008 to US\$10.25 billion compared to US\$2.29 billion in 2006. For 2010, the Centre for Asia Pacific Aviation (CAPA) predicts that airlines worldwide are expecting to generate US\$ 58 billion in ancillaries in 2010.⁸

A business model that may be more familiar for the low cost carriers, the adoption of ancillary revenue strategies are gradually welcomed by the network carriers as they present an attractive source of additional revenue. Within Asia, it is mainly the low-cost carriers that have started exploiting ancillary products as the main source of profits while ticket revenue predominantly is used to cover the airline’s cost base.

Abacus led the way on this new business model launching the first ‘branded fares’ in Asia with Malaysia Airlines in 2009. Airline merchandising can also bring mutual benefits to all

⁸ IdeaWorks, Ancillary Revenue Guide, 2009



parties as airlines enjoy additional profit opportunities while travellers can gain greater visibility on the fares they pay in relation to the services they require.

“Network carriers in Asia are taking a cautious approach when it comes to unbundling their fares to manage potential impact on their branding. However, if done right, sophisticated technology and proper yield management can categorise fares to allow airlines to compete effectively with the customers’ focus on product features and services rather than the price factor,” explains Mr Bailey.

“In mature markets like the U.S., the top three positions for total ancillary revenue⁹ which were once dominated by low cost carriers are now filled by network carriers. This is an industry development that will perhaps take a longer timeline to occur in the region as Asian consumers tend to be more brand-conscious. However, the ability to monetise one’s assets will no doubt lead the airline industry to educate the wider travel market on the benefits they will gain in return.”

Hotels

The hotel industry was badly affected last year with a fall in room rates and occupancy. However, there are positive signs of improvement with recent pick-ups in consumer confidence and travel demand.

Not all markets were affected negatively, however. Seoul, for example, was the only city in Asia Pacific to experience an increase in occupancy and average room rates, with 78.5% occupancy, the highest in the region. This was due to a weakness in the Korean Won, but also through development and diversification of its tourism products, including medical tourism.¹⁰

The other notable markets with comparatively high occupancy levels in Asia Pacific were Australia and New Zealand. Both Australians and New Zealanders are staying closer to home, and a new immigration agreement that reduces the time it takes for travellers to cross borders could also potentially affect flight prices.¹¹

Hotel occupancy across Asia Pacific is expected to increase this year with the recovering economy. According to STR Global, as of January 2010, there are 948 hotels comprising of 239, 918 rooms either in construction, planned or at final planning stage, with China, Thailand and India having the most rooms in the pipeline.¹²

⁹ IdeaWorks, Ancillary Revenue Guide, 2009

¹⁰ Hospitality Vision, Asia Pacific Performance Review

¹¹ Hospitality Vision, Asia Pacific Performance Review

¹² January 2010 STR Global Construction Pipeline Report



Moreover, Abacus' hotel bookings are already showing signs of growth with a huge increase seen in year-on-year bookings of 90% for January 2010. Compared to December 2009, a 15% increase in bookings was registered. "Our hotel bookings have picked up comparatively well with the start of the new year and looking ahead, the sector is expected to enjoy a relatively quick recovery as the general economy picks up. Specifically, we are seeing the rise in bookings from markets such as China, Hong Kong, Taiwan, Korea, Malaysia and Singapore," commented Mr Bailey.

Upcoming Trends

The reality of online marketing in Asia

Moving in tandem with consumers' preference to use the web as a convenient resource portal and the proliferation of new media tools, travel companies around the world are allocating bigger budgets to their online marketing spend in a bid to capture a bigger slice of this high growth market.

A survey conducted by Frommer's Unlimited with 225 travel companies worldwide showed that 2010 will be another bumper year for online marketing spend in travel with over half of those surveyed indicating that they plan to increase spending this year and just over a third plan to maintain online budgets.¹³

Mr Bailey stated, "Closer to home, although the pick-up for online marketing tools is slow, it is building a momentum of its own. For instance, in the past year, we have seen Zuji and Ctrip proactively using Twitter to engage their customers with attractive promotional deals."

