



# Net Value

## Statistics and Analysis on Travel and the Internet

### Dynamic future

PhoCusWright says 32% of online travel buyers in the US used dynamic packaging\* technology in 2004, up from 24%. At the same time, the share of online travel buyers who purchased pre-packaged travel fell from 19% to 13%.

As the online share of bookings will grow, dollar volume of bookings will increase.

But PCW forecasts a steady DP share – about 83% this year and in 2006, see table.

### Dynamic package sales in the US, US\$bn

Year	DP	Traditional	Total
2004	3.5	0.9	4.4
2005	5.5	1.1	6.6
2006	8.5	1.7	10.2

Notes: DP = dynamic packages. Estimates from PCW data. Source: PhoCusWright.

*But the US market may respond differently because of its industry structure. Unlike country markets in Europe – where operators like Thomas Cook and TUI have long dominated leisure travel sales – tour wholesalers hardly exist in the US.*

*If fixed-itinerary (ie, non-DP) tour packages become easily available online in the US, could growth of that sector grow as fast as DP?*

*\*Definitions of DP vary, but Net Value uses the phrase where travel shoppers can bundle elements of travel together for an overall package price. As this is not new, even on the internet, the new element is that after the travel elements are packaged, a new price is added based on the business rules that govern them, and less than the sum of the parts. However, some still use the DP to mean no more than a shopping basket.*

### Bites

• **Travelocity**, which bought back rights to expansion of Singapore-based airline-owned online-agency Zuji in late-2004, says it will probably exercise that option in 2006.

• Hong Kong-based **Marco Polo Hotels** says about 1.5% of its sales are currently booked on the internet.

It says the share is doubling, but with planned incentives, growth may be faster. It is incentivising corporate accounts to book online, and improving its bookers club that gives points for bookings.

• **Abacus**, the Singapore-based airline-owned GDS, says eticketing increasing 195% in 2004 to 2.86mn tickets.

In December 2004, etickets accounted for 20.6% of all tickets sold, compared to 9.9% in December 2003. Singapore led eticket issuance (up 193%), then Taiwan (140%) and Hong Kong (185%).

*In market size, and counting travel to China, positions are reversed – HK, Taiwan, then Singapore.*

• **Marriott** says 80% of its online sales in 2004 were through marriott.com, for a total US\$2bn, up 40%. Company-wide sales were US\$10bn.

• **IPK**, which surveys the Europe travel market, says 23% of all international trips involved the **internet** for at least part of the trip in 2004. Another 15% used the internet for information.

In late 2004, IPK said the booking share was running at about 27% for the year, in comparison with 19% in 2003. *At that time we said that 27% growth was “stunning”, but these new figures indicate unremarkable progress.*

• Four recent new members of the board at online agency **Lastminute** are all British nationality. This is despite the fact that the company is trying to be pan-European – although the UK share of its business actually increased, from half to two-thirds, in its most-recent fiscal year.

And despite its major corporate acquisitions in continental Europe.

These UK-centric moves at board le-

vel seem to indicate poor foresight at LM. But not until later – perhaps after one year, or until the company faces a crisis in one of its non-UK operations – will it be possible to know whether the LM board’s national make-up will cause operating difficulties for LM in the rest of Europe.

• **Priceline\*** improved performance in 2004, just. Although gross travel bookings were up 52% to US\$1.68bn, revenues increased only 6% to US\$914.4mn.

Air ticket sales increased 53%, see table, but that followed a 37% decline in 2003; the figure is still below 2002’s. However, hotel and car rental sales continued strong growth, both near 40%.

*\*US-based Priceline may be the best-known opaque online travel agency, but it also includes retail sites, of which the best known is Travelweb, the failed venture of Pegasus.*

### Priceline results

Item	2004	Growth,%	2003	Growth,%
Air tickets sold,x1000	2802	52.9	1833	-36.8
Roomnights sold,x1000	7730	35.6	5700	38.9
Rental car days sold,x1000	5051	37.7	3667	29.7

Source: company.

• **Travelocity** says 24% of its 2004 gross bookings were packages, twice the share in 2002. **Expedia’s** share is 20%.

• In 2004, etickets accounted for 97.4% of all ticket sales on **Iberia’s** website for domestic flights, and 70.9% for international. Regular ticket sales offices reported 91.1% domestic, 54.7% international.

Etickets are now available on 90% of Iberia’s routes.

• UK site **Cheapflights** says monthly visits increased from 350,000 in 2000, to 2.5mn in 2004. And its product offer also improved – from 20,000 deals on display in 2000 to 1.3mn now.

The company also owns cheapaccommodation.com, which it wants to make a global site; at present 50% of its business is outside the UK.

• **Hilton International** says 80-90% of its internet bookings are on its own sites; and growth is three-times the pace of other sites.

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