



# Net Value

## Marketing Travel On The Internet

### Google into travel

Last month, the dominant search engine Google bought ITA Software for US\$700mn.

There are many views on the implications for the travel business, but most presume it is significant, and that pure travel companies may have to rework their business-plans in terms of internet and travel-search activity.

In some ways, the concern seems over-stretched. ITA was formed in 1996 as a spin-out from the well-respected Massachusetts Institute of Technology. It is a private company, presumably comfortably profitable, with 500 employees. It recently raised US\$100mn in funding.

ITA seems to be feared/respected as much for its capability under Google than what it has done. It manages data on flight times, booking availability, and ticket prices. But it is perhaps best known for its QPX software for organising flight information. Its clients include American Airlines, Hotwire, Kayak, Orbitz, Southwest Airlines, Trip Advisor, United Airlines, and Virgin Atlantic. And it has just introduced an airline passenger reservation system.

If you visit a travel site and enter your flight information, a matrix will show the number of stops, airlines, and the fares. That matrix came from ITA.

This acquisition means that Google users will be able to look up travel information and prices, and in some way compete with companies like Kayak and even Expedia. Even with little or no change in the way they search, Google users will be shown fares alongside the specific search results. And if Google users search a hotel, the results will probably also show air fares alongside the hotel information requested.

ITA is strongest in air data, but it will probably expand to hotels and other travel categories such as car rental.

### Searching travel

Recent Hitwise findings for top travel-company searches (in the top 10 only, and excluding sites such as Google Earth, Trip Advisor, maps, directions), in the US shows Expedia retaining its top spot, see table.

However, the top-3 are losing share - 7.3% this year against 8.2% in 2009.

In earlier years, the top three in 2008 were Southwest, then Expedia and Travelocity. And in 2007, Southwest, Travelocity, Expedia.

#### US top-10 travel-company searches\*

Company	2010	2009
Expedia	3.29	3.60
Priceline	2.09	2.15
Travelocity	1.89	2.13
Southwest	1.79	2.44
Orbitz	1.58	1.43
Yahoo Travel	1.36	1.49

Notes: See text for qualifications. \*Mid-year. Source: Experian Hitwise.

Over the past two years, there appears to be a trend towards OTAs (online travel agencies), but what could be the most significant is the growth of Priceline, a bid sight, into 3rd place in 2009 and 2nd this year - even if its actual share is down. Does this indicate that more travellers are moving only if the price is right, and the right price is the one that travellers are willing to pay?

In selected other markets:

- **Australia.** Categorized by different travel companies such as transport, not travel as in most other markets. Thus the top-4 are airlines - Jetstar, Virgin Blue, Qantas, and Tiger.

- **UK.** National Rail has slipped from first place in 2009 to third this year. And there are other significant developments: Thomson retains its high position; and Easyjet climbs one place to 2nd.

Also, Ryanair dropped out of the top-5. This is despite the continued faster growth in actual sales at Ryanair compared with Easy Jet. The result probably means therefore that Ryanair's market growth is proportionate-

ly greater outside the UK. In the UK, it is so well known that a search for the company is less likely.

### PCW data

Reports and findings from research company PhoCusWright:

- 15% of China's US\$58bn in travel bookings was transacted online in 2009 - which would mean US\$8.7bn.

According to iResearch, a Shanghai-based internet research company, that share will reach 20% by 2011. And it estimates that revenue from the online travel service market will more than triple between 2009 and 2013.

We calculate that would mean an annual average of 31.6% to US\$26.1bn. It does not say what percentage that would represent of the total market. On data shown here, we estimate 30%.

PCW reports that 48% of Chinese travellers use online forums to research travel. And 25% of those who used social media to research travel also booked online in 2009.

(Data from PCW's *Emerging Online Travel Marketplace in China.*)

- **In Europe:**
  - Among those with internet access, 6% of travellers from France, 9% of those from Germany, and 5% of those from the UK, plan and book their trips completely offline.
  - Even in the current price-sensitive market, travellers most commonly cited prior positive experience as a reason to visit a website - 38% in France, 50% in Germany, and 51% in the UK.
  - Only 38% of France travellers enjoy staying in hotels, compared to 72% of those from Germany, and 82% of those from the UK.
  - Over 33% of travellers now carry mobile phones with web-browsing capabilities - 38% in France, 37% in Germany and 47% in the UK.
  - Fewer than 10% of travellers have performed travel-related activities on their mobile phone in the past year. Yet intentions show that the mobile travel audience will likely double in the next 12 months.

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