

# CHAPTER 1

## INTRODUCTION

This chapter explains the background of this study which covers the overview of the travel industry, particularly in Indonesia and current trends in Indonesian millennials to travel in groups.

### 1.1 Background

This research is a replication study of a research paper written by Jamie Carlson, Philip J. Rosenberger III and Mohammad M. Rahman in 2015 titled “Cultivating group-oriented travel behavior to major events: assessing the importance of customer-perceived value, enduring event involvement and attitude towards the host destination”. The main objective of original research was to examine the key factors that drives travel consumers to have future plans to partake major events in group-travel with either friends or family. Four hundred and twenty-four travel consumers from Australia who previously had experience in group-travel to major event which include musical, sports, cultural and other events were empirically tested. The research indicated that the customers’ perceptions of the past-travel values were the strongest influence on future intention to travel in groups. Attitude towards the destination and enduring event involvement were also found to be influencing the future intention to travel.

#### 1.1.1 Global Travel Industry

Weissenberg (2017) claims that the hospitality and travel industry are undergoing transformation, where the global business travel made a new record from 2015 of \$1.2 trillion, going up by five percent from the previous year. According to GO2HR (2017), the major modes of transportation for travelers are rail, air, water and ground. Rodrigue (2017) defines tourism transportation as car traveling, coach traveling, rail travel, air transport and cruises. However, according to Rodrigue (2017), for international tourism would be using air transport, which usually involves traveling in longer distances and duration.

This is the sixth year that Travel and Tourism industry has outpaced the global economy, which shows that even though there are political and economic challenges

happening, it does not stop travelling from happening (World Travel and Tourism Council, 2017). The travel industry has a huge impact in the businesses, family life and recreation (Tarlow, 1992). Joyce (2016) reported that tour and touring activities related reached up to US\$40 billion for Europe only. In 2015, it reached \$37,000 million Euro, which was triple the size of car rental and almost half of the hotel reservation market (Kuciel, 2016). In the United States, there are nearly 67,000 businesses in the tour and activity segment that are valued at US\$20 billion, making it the third largest sector after accommodation and air in the travel industry (Joyce, 2016). According to Tripadvisor (2015), tourists tend to use their money to spend on sightseeing rather than souvenirs, nightlight and shopping combined. The travel and tourism industry comes a long way back of strategically working together (Dev, Klein, & Fisher, 1996; Pansiri, 2008). As stated in Rezdy (2017), since the real competition is between one destination country to another around the world, it is critical to work with the local travel industry to be successful. Overseas travelling has been continuously rising quickly for a very long time (Dupont, 2012). Figure 1.1 shows that there is a growth from the total Gross Domestic Product (GDP), exports, investments and job contribution (WTTC, 2017). Furthermore, over the next ten years, it is predicted that there will be a growth of an average in 3.9% in travel and tourism's direct GDP (WTTC, 2017).

