



Net Value

Marketing Travel On The Internet

Phocus on Europe

PhoCusWright says Europe's online leisure/unmanaged business travel in 2005 was worth US\$33.6bn (at US\$1 to €0.85), up 49%.

Unfortunately, following PCW's reports is not easy; figures change without explanation. In 2004, PCW forecast that sales would increase 49% in 2005, see table.

Online travel sales in Europe, US\$bn*	
2006-F	59.6
2005-F	41.0
2005	33.6
2004	27.5
2003	18.2
2002	11.0
2001†	6.0
2000‡	2.9

Notes/Source: See main table.

Online travel sales growth in Europe, %	
2006-F	45.5
2005-F	49.0
2005	49.0†
2004	51.2
2003	64.9
2002	84.1
2001†	106.9
2000‡	NA

Notes: Some figures calculated; may not be PCW statements. F = forecast, in 2004. *Converted at US\$1 to €0.85. †Calculates to 22.4%. ‡Quoted in US\$. Source: PhoCusWright.

ble – taking the total to US\$41bn, at current exchange rates of US\$1 to €0.85.

But PCW has now reported that the 2005 increase was indeed 49% (prompting us to admire such accuracy in a fast-growing market). However, it also says that the resulting total was US\$34bn – which calculates to a 22% increase, not 49%.

And back in 2003 – a long time in internet and travel terms – PCW restated Europe's 2002 total.

These discrepancies divert attention from something that should be more important.

With many companies forecasting internet-share growths of around 50%, plus new companies entering the business,

plus more travel sales being made over the net, plus more country markets coming into the net, and spreading more in existing markets, why is annual growth not closer to 100%?

Iberia online

Air ticket sales on Iberia's web sites increased 39% in 2005 to US\$340mn (at US\$1 to €0.85). Of this, 73% was from customers in Spain (up 33%); sales from outside Spain increased 57%.

However, online sales still represent a low share of the airline's total revenue – 6% in 2005.

One trend is downwards, see table. Although the number of daily visitors has increased hugely since 2000 – by 11 times – relatively fewer of them buy, or they buy less. In 2000, revenue-per-visitor was just over US\$4, but by 2005 that had fallen

Iberia's internet profile		
Item	2005	2000
Daily visits,x1000	300	27
Revenue,US\$mn*	340	40
Revenue per visitor,US\$*	3.10	4.10

Notes: *Converted at US\$1 to €0.85. Source: company.

to US\$3 (at standard exchange rates).

Part of the reason is that Iberia's online product offer is increasing (and may – no data is available – have a lower average offer price). But also conversion (to get a customer to buy once he visits the site) is getting more difficult. Surfers now jump more casually from site to site than they did in 2000 – which in turn is partly because of wider use of faster connections via broadband.

Products other than air tickets are sold on Iberia's site. In 2005, visitors bought 7000 car rentals and 36,000 hotel stays. And 6000 customers daily printed their own boarding cards.

Bites

• Sita, an air transport IT company, says about 400mn travellers are **booking online** annually at present, of which 256mn are booking via airlines.

However, Sita's definitions are unclear. Are these sector

bookings or travel bookings? Is a passenger flying on six sectors in one booking counted as one or six? (Sita would not clarify this information for Net Value.)

Sita claims to have developed the first airline booking engine, 10 years ago, for BMI.

• IPK, which surveys the **Europe travel market**, is releasing more questionable information.

It says 40% of the information about travel is obtained from the internet – in 2005. Earlier, it said 15% used the internet for information – in 2004. If correct, this would indicate a stunning increase.

But we said "stunning" before – after IPK said, in late 2004, that the internet booking share was running at about 27% for the year, in comparison with 19% for all 2003. But then we changed when IPK later put the all-2004 share at 23%.

Will this new stunner be sustained?

• France's railway company, **SNCF**, says it sold 500,000 seats on its 'low-fare train' system (Idtgv) in 2005.

Its internet-only booking train service was started in 2004, so there is no comparison. Also, SNCF provides no capacity data – possibly because it does not seem to operate this as a low-priced subsidiary, merely as another product offer.

Results indicate 685 passengers daily on each train – which operates once daily in each direction Paris-Marseille, and to some other nearby cities. We estimate capacity is at least 1000-seats daily in each direction.

This year, Idtgv has been started on Paris-Bordeaux daily, and Paris-Toulouse weekends. And Paris-Nice is planned to start this April.

(Base data from Tour Hebdo; comment by Travel Business Analyst.)

• Belgium-based **Virgin Express** is now getting near 80% of its bookings via its website, increasing 10 points in 2005. Another 12% of bookings are made via its call centre, and 9% from GDSs.

Since 2000, revenue per booking has increased slightly, from US\$72 to US\$79.

Virgin Express internet activity			
Item	2005	Growth,%	2000
Internet bookings,x1000	1563	7.5	292
Revenue,US\$mn*	123.2	6.4	20.9
Revenue/booking,US\$*	78.81	-1.0	71.64
Internet share,%	78.3	10.8†	26.2

Notes: *Converted at US\$1 to €0.85. †Points. Source: company.

An annual subscription to Net Value, costing US\$100, is delivered via email in PDF format. A small extract from Net Value is normally included in the Asia Pacific and Europe editions of Travel Business Analyst.

For more information, contact Raymonde Perpignani at Travel Business Analyst, TBAoffice@gmail.com
Editor: Murray Bailey. Design: Context Design & Publishing. Copyright Travel Business Analyst Ltd, 2006. www.travelbusinessanalyst.com