



# Net Value

## Marketing Travel On The Internet

### Elong's 2009

2009 results of China-based Elong, an Expedia subsidiary, indicate that travel in China held out better in the recession than in some other markets. There was a slowdown, but there was still growth.

However, Elong is not progressing much as a company; it is a long-way from an Expedia-in-China. Most of its revenue – albeit down from 76% in 2008 to 68% in 2009, see table – comes from hotel commissions.

booking international travel (rather than 'looking' – gathering information before booking, offline or on) increased 14% in 2008, see table, and 11% in 2009. That has pushed the resulting share to just under 50%; it was only around 20% 5/6 years ago.

And overall, internet users-v-non-users moved from 50/50 in 2007 to 55% for users in 2008, and 60% in 2009. The numbers of those who do not use the internet, for looking or booking, fell again in 2009, by 12%.

(OTAs) in **France** were expecting 6.7% growth in bookings in 2009, following 9.5% in 2008.

*(In the past, PCW reported online share in 2008 at 25%, following a 16% increase to US\$10bn. In 2007 its online sales forecast for 2008 was US\$13bn (OTAs US\$5.3bn) in 2007, with US\$11bn actual (OTAs US\$4.3bn) in 2007, and US\$9bn (OTAs US\$3.5bn) in 2006.)*

- **Online Spain.** Spain is a major international destination (*in some measures, we count it ahead of France, which is usually listed as the biggest*), but its outbound business is small. And that, as well as domestic travel, has been hurt by a bigger fall in its economy than other regional economies.

PCW says the overall travel market fell 12% in 2009 but online travel sales fell only 1%. It says Spain's hotel business (*which would be affected by inbound travel*) fell 7% in 2008 (compared with a 2% fall in visitor arrivals) and 9% in 2009 (same as the fall in arrivals).

OTAs have not suffered as much as their brick-and-mortar competitors; OTAs grew 2.7%.

### Bites

- **Abacus International**, the Singapore-based GDS, recorded a 15% increase in online sales in 2009, compared with a 1% fall in its total business. It forecasts 20% growth in 2010, compared with an overall 3-5% growth for the first half of this year.

In addition, an Abacus survey found that online bookings contributed up to 15% of revenue for 43% of its surveyed travel agencies in 2009, and 15-30% of revenue for another 36%.

- **The Concorde Inn** at Kuala Lumpur airport gets 10% of business on internet. It expects a 3-4% increase this year; *we think growth will be greater.*

- *An interview with David Roche, head of Hotels.com and Venere.com is included in this month's Net Value. Subscribers to any other newsletter or report from the Travel Business Analyst group will be sent a complimentary copy of this report on request.*

### Elong operating profile

Commission	Q4 09		J-D 09		Q4 08		J-D 08	
	Growth,%	US\$m*	Growth,%	Share,%	Growth,%	US\$m*	Growth,%	Share,%
Air	43.4	14.1	24.3	25.3	20.9	11.3	34.4	23.3
Hotel	7.0	37.6	1.3	67.7	0.8	37.1	5.3	76.4
Total	22.4	55.6	14.3	100.0	3.2	48.6	9.2	100.0

Notes: J-D = Jan-Dec. \*Converted at US\$1 to Y6.83. Source: company.

Hotel commissions continue to grow slower than air, and in 2009 growth was less than US\$1mn – compared with US\$3mn for air.

The 'Other' sector, not shown in the table, has moved from an insignificant under-1% share in 2008 to 7% in 2009. This share seems likely to grow as China's travel patterns continue to mature.

Q4 results are encouraging for results this year. In Q4 2008, growth rates were half or worse than those for all-2008. But in Q4 2009, growths were around double or more those for all-2009.

### Europe's online trends

The World Travel Trends Report\* includes a section on internet booking growth in Europe.

Use of the internet in Europe for

*That said, perhaps the most interesting fact is that there is still a remarkable 40% of travellers who do not use the internet in any form for their travel. In times when – giving just one example – it is difficult to book a seat on a low-fare-airline offline – how does that 40% manage to avoid the internet?*

*In fact, we believe that the question now needs to be refined, as we assume a good part of that 40% use the internet – by default. Those that book through most travel agencies, for instance, are effectively booking via the internet. And those who, say, travel on an incentive trip, are being booked by internet – even if they themselves do not use the computer to make a booking.*

*In other words, times have changed, and this question was suitable for another era, and now needs to be recategorised.*

*(\*WTTR is compiled by research company IPK and sponsored by ITB Berlin, the trade show.)*

Table 1

### Europe online travel trends

Item	2009		2008		2007	
	Growth,%	Share,%	Growth,%	Share,%	Growth,%	Share,%
Booking	11	48	14	41	13	36
Looking	-15	12	8	15*	3	14
Internet users	1	60	10	56*	10	50
Non-internet users	-12	40	-10	44*	-8	50

Notes: \*Slight changes from data shown in 2009 report. Source: Extrapolations by Net Value from IPK data.

### PhoCusWright reports

Some one-liners from research company PhoCusWright (PCW).

- PCW says online travel agencies

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