**T&T GLOBAL GROWTH 2017**

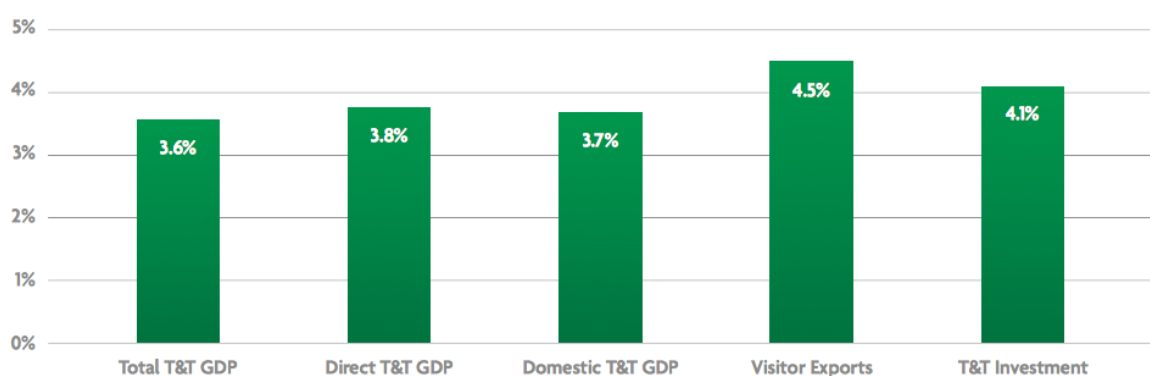


Figure 1.1 Outlook for 2017 Tour and Travel growth  
Source: World Tour and Travel Council, 2017.

The World Travel and Tourism Council (2015) stated that Travel and Tourism can economically and socially impact a country's development enormously; creating new

barriers to entry for business, trade and capital investment, creating new jobs, and also preserving cultural values and their heritage. Furthermore, according to The World Travel and Tourism Council (2017), Travel and Tourism is one of the biggest sector in the economy, having 292 million jobs and making 10.2% of the global GDP. United Nations World Tourism Organization (2017) states that in today's world, the tourism industry is equal to or even exceeds the oil exports, automobiles and food products. Figure 1.2 shows a comparison of how much travel and tourism generates among other industries of 26 countries with similar breadth and global presence. Travel and tourism is one of the highest contribution in the global GDP.










Industry	GDP (\$US billions)	% of Global GDP
 Automotive Manufacturing	\$914	1.2%
 Chemicals Manufacturing	\$1,590	2.1%
 Travel & Tourism	\$2,365	3.1%
 Banking	\$2,436	3.2%
 Education	\$2,605	3.4%
 Agriculture	\$3,111	4.0%
 Mining	\$3,897	5.1%
 Retail (without wholesale)	\$4,261	5.5%
 Financial Services	\$4,796	6.2%
<b>Total</b>	<b>\$77,085</b>	<b>100%</b>

Figure 1.2 Comparison of T&T with other industries in 26 countries with similar breadth and global presence  
Source: Skift, 2015

From the report of Ali (2015), 105 million people were employed to be working in the tourism industry: seven times more than automotive manufacturing, five times more than the global chemicals industry, four times more than the global banking industry, four times more than the global mining industry and almost two times more than the global financial services industry. All these has an impact in the economy as a whole because there was a growth in international tourist by 4.6% to 1,184 million in 2015 (UNWTO 2017). Figure 1.3 shows the statistics of how much travel and tourism has an impact in the economy globally.



Figure 1.3 Why Tourism Matters  
Source: UNWTO (2017)

Therefore, over the next ten years, this sector will support 23% of the jobs opportunity created and will outperform the global economy (WTTC, 2017). UNWTO (2017) forecasts that by 2030 international tourist will reach up to 1.8 billion.

### 1.1.2 Travel Industry in Indonesia

During the first half of the year 2017, Indonesia's economy performed better compared to other neighboring countries (Euromonitor, 2017). The stable growth of accommodation and airlines was partly due to the contribution of the Indonesian travel industry. Nonetheless, this growth was resulted from the endless support and promotion from the Indonesian's government to enhance the foreign exchange revenues (Euromonitor, 2017). Chopra (2016) states that Indonesia is one of the major travel destination because of the growing in travel startups driven by the digital economy, increasing disposable income, improving infrastructure and the power to shop within the domestic market. As seen from Table 1.1, among all the southeast Asian travelers, Indonesia is one of the highest rate in the percentage change from 2013 to 2014.

