



Net Value

Marketing Travel On The Internet

Europe 1

In a new report, the PhoCusWright research company says that France, Germany, and the UK together contributed 67% of Europe's total online leisure and unmanaged business market in 2008, see table.

It forecasts a falling share for the leading market, the UK, as other markets grow faster – from 31% in 2008 to 26% in 2011. However, it says this is also related to a fall in the value of the UK currency.

PCW shows France stagnant, but Germany growing from 17% to 20% to overtake France. *We believe part of this is PCW adjusting its forecasts. We said earlier that we could not believe that Germany, with an outbound travel volume and spend 2/3-times larger than France's, and internet-active, was a smaller internet market than France.*

We also question static shares 2008-11 for the smaller markets – Italy, Scandinavia, Spain. Other travel data shows outbound-Spain down 1-4% in 2008, and probably more in 2009, with similar movements for Italy. And why, particularly in these times, has PCW not separated out others – at least the Netherlands, which could be 4x bigger than Spain's outbound market.

There is a bigger question. PCW reports show 'Europe' but its data shows 'EU' (the European Union; also, not all of Scandinavia is in the EU). It has not responded to our request for clarification.

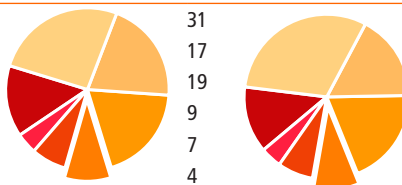
We have great confidence in PCW's market knowledge of the UK and the US and, thanks to one of its directors, India. But we believe that in Europe the company is still learning. In Asia, the market is more of a statistical desert, and so PCW's work is as good as it gets.

In other findings, PCW says Scandinavia has overtaken (presumably in 2009) the UK in terms of online penetration – 45% compared with 40% – and is expected to take more than 50% this year. *This apparent rapid growth is another reason that Scandinavia's static share in Europe over 2008-11 looks odd.*

Online market shares* in Europe, %

Market	2011	2008
UK	26	31
Germany	20	17
France	19	19
Scandinavia	9	9
Spain	7	7
Italy	4	4
Rest of EU†	14	13

Notes: *Of leisure and unmanaged business travel. †Sic; PCW reports show 'Europe' but its data shows 'EU' (the European Union; also, not all of Scandinavia is in the EU). Source: PhoCusWright.



via's static share in Europe over 2008-11 looks odd.

PCW puts France third with an online penetration of 30%, compared with Germany's 24%. Europe's average is 28%. Earlier, it put France's penetration at 25% in 2008.

Europe 2

The PhoCusWright research company makes five predictions for Europe's online travel market this year:

- Online travel will take a more than one-third share of Europe's travel market. PCW says sales in the market dropped in double-digits in 2009, but online (leisure and unmanaged business travel) grew slightly – no figures for either.

It believes the recession (although in strict financial terms that has stopped in two main economies, France and Germany; see also below) is pushing consumers to shop online for better deals. As a result, it expects the online share to increase from 28% in 2008 to 34% this year.

(PCW has not been consistent on its estimates. In various periods over recent years, it has put the share at 29% in 2008, 32% in 2007 (when it forecast 41% for 2008), 22% in 2006. In fact, PCW figures have probably changed as it has learned more about the Europe market. For instance, we still believe it underestimates the size of the Germany market, see below.)

- Priceline could become the largest all-Europe online travel agency

(OTA). After a long time as fourth among the big four global OTAs (the others are Expedia, Orbitz, Travelocity), PCW says Priceline gained share during the recession but also because of the success of its main European acquisition, Booking.com. PCW believes Priceline could become second-largest OTA worldwide and possibly the largest OTA in Europe.

(We are a little less positive, but accept that this is particularly related to the economy and the downturn in travel. The fact is that some travellers will not travel unless they can buy an air ticket below, say, \$1000. That is different from looking for the lowest price for your planned trip. However, that \$1000-traveller might revert to being a what's-the-lowest-fare traveller if the recession is 'over'. Plus, of course, the airlines might decide they are more positive about the market, and increase that \$1000 bottom-fare to \$1100.)

- Metasearch will make it in Europe. The fragmented European online travel market – OTAs and suppliers – could encourage metasearch.

- Germany will gain share amid the recession. *(As noted above, PCW relates some of its forecast in connection with the recession but quite a few of the bigger economies – Austria, Belgium, France, Germany, Italy, Netherlands – are out of recession. Greece, Ireland, Italy, UK, are still in it.)*

PCW reckons Germany's share of Europe's online travel market will increase from 17% in 2008 to 20% in 2011. *(As for all-Europe, we note PCW's earlier prognostications: in 2008 it reported a 20% share for Germany, and expected it would grow to 33% this year.)*

- As larger markets mature, eyes turn south and east. Europe's largest travel market, the UK, has over 40% online penetration. The online travel industry is looking for opportunities in markets in south and east Europe with lower penetration.

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