



From Travel Business Analyst

Net Value

Marketing Travel On The Internet

Travellers online spend

Visa International in Asia Pacific has completed a mammoth task in categorising the spend patterns of its cardholders when they travel to other destinations.

Visa International has passed its findings to us. We have extracted the online elements of this spend, and recalculated some data to highlight trends.

Visa's data indicates visitors will spend around US\$2bn online on its credit cards this year (basic 4-times Q1 calculation) in Asia Pacific. Making another heroic back-of-envelope calculation, that means something like US\$10bn overall (we give Visa a 20% market share, but it may have a higher share in online activity because many sites, low-fare airlines for instance, accept payment only from Visa or Mastercard).

Table 1

Online spend by travelling Visa cardholders, Q1 2006

Destination	US\$m ⁿ *	Growth,%	Share‡,%
Australia	143.6	14.0	11.3
China	28.6	743.0	4.6
Hong Kong	50.6	11.0	8.8
India	21.0	78.9	4.7
Japan	14.9	46.1	3.7
Korea	7.6	192.9	2.8
Malaysia	9.0	61.5	4.3
New Zealand	28.6	67.6	5.6
Sri Lanka	1.2	93.5	2.1
Taiwan	3.9	103.7	2.7
Thailand	34.1	55.1	3.5
TOTAL	516.4	65.0	7.6

Notes: Total of destinations shown here. Singapore NA; Indonesia, Macau, Maldives, Vietnam na (under US\$1000 online spend). *Quoted in US dollars. †Foreign visitors in listed destinations. ‡Of total Visa traveller spend in destination. Source: Visa International.

We also regard this as 'travel spend' - even if it is not spend on travel - primarily because it is 'traveller spend'.

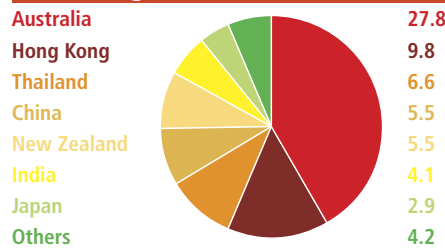
The other factor, though, is fast growth - average 65% for the region in Q1.

Note, however, that this is not necessarily additional spend. More likely, it is spend that previously was made via a variety of methods.

That said, we do believe that convenience

Table 2

Share* of online spend by travelling Visa cardholders, %



Notes/Source: *Of Asia Pacific online spend by travellers, then as Table 1.

does encourage greater spend.

Note also that some growth would be related to Visa-business factors and not traveller-factors. Where, for instance, Visa has substantially increased the number of outlets in a destination that accept payment by Visa.

Overall market share (online compared with offline) is just under 8%. Compared with sales-over-internet shares that some principals achieve (closer to 15%), this may look low. In fact, it is higher than we expected.

In addition, shares are higher in what we might define as the 'easiest' destinations in which to travel - Australia, Hong Kong, New Zealand.

We might have expected higher shares in 'difficult' destinations - yet online sales in Vietnam, say, were just US\$100 (but which, we believe incidentally, is a statistical mis-statement). However, this indicates the great potential as Visa and other card companies expand their outlets in such destinations.

Despite Australia's relatively low position (maybe 5%) in terms of share of visitor arrivals in Asia Pacific, its dominating near-30% regional share in Visa online spend indicates the importance of good outlet coverage.

After Australia, the pattern is more 'regular' - that is, closer to regular visitor patterns. Up until NZ, fractionally below China in online spend, but 25% the size of China in terms of visitor arrivals.

Some specific market comments:

- China. Visitor arrival growth has been good, but presumably such a high growth rate in internet sales (over 700%) is primarily a factor of growth in outlets.

Before this, China was a smaller market than India - one of the few business measures where India was ahead of its rival population-powerhouse.

- Sri Lanka. We suspect that this destination figures in the totals (whereas other comparable destinations such as Vietnam do not) because of spend by tsunami-related visitors.

Other non-online reports on data from Visa International is due to appear in other reports and newsletters from Travel Business Analyst over the next 2/3 months. This will include indicators on spend in specific travel-related products and services, such as airlines, accommodation, and restaurants.

Bites

- Consultancy Forrester believes growth in **online shopping** (for all types of goods and services) in France will be faster than in Germany and UK over the next five years.

Forrester says over the past two years, lookers have increased from 48% of Europeans going online at least once per month, to 54%. And bookers (buyers) from 19% to 26%. Currently one-third of total European online spend goes on leisure trip bookings, with online travel spend expected to grow 133% to US\$92bn (€77bn) in 2011. However, while this will make it the fastest growing sector in absolute terms, its share of the total retail market will decline to 29%, as shoppers increase their purchasing to other areas.

- **Elong**, the China-based associate of **Expedia**, reported a 58% increase in revenue in the first half of this year.

There was good growth in all sectors, but despite fastest percentage growth in air ticket sales, this grew only from 11% of the total to 14%.

Elong revenue, Jan-Jun 06

Item	US\$m ⁿ *	Growth,%	Share,%
Hotel commission	12.0	47.6	74.9
Air commission	2.2	102.5	13.8
Other	1.8	98.0	11.3
Total	16.0	58.1	100.0

Notes: *Converted at US\$1 to Y8.00. 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
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