Southeast Asian Travelers	2013	2014	% Change
Brunei	1,494	1,455	-2.6
Burma	3,400	4,874	43.4
Indonesia	88,652	96,273	8.6
Malaysia	76,247	81,974	8.6
Philippines	200,521	219,632	9.5
Singapore	152,823	150,224	-1.7
Thailand	88,163	95,883	8.8
Vietnam	63,892	85,778	34.3

Table 1.1 Southeast Asian Travelers 2013-2014  
Source: U.S Commercial Service

From Indonesia's service sector itself, 48% of it comes from travel and tourism:

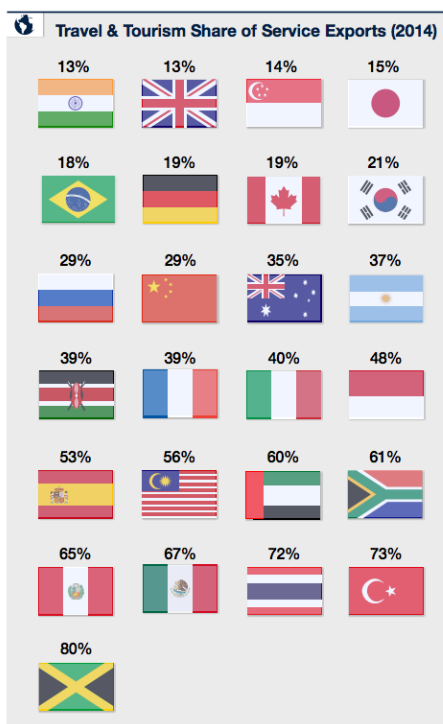


Figure 1.4 Travel and Tourism's Share of Service Imports (2014)  
Source: Skift, 2015

The Deputy Minister for International Tourism Marketing at the Ministry of Tourism, I Gede Pitana, and the Head of the National Bureau of Statistics, Suharyono, both confirmed that there was a tremendous increase of 15.54% from 2015 to 2016 which totaled 12.023 million foreign visitor entering Indonesia; the goal set by the Indonesian Government was achieved (Indonesia.Travel, 2017). As reported by Alexandria (2016), both Indonesia and India's growth for business travel will have an average of a two-digit spending over the next five years ahead. WTTC (2017) states that at

country level, Indonesia, China, India and Thailand are expected to be the fastest growing travel and tourism countries. As quoted by Minister Arief Yahya in Indonesia.Travel (2017), “These significant achievements have strengthened Indonesia’s resolve to aim even higher by raising our goals and targets for 2017 to 15 million international arrivals – or a growth rate of 25% -, and on to 20 million arrivals in 2019”.

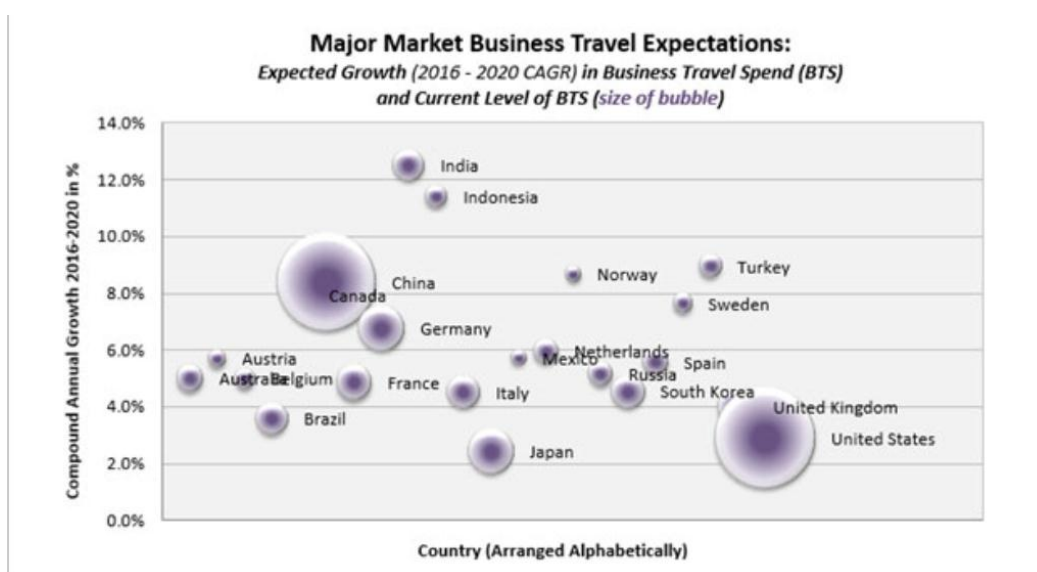


Figure 1.5 Major Market Business Travel Expectations by Country  
 Source: GBTA Foundation (2016)

