



From Travel Business Analyst

Net Value

Statistics and Analysis on Travel and the Internet

PCW's outlook

Growth for the US online leisure/unmanaged business travel market in the US was expected to have slowed in 2005 – from 40% in 2003, then 29% in 2004, to 26% in 2005.

In dollars, online sales were projected to reach US\$65.4bn in 2005, which would be around 30% of the US travel market, according to PhoCusWright. By 2007, online sales are expected to reach US\$93.6bn, which PCW estimates would be a near-40% share.

To achieve that, online travel bookings would need to increase at nearly four times the rate of the total travel market through 2007.

But online growth will continue to slow, down to 19% by 2007.

PCW says trends and other factors and forces affecting the US online travel market include:

- Driving call-centre bookings to websites.
- Improving or adding access to products and destinations previously unknown to, or out of the reach of, US travellers.

Outbound in Europe

The World Travel Market/IPK report indicated that 45% of outbound trips from the UK involved online booking for at least part of the trip. For another 10%, the internet was used for information, thus an overall total of 55%.

The share for Germany is put at 30%, and 40% for Scandinavia.

We believe that the greater availability of low-fare airlines in the UK is primarily responsible for much of the difference; online booking shares of many of these airlines is in the mid-90s.

Another factor is language. Most information on the internet is still in English – although booking activity is now usually in the language of the major markets. That would reduce the value of the internet for information for the market in Germany, and partly explain the greater share in Scandinavia – where knowledge of English is usually better.

The WTM/IPK data is believed to be for 2004.

Airlines in Asia Pacific

Forrester says that the major airlines in Asia Pacific were expecting almost 16% of their sales to be made over the internet in 2005. *Given low internet usage in many regions, this seems surprisingly high, although no further qualification is given.*

Forrester says the airlines expect this share will reach 42% in 2010.

That would require average annual growth of over 25% in an unchanged sales level. And so, guessing, something closer to 35% annual growth when growth in sales is included. That looks too tough a target – although the airlines are making the forecast, not Forrester.

Bites

• **Amadeus** says airline ecommerce passenger bookings by its Etravel subsidiary increased 67% in the first half of 2005, to US\$2.5bn (€2bn).

• **Abacus** says corporate travel bookings by internet represented a 12% share in 2003 in Asia Pacific. Research consultancy Market Share predicts that this will reach 28% five years later - by 2008.

The potential is greater. A recent survey indicated that 53% of business travellers book their trips online, with 90% using the internet to search information, and two-thirds checking-in online.

• **Easyjet** and **Europcar** have created a 'dynamic packaging' option. As customers are booking their flights, a car rental quotation is being calculated simultaneously. When the traveller has decided to buy the flight, they are presented an option to add the car rental.

• Common-use, self-service check-in kiosks for airlines will be one of the largest areas of investment for **airports**. Over 40% of airports already have

some form of kiosk; this is expected to become 70% in the next two years.

For safety, airports will concentrate investments in the next few years on biometric identification. Only 3% of airports have a biometric security system, but this is expected to increase to 33% in the next four years.

• Internet ticket sales on **SNCF**, France's state-owned railway system, grew 54% in the first half.

This may indicate that sales over the internet are close to becoming a mature medium, as growth rates in internet sales in new sectors are broadly at least double this.

• More of the same?

As we noted in November, **Trip Advisor** runs comments and reviews by travellers of hotels and attractions.

Started in February 2000, it reached 1mn in January 2005 then 2mn by mid-year, and now 3mn. But the number of hotels and attractions has stuck at 200,000 in the growth from 2mn to 3mn – which means that travellers are writing about the same products rather than new discoveries.

Monthly visitors increased from 13mn at mid-year to 18mn by end-year.

• **Taj Hotels** sells about 5% of its business over the internet.

• **Accor** says that 12% of its sales in the Pacific are over the internet, but only 5% in Asia.

China is worse; 95% is voice, according to one Accor executive – although that surely is a qualifiable figure.

• **Leading Hotels of the World** says the average room rate for its bookings is US\$382 – but the internet ARR is higher, US\$406, as well as being above the US\$350 ARR for its GDS bookings.

Of Leading's bookings, 11% are internet and 24% voice. It says internet sales have increased from zero to US\$150mn in four years.