From Travel Business Analyst

Net Value

Statistics and Analysis on Travel and the Internet

Expedia slows

Expedia was still reporting under IAC Travel for the first quarter. The planned split into two companies (InterActive and Expedia) has not yet taken place.

Revenue at IAC Travel (which will comprise the new Expedia, excluding the Interval timeshare company and TV Travel Shop) increased 14% to US$563.9mn, slow growth for an internet company. Overall booking revenue increased 20% to US$4.2bn, see table.

But there were some bigger shocks – such as a revenue decline at Hotels.com. And, despite all the publicity about growth in merchant rates, the number of merchant roomnights sold increased just 4%.

Also, IAC highlights international growth, but to us, this is still very slow and – given the apparent effort by Expedia – currently a failure. Although it increased 45%, it increased only from 19% in 2004 to 22% in 2005.

Results at IAC Travel

Item	No	Growth,%
Bookings,US$mn	4192	20.1
US	3245	14.4
Non-US	947	45.2
Expedia	3444	28.9
Hotels.com	483	-2.2
(Agency)	2417	27.5
(Merchant)	1775	11.4
(Packages)	118	13.5
Transactions,mn	9.7	18.3
Merchant roomnights,mn	7.3	4.3
revenue/roomnight,US$	243	6.8

Source: company.

Business philosophy could be a factor. Although regarding its business as international, IAC Travel still books its US business as 'domestic'. Just as Lastminute cannot forget it is a British company, Expedia still thinks like an American company.

Air revenue grew by 8% (revenue not given), although there was a 21% increase in air tickets sold. Ticketing revenue grew 4% to US$211.3mn, driven by a 25% increase in international revenues.

Online China

China's two leading online agencies, Shanghai-based **Ctrip** and Beijing-based **Elong**, both report big increases in 2004, see table.

Results at leading two China online agencies, 2004

Company/item	No	Growth,%
Ctrip		
Revenue,US$mn*	42.8	93.8
Air	7.6	210.0
Hotels	33.3	80.0
Tour packages	1.3	118.8
Air tickets,mn	1.7	178.7
Roomnights,mn	4.2	75.0
Elong		
Revenue,US$mn*	16.7	86.1
Air	1.2	170.0
Hotels	13.5	85.0
Air tickets,mn	0.3	242.5
Roomnights,mn	2.0	90.3

Notes: *Converted at US$1 to Y8.28. Source: companies.

(Elong is now owned 52% by IAC/ Expedia, which has 96% of the voting rights.)

Bites

• Another indication that consumers will eventually turn more towards **third-party sites**:

Research by Keynote in the US found Expedia, Orbitz, and Travelocity scored high in customer satisfaction for air bookings; top airlines were low-fare airlines Jet Blue and Southwest.

• FUR says that the number of **leisure travellers** in Germany using the internet for information has doubled since 2001, see table. And the share booking is up almost four-fold.

Internet usage in Germany for leisure travel, % share

Date	Information	Booking
Jan 05	33	15
Jan 03	27	9
Jan 01	15	4

Source: Forschungsgemeinschaft Urlaub und Reisen.

But although the share using internet for information has increased from 6% in 2000 to 19% in 2004, this appears to be supplementing other sources, not replacing them.

The share of those using friends and relatives also increased, from 42% to 44%, those using travel agencies from 35% to 38%, and tour operator catalogues unchanged at 23%.

• The Centre for Tourism & Regional Research expects slowing growth of **internet sales** in Europe. Starting with 2003, it predicts the same annual growth in dollar terms – meaning a decline in percentage terms, see table.

This seems hard to believe. With only a small percentage of travel activity sold online, and many immature markets, to predict 20% growth this year, for instance, seems an under-estimate.

Internet travel sales in Europe

Year	US$bn*	Growth,%
2000	3.9	200.0
2003	15.6	50.0
2004	19.5	25.0
2005	23.4	20.0
2006	27.3	16.7

Notes: *Converted at US$1 to €0.77. Source: CTRR, Pricewaterhouse Coopers.

• One estimate is that 10-15% of the 20mn tour packages sold in the UK could eventually be converted to online **dynamic-packaging sales**, plus 20-25% of the 20mn low-fare airline passengers.

**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.*

• **Opodo** targets revenue of US$1.3bn (€1bn, at US$1 to €0.77) this year, compared with US$860mn in 2004.

The company is still losing money. *Its first CEO, Giovanni Bisignani (now head of IATA), said it would be profitable in 2004. Current CEO, Simon Vincent, says 2006.*

• **Kuoni** says 25% of its bookings in Scandinavia are made on the internet; in home base Switzerland, it is only 3%.

• In Q1 2005 timeshare company **Interval** International increased its online sales share from 17.2% to 21.0%.

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