The offline travel industry, physical shops and agents, has dominated the Indonesia’s tourism business for a long time now (Oxford Business Group, 2017). The traditional travel industry, with its substantial network of physical shops and agents, has long-dominated the country’s tourism business (Oxford Business Group, 2017). For many decades, the tour and its activities have not been doing well, but they will now start to rise (Joyce, 2016). As seen in table 1.2, it shows that from 2007 to 2015, there is an increase in the number of foreign visitors every year.

	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Foreign Tourists</b> (in millions)	5.51	6.23	6.32	7.00	7.65	8.04	8.80	9.44	9.73

Table 1.2 Foreign Tourist Arrivals in Indonesia in 2007-2015  
Source: Statistics Indonesia (BPS) (2016)

The travel and tourism industry is known to focus on older customers who are more matured financially than the younger generation, but today, the millennials are rapidly taking up a major portion of the marketer's attention in the travel industry (Olenski, 2017). Millennials, has many definitions, but the author adapts from Benson, Tuninga, & Saridakis (2017), which defines Millennials as those born between 1985 to 1999 (age 18-32). Price (2016) states that as of today, there are 79 million millennials, which is the largest generation. Companies in many industries, especially travel industry, are changing their marketing strategies to fit in the preference of the millennial demographic; therefore, travel marketers are aiming to create brand loyalty among them (Wenner, 2017). Furthermore, these millennials are never-ending explorers who are always curious, desires to travel to gain more knowledge, but they tend to make last minute trips to fulfill their sudden desire to travel (Price, 2016). Bair and Wright (2017) quoted from Jack S. Ezon, "Millennials see vacation as their right and a need. It is a way of life and part of life." According to The World Youth Student and Educational (WYSE) Travel Confederation (2016), an estimation of 23% of international travelers in 2015 are ages 15 to 29. A research conducted by Poll (2014) showed that the millennials want to gain more experiences, but they are also spending their money and time on them: from social events, concerts, cultural experiences, to athletic pursuits, and other kind of events. For example, figure 1.6 shows the growth from 2011 to 2013 in tickets sales to events such as beer festivals, concerts and themed run supported by Eventbrite.

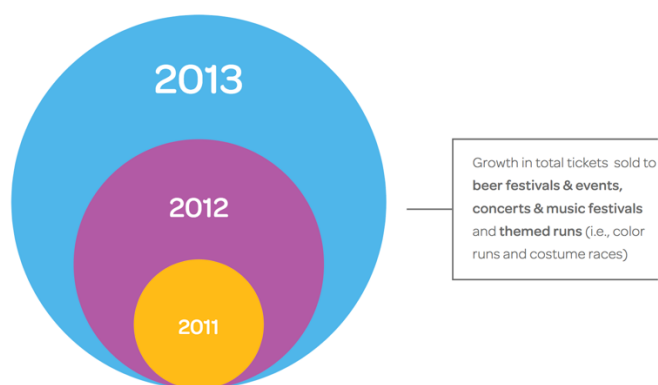


Figure 1.6 Growth in total tickets sold to events by Eventbrite  
Source: Eventbrite, 2014

