Net Value

Marketing Travel On The Internet

From Travel Business Analyst

Elong's Q1

Some measures for Q1 from Elong, the China-based subsidiary of US-based Expedia, show encouraging progress. Others spoil the message. A pattern at the company that is now becoming common.

Total revenue increased an impressive 41% - much-faster than the still-impressive 28% growth for all-2012, see Table 2.

Table 2

Elong revenue profile, Q1 2013

Item	US$mn*	Growth,%	Share,%
Air commission	5.2	17	14
Hotel commission	29.4	47	78
Other	3.1	39	8
Total	37.7	41	100

Notes: *Converted at US$1 to Y6.13. Source: company.

But there should be two concerns:

-One, operating data for the two main segments – air and hotel – were even faster, see Table 1, meaning that yields are falling. Air sales increased 21% while air revenue increased 17%; hotels +71% and +47%.

Table 1

Elong operating profile

Item	2013 Q1	2012 J-D	Q1
Air			
Air segments,x1000	672	2378	554
Growth,%	21	3	-6
Growth,%			
average ticket price	-1	1	1
commission/segment	-4	-4	-5
air commissions	17	-1	-10
Accommodation			
Roomnights,x1000	4877	16,124	2843
Growth,%	71	75	67
Growth,%			
average room rate	-4	-12	-12
commission/roomnight	-15	-22	-19
hotel commissions	47	36	36

Source: company.

-Two, the company is still not able to boost non-hotel business to become a proper OTA (online travel agency) like its parent. Air falling from an unimpressive 17% in Q1 2012 to an even less impressive 14% this year. In turn, hotels continue to dominate, from 75% to 78% this year.

In 2007 (when we started to track this data), hotel commission represented 79% of the company's revenue (all-year). In 2012, that had fallen, but only to 76%. And the difference was not made up by air activity – that has actually fallen from 19% in 2007 to 16% in 2012. (Growth came from 'other' revenue.)

Expedia/Elong should be worried.

Other indicators in Q1 results:

- Elong mobile app downloads have passed 10mn. That has helped mobile bookings (through mobile apps and mobile-optimised websites) to take a 15% share of roomnights. (No data for air, but we presume it is still small, probably around 3%.)
- Even if air is not growing in terms of share, it is growing faster than in 2012 – 21% increase in ticket-segments (a Beijing-Singapore roundtrip would be two segments). That compares with +3% for all-2012, although there was a 6% drop in Q1 2012, so growth this year is partly a recovery from that fall.
- Growth in roomnight sales has been steady, but high – +71% this Q1, +75% for all-2012, +67% Q1 2012.
- Average ticket and roomnight prices fell this Q1. But with big volume increase, and an increase in the number of air and hotel products available, this change could be a reflection of those measures rather than a trend to lower yields.

Online trends

Some new findings from Germany's GfK research company on online booking trends, for the Germany market in 2012:

- Online bookings increased 22%.
- 36.4% of trips with at least one overnight are either completely or partly booked online.
- Older consumers, aged 50-60, are boosting online bookings more proportionately. *(GfK gives no supporting data.)*
- Online share for France, UK, US, is now more than 50%.
- The classic beach vacation constitutes 22% of pre-booked vacations. In this segment, the online share is 38% - almost equal to the 40% for travel agencies.
- In Germany, 1.1mn travel bookings were made on mobile devices.

For the start of this year, in Europe:

- Sales for travel agencies in Germany were up 4%, but sales via online portals were up 10%. In the UK -5% and +8%; Netherlands -13% and flat.

Google, Facebook, Kayak

Interview by Lorraine Sileo, head of research at PhoCusWright, with Google's Bernd Fauser, global accounts director travel; Facebook's Lee McCable, head of travel; Kayak's Jean-Frederik Valentin, VP package travel.

Soundbites:

- **Google**.

-To find a restaurant you ask a friend, if you want to book a flight, then asking a friend is not much good. So it is a combination of all of these. Not just Kayak or Facebook.

-Sometimes it is a phone number you want, another time it is a friend. So it is a combination of things.

-No-one wants 500 hotels in Paris; they want one. So if a friend has stayed at one, that clinches the deal.

-We have 30tn websites, but sometimes we need professional contacts.

-Maybe in the beginning, maybe just a weblink was ok, then we need to provide answers.

- Facebook.

-Social is just a start.

-With the travel agency it was the wisdom of one. With social media it is the wisdom of friends.

-We have seen that the importance of friends is very important.

-Now it is the wisdom of algorithms. Search is really question about things, but second is about search for which hotels your friends like. People need a good filter.

- **Kayak**.

-We don't know where it is going.

-Product/price comparison is our strength.

-We are looking at social search, and how to incorporate it.

-Tour operators are sometimes better partners for us than OTAs.

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