



From Travel Business Analyst

Net Value

Statistics and Analysis on Travel and the Internet

Dynamic packaging

Expedia says that sales of traditional brochure-based tour packaging is declining, for various reasons, see Table 1.

In the UK, dynamic-packaging (DP) is expected to take business from both traditional package holidays and independent holidays – slightly more from what is currently the independent sector, see Table 2.

This forecast shows a remarkable growth in DP sales from an estimated 8% share this year, to a forecast 36% in 2008.

This looks on the high side, not least because of the unusual patterns shown for sales of independent holidays.

These are expected to have shown growth from a 45% share in 2001 to 53% this year, but then fall to 49% in 2008. (Based on increased packages sold this year, but more-or-less static sales through to 2008.)

Presumably, Expedia and Gartner believe travellers in the market have already been moving to more independent activity – by buying their own air tickets over the internet, for instance. And these are the travellers who are expected to quickly switch to dynamic packaging as the product and facilitation improve.

But Expedia sales have already shown a big increase from the time the company introduced DP in the

UK in mid-2002.

We estimate Expedia's DP sales have increased from a 10% share of its total sales in 2002, to 25% in 2003, and 40% in 2004.

Expedia believes this UK pattern will be matched in France and Germany within a year.

But not all is lost for traditional tour operators. They are slowly realising the success of dynamic packaging, and will

to indicate that Jupiter is doing no more than upping its forecasts.

It believes the number of consumers who buy online will increase from 33mn this year to 51mn in 2010. That represents an average annual increase of just over 9% – the same rate of growth it expects for dollar volume.

Jupiter is fudging the issue. Numbers and revenue have not grown at the same pace in the past, and they seem unlikely to in the future. Jupiter might add its forecasts are about travel and the internet, and not developments in travel pricing. But, sorry, all is interlinked.

We think as more people come on to the internet, and have increased confidence in the products and paying for them, the per-sale total will increase.

Pressure downwards will come when the hotel sector realises it must match the low-fare-airline business-plan – with greatly discounted rates for advance bookings.

Jupiter also agrees with suppliers that their share will grow – the opposite to what we think. Jupiter says 56% will go to suppliers this year, and expects it will be 62% of that much bigger total in 2010.

But with developments such as dynamic packaging – see other report in this issue – the trend must start swinging back to third-party sites soon. Or the results will become muddled – if the hotel element of a dynamically-created package on Expedia goes via the Hilton website to get rates and book, who will register the sale?

In the meantime, online hotel bookings are expected to increase from US\$18.4bn this year to US\$28.8bn in 2010. That would be almost 10% growth annually, and would take internet share of hotel bookings from 20% this year to 28% in 2010.

Airlines are still dominant on the internet, with sales expected this year of US\$39.0bn and US\$58.1bn in 2010 – an average annual growth just over 8%. And growing as fast as hotels in terms of share of bookings – from 32% this year to 40% in 2010.

Table 2

Tour package sales share in the UK, %

Year	Traditional	Independent	Dynamic from trad	from ind
2001	55	45	0	0
2005	39	53	2	6
2008	15	49	17	19

Notes: Estimates by Travel Business Analyst from source data. Source: Expedia, Gartner.

match this demand by unbundling some of their package components.

If they had moved more quickly, they might have held off OTAs (online travel agencies). As it is, they can probably do no more now than prevent an actual decline in sales numbers. But any market growth will go to the OTAs.

By Jupiter!

Jupiter Research says online travel bookings in the US increased 25% in 2004, and will account for one-third of all US travel sales in 2010. Totals are US\$54bn in 2004, estimated to reach US\$68bn this year (with similar growth – 26%), and then US\$104bn in 2010.

This differs somewhat with what Jupiter has estimated and forecasted earlier – at the start of this year, US\$62bn, up 10%, for 2005; and earlier, US\$79bn in 2009 and US\$64bn in 2007. However, this appears

Table 1

Reasons for decline of traditional tour-packaging

Reason	Market Canada	UK	US
Packages too inflexible	66	74	67
I can organise a better deal	61	75	65
I want to select companies	45	47	46
– where I am loyalty program member	28	8	23
Packages don't have amenities I want	37	39	31

Notes: Percentage share of those questioned. Source: Expedia, Keynote.

Net Value, published by Travel Business Analyst, is available as part of a subscription to the Europe edition of Travel Business Analyst. An annual subscription to Net Value alone, costing US\$100, is delivered separately from Travel Business Analyst Europe only via email in PDF format.

For more information, contact Raymonde Perpignani at Travel Business Analyst, TBAoffice@aol.com

Editor, Murray Bailey. Design, Context Design & Publishing. www.travelbusinessanalyst.com Copyright Travel Business Analyst Ltd, 2005.