### 1.1.3 Musical events

Estrella (2017) explained that there are different types of concerts, depending on the musical instruments being played, number of performers, music genre and other factors; the most common type of musical concerts are orchestra, opera, family concert, concert band concerts, festivals and single artist concert. The managing partner for Creative Artists Agency, Rob Light, explains that live music is still the engine that is driving the business, across all demos, genres and venues, in the music industry (as cited in Waddell, 2016). With the improving economy, both aging boomers and the more cost-conscious millennials plays a role in the festival boom (Waddell, 2016). Coachella in United States are able sell out their tickets even before the announcement of the lineup, and rock artist are also able reach the half of the top 25 tours in 2016 (Waddell, 2016). According to the figure below, globally, the music market continues to increase from 2016 to 2017, in the revenue, digital share, digital growth and streaming revenue. Sixty per cent of the millennials can be found in Asia, and they will be at their peak in spending power over the next ten years (Yong, 2015).



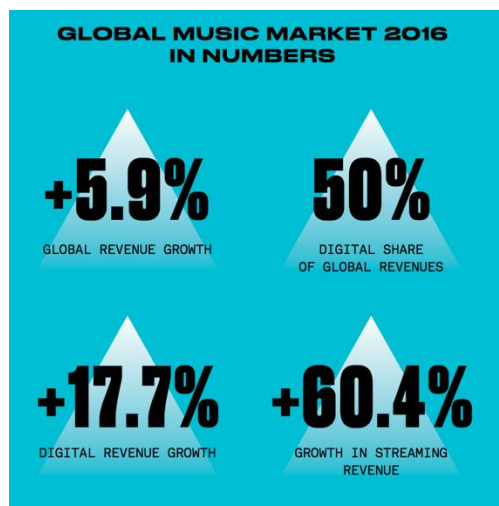


Figure 1.7 Global Music Market in 2016  
Source: International Federation of the Phonography Industry, 2017

From a figure of how money is spent on music, the biggest sector is spent on buying admission to live music concerts (35%) and second biggest is buying digital album (7%) (Novelia, 2017). In addition to the reason for the feeling of satisfaction on watching a particular musician live, the live music performance is slowing becoming part of the lifestyle (Novelia, 2017).

According to Indonesia.Travel (2016), the government stated that their main priority in the tourism sector during the year 2017 is to increase international arrivals to an approximate amount of 15 million visitors, the following 25% increase in the year's accomplishment would provide a 13% share to the national GDP, which would further lead to 12 million job vacancy. In addition, the 4.4% and 5.1% in both global and ASEAN tourisms respectively would improve Indonesia's competitive index in WEF World Competitive Tourism Index rank to 40 which was initially at 50 (Indonesia.Travel 2016). As reported by Xinhua (2017), the Indonesian tourism ministry coordinated with regional governments and had a two-months full schedule of sport tourism, traditional festivals, music events and other tourism events to reach the target in the travel and tourism sector.

Upcoming yearly events can be found from Indonesia's travel guide homepage, Indonesia.Travel, showing based on monthly. From cultural festivals in different parts of the regions, international and local sports events, musical festival, to fashion and food festival. The Jakarta Post (2017) reported that the tourism ministry aimed to reach

17 million foreign visitors and 270 million local travelers in 2018. The followings are some examples of musical events held in 2017 that generated many travelers visiting the events:

1. Adele World Tour

Adele, a world famous singer from United Kingdom, did her last 15-months world tour as she wants to settle down with her family and also retire (Melas, 2017). Her last tour is her third world tour from her last album, 25. The live show performances in 2016 was held in UK, Irish, European and North American, while the 2017 was in Australia and New Zealand, and ends in Wembley Stadium, London (Stereo Board, 2017). Adele had an attendance of 600,000 across eight-dates stadium performance in Australia, and that made it to the top of musical history. In Brisbane only, Adele's two days' concert which attracted about 60,000 that contributed in the increase of hotel occupancy level by 11.5 percent (John, 2017).

