



# Net Value

## Marketing Travel On The Internet

### Iberia.com results

Iberia has stopped reporting some information - notably seat sales (we estimate they fell 6% in 2009). And for its internet activity, it does not reveal all the same measures each year. Those realities make it more complicated to determine progress of the airline's internet activity.

### Iberia's internet profile

Item	2009	Growth±,%	AAGR,%	2008	Growth±,%	2000
Revenue,US\$mn*	793	10.3	37.1	719	6.4	46
Share,%	13.3	12.6p	na	9.8	0.7p	0.8
Daily visits,x1000	350	4.5	32.9	335	3.1	27
Revenue per visit,US\$*	6.21	5.6	3.1	5.88	3.2	4.71
Tickets sold†,x1000	650	20.0	9.0	542	NA	300
Hotel nights sold,x1000	63	14.5	NA	55	-31.3	NA
Cars rented,x1000	16	14.3	NA	14	-36.4	NA
Insurance policies,x1000	400	27.0	NA	315	NA	NA
Boarding passes daily,x1000	16	23.1	NA	13	4.0	NA

Notes: Some findings extrapolated by Net Value from Iberia data. AAGR = annual average growth rate, 2000-9. \*Converted at US\$1 to €0.74. †Noted as 'international sites' in 2009; no special designation on earlier data. ‡Over year earlier. Source: company, Net Value.

Results in 2009 need to take into account the 19% fall in the airline's overall revenue. Despite that, its on-line revenue increased 10%, see table, meaning a significant increase in the online share. That jumped 13 points in 2009 to 13%; in 2000, it was under 1%. That still looks low compared with what other airlines claim, although there is still no industry standard for measuring internet sales - including/excluding own site, third-party sites, GDSs, etc.

The average number of daily visits to Iberia's sites increased at a slower rate than revenue - although given a downturn in overall airline traffic, a 4% growth in visits can be considered good. And revenue-per-visit shows a good 6% growth also - but this is our calculation of a figure that can be no more than a basic guide.

Data indicates a 20% increase in tickets sold, but Iberia defines its 2009 data represents sales on inter-

national sites. As no definition was given earlier, this growth may not represent a same-store calculation.

Some definitions on ancillary activity have also changed slightly, but the change is not significant. Although growth rates are higher in the ancillary sector, these are mostly small numbers, and potential

may be higher.

For instance, hotel night sales represent fewer than 200 nights sold daily, and so a 15% increase there is still not impressive. Much

better is the increase in insurance policies sold, up by 27%. This appears to indicate that fewer travelers than thought have their own travel insurance.

*We hope this growth helps improve the general quality of the insurance sold by airlines, not necessarily Iberia - which is often minimum coverage with large exclusion clauses.*

The number of aircraft boarding passes issued increased 23%, so obviously good if seat sales fell 6% as we estimate. This saves time and money for the airline - conversely costing the passenger more money, but probably saving him time at the airport.

Of the boarding passes, 4% were sent to mobile devices.

### View from Pegasus

Pegasus Solutions shows a sizeable increase in ADS and GDS hotel bookings this year, see Table 1.

Table 1

### Percent growth in Pegasus ADS/GDS hotel activity, Jan-Apr

Region	ADS			GDS		
	Res	ARR	Rev	Res	ARR	Rev
North America	11.8	-6.5	2.2	15.2	1.1	15.0
Europe	13.5	1.8	15.2	9.3	4.5	18.3
Asia Pacific*	24.0	-5.9	16.3	32.8	1.2	38.8
World	12.3	-3.9	5.3	10.7	3.2	12.6

Notes: ADS = alternative distribution system, ARR = average room rate, GDS = global distribution system, Res = net reservation, Rev = net revenue. \*Includes Africa. Source: Pegasus.

Growth in average room rate, however, is still lagging actual bookings, and in Asia Pacific and North America ARR was still falling over the first four months. Surprisingly, although Europe's economy is generally shown to be more sluggish than those other two regions, its ARR was increasing, albeit by only 2%.

For the future, see Table 2, Pegasus data shows that there has been a substantial increase in bookings through GDSs for travel this month - from -7% in January to +17% in April. But ADS bookings have remained fairly constant over the same period. Although steady, the rate of growth for ADS bookings is faster but we presume - Pegasus does not say - the company's GDS activity is much greater than its ADS activity.

Table 2

### Future bookings in hotels, 2010

Bookings in:	Apr		Mar		Feb		Jan	
	ADS	GDS	ADS	GDS	ADS	GDS	ADS	GDS
June	16.0	16.9	17.3	4.6	19.0	-2.1	19.8	-6.6
July	17.9	15.0	19.1	5.2	NA	NA	NA	NA
August	18.0	9.5	22.4	-1.5	NA	NA	NA	NA

Notes/Source: See Table 1.

The outlook is similar for bookings over the next two months - sizeable increase for GDSs, steady-but-higher growth for ADSs.

An annual subscription to Net Value, costing €100, is delivered via email in PDF format. A small extract from Net Value may be included in the Asia Pacific and Europe editions of Travel Business Analyst. ISSN-1998-6289.

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