



Net Value

Marketing Travel On The Internet

Online in Europe

The online travel market in Europe in 2007, despite expected to have grown almost threefold since 2004, would still be some way from the penetration of the US market, see Table 1.

The new PhoCusWright *European Online Travel Marketplace* report concentrating on the UK, says the online travel market in Europe grew 49% in 2005 to US\$35bn (at US\$1 to €0.85). PCW reports slower growth for the UK market (about 33%, after 38% in 2004), but that is partly because it is more mature, at US\$12bn Euros in 2005.

(PCW does not make clear if UK figures are included in Europe-wide totals. We believe not.)

Table 1

Online penetration			
Year	*Europe	UK	US
2007	27	34	37
2006	20	30	33
2005	14	24	28
2004	9	19	23

Notes: Travel Business Analyst estimates based on PCW data. *UK assumed to also be included in Europe data; PCW not clear on this. Source: PhoCusWright.

PCW believes that traditional tour operators and airlines are "beginning to redefine the marketplace as they develop coherent internet strategies". It adds that the UK market is leading Europe in terms of online development. This includes some PCW 'favourite' internet travel trends such as mapping applications and messaging.

It believes the investment and drive of major players such as British Airways and Thomson brand will accelerate these developments.

We challenge this. Even if some companies are progressive, many still seem unsure how to react – Thomas Cook, for instance, also Germany-owned, like TUI's Thomson.

PCW expects, however, that the tour operator share will increase, and the OTA share will fall, see Table 2.

We might also dispute this, or rather that these moves assume some change on the way the industry seems to be working at present;

Table 2

Agency and operator market share in UK, %			
	2007		2004
Online travel agencies	31		36
Tour operators	18		12
Supplier direct	51		52

Source: PhoCusWright.

basically, that tour operators will grasp the internet challenge. This may still happen, although we have been surprised so far at how slow most tour operators have moved.

We believe their longterm share could be eroded by OTAs – to whom, in effect, definitions such as 'operator', 'wholesaler', 'distributor', etc, are essentially irrelevant. OTAs do everything for everybody, or have been trying to. Traditional tour-operators have been simply trying to maintain their position in the business – although the way the customer moves has changed, and continues to change.

PCW adds that the UK market for hotels is less fragmented than elsewhere in Europe. It says the key players include Accor, Best Western, Hilton, InterContinental, and Whitbread.

PCW believes that hotel website direct sales as a percentage of all hotel sales in the UK will double from 2004 to 2007, to 12%. *As we have often said, we believe that at some point this share will start to change, if not moving to OTAs, at least to something that it not quite so categorical.*

UK business travel

Selected findings from a business travel survey by a credit card company in the UK (Barclaycard); its 9th annual survey):

- Companies now require 28% of business travellers to use the internet to purchase business travel. This is a major increase from the previous year's survey – which put the share at 2%.
- Over half (53%) of business travellers have purchased business travel online during the past 12 months. Of these:
 - 77% have booked flights online – up 11%.
 - 73% have booked hotel accommodation online.
 - 34% have booked rail online.

Of those that have booked travel online, 64% said convenience was the main reason for using this method. *This is*

somewhat ironic in that they are probably doing booking work themselves that previously was done by their travel agency or secretary.

A further 16% said the reason was to manage travel costs, and 11% the reliability of the service.

Almost one-third (32%) said they used members of the UK's Business Travel Agents association for their travel bookings.

Online survey

Carlson Wagonlit Travel's global business travel survey findings on online booking include:

• Europe.

– The region has the highest proportion of business travellers who never book online – 32%. Most-common reason was 40% saying they have a personal assistant who books most of their business travel. 12% say they prefer the personal touch of an agent. However, nearly one-third use online booking 61-100% of the time.

– 90% of business travellers and 87% of travel managers expect nearly-all bookings online in five years.

• Asia Pacific.

CWT found 75% of travellers in Japan book 40% of their business travel online. The share in Australia was 55%, in China 23%, and India 17%. This seems so much higher than reality as to be almost laughable. This seems another example of travellers telling researchers what they believe they want to hear.

Bites

• IPK says internet use for travel by Germany residents in 2005 was 43% of trips, up 12%. That was made up of 26% booking, up 35%, and looking (information) 17%, down 10%.

• In 2005, Germany-based tour wholesaler TUI sold 15% of its business over the internet.

• Air New Zealand is achieving 16,000 bookings per day, worth US\$2mn (NZ\$3mn) worth of daily business. Over half its domestic bookings are now made online.

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.

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