2. Jakarta International Java Jazz Festival

Indonesia offers many music festivals such as the world's biggest jazz festival is the Jakarta International Java Jazz Festival. This year is the 13th event featuring more than 150 famous musicians from all over the world, 60 shows every day for three days held on 14 stages. Each year the line-ups gets even better and more impressive, which made Indonesia to successfully be able to establish itself on the world music map (My-Indonesia, 2017).

3. Djakarta Warehouse Project

Djakarta Warehouse Project features famous DJ's from all over the world, happens annually and are usually held for 2 two days in Jakarta, drawing 45,000 revelers per day, 20,000 of them came from outside of Indonesia (MixMag Asia, 2016). It has accomplished to be Indonesia's biggest dance music festival and one of the biggest in Asia (Ismaya, 2012).

4. A music festival in North Central Timor (TTU), Wonderful Indonesia Atoin Meto TTU, had the location filled an hour before the event started to watch the performance of *The Voice Indonesia* 2016 winner, Mario Gerardus Klau (The

Jakarta Post, 2017). This is an annual concert event supported by the Tourism Ministry which helps create more job opportunities and income for the locals Klau (The Jakarta Post, 2017). According to the ministry, there will be 21 events to be held in East Nusa Tenggara (NTT) between June to November this year Klau (The Jakarta Post, 2017).

5. Ubud Village Jazz Festival (UVJF)

Ubud area in Bali, Indonesia, held a two days Ubud Village Jazz Festival (UVJF) on August 11<sup>th</sup> – 12<sup>th</sup> 2017 at the Agung Rai Museum of Art (ARMA) Museum, featuring award winning local and international musicians (The Jakarta Post, 2017). Special performances from Sydney-based pianist, also winner of Bell Award 2013 for young artist jazz Australia of the year and the runner-up at the National Awards Jazz 2013, Steve Barry Quartet, and from Germany Glen Buschmann Jazz Academy Big Band consisting of 22 musicians (The Jakarta Post, 2017). The place was filled with jazz enthusiasts (The Jakarta Post, 2017).

6. The International Jazz Day

The International Jazz Day in Batam was held at a restaurant on Smiling Hills area on April 30<sup>th</sup> 2017 where well-known Indonesian and local jazz figures will perform. The event not only attract local and expatriate's audiences but also from neighbors in Singapore and Malaysia. The Minister of Tourism hoped that an annual International event such as this can help in attracting more local and foreign tourist to visit a destination and repeatedly in participating in yearly festivals (Indonesia.Travel, 2017).

### **1.1.3 Preliminary Study**

Carlson et al. (2015) who are the authors of the original researchers suggested that future researches to focus on one particular event instead of combining several event categories, in order to obtain a better understanding of a particular event category. Therefore, based on the recommendation, a preliminary study of conducted to select the event category to focus in this research. The preliminary study was done through a short survey of four questions, in order to determine which event (musical, sports,

leisure and others) has the highest interests from the Indonesian millennials. The survey was sent through an online platform, as it was the most practical and cost-efficient (Debois, 2016). University graduates were chosen as they are around 20 to 25 of age which represents the young millennials. The questions are as followed:

- How old are you?
- Have you traveled in groups (at least three people) to a particular event in the past 24 months?
- If yes, to what event?
- Where did you travel?

From all the 20 respondents that participated in the survey, all of them have traveled in the past to a major event, more than 50% to other countries and the top three majoring events are music event (45%), sports (10%) and leisure (10%). Therefore, the author decided to focus on musical event for this research study.

## **1.2 Research Scope**

This study is adapted from the study conducted by Carlson et al. (2015) and focuses on the Indonesian travelers, particularly those whose ages are between 18 to 32 years old, the millennial generation. Since the research will examine the attributes of group travel intentions to musical events, the respondents must have experience in travelling with a group of a minimum of 3 persons to a particular musical event in the past 24 months, with at least one-night stay. The musical event can be either a single artist concert, a band concert, an orchestra, a musical festival, or other types of musical events.

