



Apple Vacations & Conventions

Above Malaysians on holiday in Lake Bled, Slovenia

Malaysian travellers exercise prudence

It's the ringgit and higher costs
that are vexing their minds,
reports **S Puvaneswary**

Malaysia's luxury travel market is soft, with forward bookings showing no signs of improvement, according to planners.

Currency is a major factor. The ringgit has been steadily declining, which makes going on holiday more expensive compared with a year or two ago.

At press time on October 30, the currency closed at RM4.24 against the greenback, a slight improvement from its all-time low of RM4.49 against the US dollar in December 2016. This is still a far cry from January 2015 when the ringgit traded at RM3.43 against the US dollar.

And while it may appear that the economy is finally on the road to a slow recovery after a two-year downtrend, Central Bank of Malaysia governor Muhammad

Ibrahim has highlighted the main challenges for this year, which include higher inflation, volatile capital flows and lingering uncertainties in the global economic and financial environment.

Nevertheless, if all goes well, a rebound in oil prices on the back of a production cut agreement between the Organisation of the Petroleum Exporting Countries (OPEC) and some non-OPEC producers, as well as higher commodity prices, should see the economy growing slightly over last year. The World Bank has revised upwards Malaysia's Gross Domestic Product forecast for 2017 to 5.2 per cent, from 4.9 per cent.

Still, business owners who form a part of the luxury sector will have to contend with higher costs of doing business due to an increase in the minimum wage policy and the

minimum retirement age act.

All these additional costs will eat into profits.

As these financial considerations become more pronounced, coupled with a weak ringgit, many well-heeled travellers are becoming even more prudent about their overseas holidays.

Corporate Information Travel business development manager, Foo Sze Zhaun, said: "Revenue from premium travel has been on a decline over the last two years as clients are more careful on spending.

"They are either shortening the length of their trips, or choosing destinations that are more affordable."

Citing an example, he said: "Prior to 2015, we saw a healthy movement to Western European destinations such as Germany, Switzerland and Scandinavia.

"Now Central and Eastern Europe has gained popularity due to lower ground costs."

Barbara Sette, managing director of Sette Reps, the sales representative office in Asia for local operators in Eastern Europe, Balkans and Russia, also noticed a pick up in demand to these places whereas demand for Central Europe is on a year-on-year decline.

Said Sette: "People are more concerned about the package costs and are also more careful about their spending.

"They check prices and compare offers. In the past, they were not checking as much. They were less concerned about prices."

She revealed that forward bookings for the second half of 2017 remain weak, partly due to political uncertainty of when the 14th general election will be called.

"People are sitting tight and seeing what changes will happen after the election," said Sette.

As market share has shrunk, competition among operators these days is huge.

"To remain relevant, we have to

The Malaysian upmarket traveller...

- ❖ is more prudent in spending
- ❖ is becoming more independent and making their own bookings
- ❖ looks for discounts and good deals

be innovative while offering good value for money," said Sette.

Adam Kamal, manager at Aidil Travel & Tours, saw airline and hotel bookings decline over the last two years.

The luxe traveller used to expect end-to-end services in the past, however, this is changing, partly due to technology advancements and partly because of more awareness about the convenience and discounts available when they make purchases online.

Adam said: "We see a growing trend of luxury travellers doing their own hotel bookings through their hotel loyalty membership. They are also using hotel VIP Concierge services to book restaurants and shows.

"From time to time, credit card companies also offer Buy 1 Free 1 air ticket for business class passengers. Airbnb has also become a popular choice where the high-end segment can book luxury vacation homes and yachts for their vacations.

"To remain relevant, we have to keep offering new, exotic destinations such as seeing the Northern Lights in Iceland or cruising in Antarctica.

"Clients are less likely to be as adventurous when the destination is new."

This is also the route that Apple Vacations & Conventions has taken. Its group managing director, Desmond Lee, said to keep interest high, the company sells "in-depth" tours to destinations which no other Malaysian agent is selling, such as Azerbaijan, Georgia and Armenia.

His rationale: "People are willing to travel and see new destinations provided you can offer them a comfortable journey at the right price."

Apple Vacations has seen a year-on-year decline of some 15 to 20 per cent in the volume of the luxury travel market.

Lee said those travelling are also trading down on hotel types and more are opting for premium economy rather than business class seats.

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