People–in–Travel

Tracking Travel's Leaders

David Roche

Interview conducted by Philip Wolf, head of PhoCusWright with David Roche, head of Hotels.com and Venere.com - part of the Expedia group. Questions and answers may have been paraphrased by PinT.

PW: How was 2009?

DR: These businesses grow because of the bad times, not despite. Primary as price is, it is 'even more primary' in bad times. We were pushing deals together - 3 for 2, 4 for 3 etc.

PW: So what happens now?

DR: We have been gaining market share, so can we hold that share? I think odds are good that we can. The first phase has passed. The second phase is to deepen our relationship with consumers. We need to be flexible. We have no idea of what we are going to do tomorrow to make money.

PW: Why did Expedia buy Venere?

DR: Because there are places where the merchant model won't go. If you look at sales, it is all air; but if you look at profit, it is all hotels.

PW: Are you decentralising?

DR: We are moving part of the company from the US to Switzerland. At a more general level, it is more part of the plan to decentralise Expedia. Headquarters of Hotels.com is in London, and Venere is Rome. I can see that in 10 years time, Expedia's headquarters will be in the Far East.

PW: What do you think of Priceline's progress?

DR: Expedia also owns an opaque model - Hotwire. I expect the opaque market will fall a little; maybe not this year, but in 2011.

PW: How important is Trip Advisor?

DR: Hugely important. And its growth potential is fast. TA works with other companies, not just Expedia, and it is still based in Boston not in Seattle.

PW: Have the 'land-grab' opportunities passed?

DR: I think so, but never say never.

From Travel Business Analyst

Shooting the messenger

Hans Lerch, ex-head of Kuoni, will become CEO of rival Hotelplan after a gap of three years outside Kuoni. He actually joined Hotelplan's board in May 2009.

Lerch replaces Christof Zuber, who had made strategic and operational changes at Hotelplan. When the announcement was made, Zuber made the odd statement that this was now the time for Hotelplan to take a new direction to meet new market changes. *For us, Zuber's timing for the changes at Hotelplan was bad (coming just before and during the economic crisis) - but that was not a reason to move on.*

It seems more likely that Hotelplan simply shot the messenger who brought bad news. And presumably Lerch's CV evokes more confidence in tackling the crisis facing most travel agency groups.

But do not expect a remarkable turnaround at Hotelplan. Unless, that is, Lerch's task is to make profits rather than increase revenue; in that case, cutting costs is easy, making short-term profits but not necessarily long-term ones.

Hotelplan is still making profits (US$6.6mn/Sf7.1mn, in the year through October 2009), but that was a fall of 83%, so losses seemed likely in this fiscal year.

Lerch is a competent traditional travel group manager. But needed now (at Kuoni as well as at Hotelplan) is a dynamic international marketing business-model. Lerch has international skills to tackle this task, but the company that could make the transition is Kuoni, not Hotelplan. Not only is Hotelplan a dull Swiss company, but it is hardly known outside its home-country base.

Lerch probably knows he cannot do much (apart from cutting costs to produce a quick profit turnaround), but is presumably being paid a lot for his impressive CV. After that, will he gracefully exit after 2/3 years, when there is little left to cut at Hotelplan, and when its market-share is just-about holding, but in a declining market?

(Some information from Travel Inside; comment by PinT.)

New King for Regent

When Bjorn Gullaksen was named president of Regent Hotels in early 2008 we wondered if his part-time appointment indicated that "Carlson is looking sell Regent". *Well, last month Carlson sold the company to the owner of one of its hotels, in Taipei.*

Does Stephen Pan, head of the purchaser, Formosa International Hotels, know what is required? Carlson did, but failed to handle it, and earlier owner, Four Seasons, seemed to be more interested in buying Regent to keep a competitor out of the market.

But we question Regent's new future after Pan's comment that Regent's operating team will come from "the Grand Formosa Regent Taipei core group".

Can Pan see that management in a single franchised hotel in a secondary world city might not have the expertise to run, let alone develop, a widespread international hotel operation (including some peripheral locations, such as Croatia and Kazakhstan)? If no, then that does not augur well for the future of Regent, but we will reserve further comment until he announces the new team.

(A report on corporate aspects of this change is in the Asia Pacific and Europe editions of Travel Business Analyst newsletters.)

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