## **1.3 Problem Statement**

In today's travel and tourism industry, evidences have indicated that there is a clear shift from older generations to the Millennials, as this group has been the biggest target market and suffice to say have caught the attention of many travel companies (Olenski, 2017). According to a survey in 2016, Millennials travel more often than the older generations. On average, Millennials took 2.38 leisure trips, compared to the generation X who took only 1.8 trips per year (Blair & Wright, 2017). With the rapid changes in the environment that affects this customer group it is also understandable

that it is within the nature that millennials are proven that their curiosity and desire to travel makes them a never-ending explorer (Price, 2016).

The millennial travelers have different characteristics and preferences compared to the other generations. They prefer to experience more adventure in their trips compared to the other generations. Being unique is also important to the millennials, and therefore they prefer customized experience rather than standardized experience (Fromm, 2017). Research have shown that 73% of the millennials attended musical events as a means to express themselves compared to 48% of other generations (Eventbrite, 2017).

A report by the Boston Consulting Group stated that the millennials like to travel for leisure in an organized group with their family and friends, which is in line with their social nature (The Boston Consulting Group, 2013). Similar finding was reported by Blair and Wright (2017) that the main reasons for the millennials to travel is to spend time with family and friends.

While there have been a number of studies examining the millennial travelers in general, very limited studies have been published to examine the millennials group-travel in particular. Without deep understanding of the preferences and behavior of the millennials, the travel industry would not be able to adapt their offers to fulfill the needs of the millennial travelers, and risk losing big business opportunities. Therefore, this study is important to find out the factors that influence the Indonesian millennials making their group-travel to a specific event, in this case musical events.

#### **1.4 Aims and Benefit**

. The objectives of the research are:

- To identify the key factors that leads to the intention of The Indonesian Millennials to engage in group-travel to attend major musical events.
- To obtain a better understanding of the behavior and preference of the Indonesian Millennials in regards to making decisions of group-travel to attend major musical events.

The benefits of this research:

- The findings of this research can help the travel industry in better understanding the needs and expectations of the Indonesian Millennial travelers, particularly to attending musical events, such that the travel industry can modify their offers to fit the needs of the Millennial travelers.
- The research can provide insights for future research in similar research topic.

## **1.5 Research Questions**

These are the research questions that will be assessed in the study:

RQ1: Do perceived group-travel values positively influence group-oriented travel intentions?

RQ2: Does enduring event involvement positively influence group-oriented travel intentions?

RQ3: Does the attitude towards the host destination positively influence group-oriented travel intentions?

## **1.6 Structure**

### **I. Chapter 1: Introduction**

The first chapter elaborates the background of the research and provides insights regarding the overview travel industry and music events globally and in Indonesia. The chapter also stretches out the scope of the research, problem statement of the research, developed research questions side-by-side with the aims and benefits of the study.

### **II. Chapter 2: Theoretical Foundation**

The second chapter analyzes a collection of several empirical studies that have relevance to the research. The preceding researches and literature reviews are compiled to provide a wider and in-depth perspective of each variables examined on the study. Within this chapter, the authors also elaborate the development of hypothesis and exhibit the research framework.

### **III. Chapter 3: Research Methodology**

The third chapter encompasses a thorough description about the objective of the research and elaboration of the research approach. Furthermore, this chapter explains about how the data are collected method and how the questionnaires are developed. Moreover, research techniques will also be described in this chapter to appraise the research findings.

### **IV. Chapter 4: Research Findings**

In chapter 4, results of data analysis from the survey that are given to respondents are presented. SPSS is used in the data analysis process and the result is used to determine whether the hypothesis is rejected or not.

### **V. Chapter 5: Conclusion and Recommendation**

The fifth chapter sums up and summarized the conclusion of the research result, requiring the authors to provide solution which was mentioned in the first chapter. The managerial implication, research limitation, and suggestions for future research will also be provided by the authors.