"While varying adoption rates are being observed at the market level, we are seeing an increased interest to experiment more with the tools of the trade. More consumers are already stepping into the online sphere, competition is getting stiffer in and the game plans of online businesses will have to change to embrace more complex and dynamic marketing tools to get the attention of potential customers."

The Abacus Asia Travel Sentiment Survey showed that a majority of the agencies (72%) are currently not utilising any social media tools while the remaining agencies that are using social media use Facebook to engage with their online customers.

An almost equal number of agencies in Asian markets (excluding China) that are currently not using social media indicated that they have no plans to do so in 2010. The main reason cited by this group of agents was that the agencies are either unsure or not ready to adopt new media tools.

¹³ Frommer's Unlimited, 2009 Survey, Online Marketing and Web Content



Interestingly, the same question posed in the Abacus Asia Travel Sentiment Survey to travel agents in China generated greater interest with almost 70% of agents saying that they would consider using social media this year. This reinforces the fact that China takes the world's number one spot for internet usage and highlights the uneven adoption of technology across Asia markets.

Nascent digital trends

Worth noting too are some emerging digital trends that are presently taking place, such as the use of augmented reality applications that take advantage of location-aware devices. For instance, Pin@clip, a recent release in the Apple App store in Japan, allows users to send comments and recommendations, overlaid by real-time videos from i-Phone camera. This could well be adopted by destination marketers to produce a virtual, interactive guide book of sorts where content from Google maps or Facebook could be used to create the ultimate on-the-go travel resource portal.

There is also a quiet emergence of sites that offers Intention Web, a newly coined term for predictive applications where event schedules and forecasts such as Plancast provide an environment for consumers to improve interactions and experiences, and for businesses to provide proactive and contextual services for their customers.

Rising above ambiguity - mobile technology

Mobile technology is widely tipped to be the next big platform to take businesses to a new generation of product and service delivery and that will greatly enhance customer retention and satisfaction. Projected by Euromonitor to have an estimate of 14.1% CAGR from 2005 – 2015, this is one of the most watched spaces for the travel industry.

Mobile is a concept travel agencies are ready to explore seriously; however, growth and uptake in the travel industry has been slow as identifying the right opportunities seems to be the key issue.¹⁴

In the report, only half of Asian respondents surveyed said they had an average or quite good understanding of the technologies involved – and this was less than the global average. One of the major themes of this survey was that respondents felt that they needed more education and demonstrations of what could be done with the technologies.

“Mobile penetration in Asia may have reached a level that surpassed any other region in the world yet the usage of mobile phones by companies in their communications with customers is still by far under par. Apart from sporadic use of this tool where airlines are

¹⁴ Eye for Travel Research, The Sound of Data, The School of Mobile



increasingly using it for check-ins, there still remains a huge potential to be tapped by the travel industry," noted Mr Bailey.

A parallel is seen between mobile technology and the internet as both channels share similar growth and adoption pattern. Companies that were the first to jump on the internet bandwagon stand to gain from the first-mover advantage and this phenomenon is likely to occur in the mobile space as well. Innovative adoption of this ubiquitous communication tool could propel a travel business to a new level of travel consumption that's never been seen before.

Looking ahead

Summarising the outlook for the industry in 2010, Mr Bailey said, "There is certainly a strong sense of renewed energy and vibrancy in the market as the new year starts. Many travel players are perhaps in much better form now than ever as the challenges that the economic storm had brought upon us have transformed our businesses to be more nimble, more innovative, and more relevant to the world as Asia plays a central role in the global travel market."

About Abacus International

Singapore-based Abacus International is Asia-Pacific's leading travel facilitator with more than 20,000 travel agency locations in 24 markets. With over 21 years of experience in fusing international best practices and local expertise with global and local partnerships, Abacus provides travel information and reservations specifically tailored to the Asia-Pacific region.

Abacus International is owned by Sabre and a consortium of Asia's leading airlines including Malaysia Airlines, All Nippon Airways, Cathay Pacific, China Airlines, EVA Airways, Garuda Indonesia, Dragonair, Philippine Airlines, Royal Brunei Airlines, SilkAir and Singapore Airlines. Sabre is the global leader in the electronic distribution of travel and travel related services.

More information on Abacus can be found at www.abacus.com.sg.