

# Net Value

## Marketing Travel On The Internet



From Travel Business Analyst

### What WIT

Bites from the Web-in-Travel internet conference in Singapore last month (founded by Yeoh Siew Hoon, pictured):

- Broad advertising spends:

- **Accor Asia Pacific.** In 2010, traditional offline ad spend (print etc) is expected to have



represented 88% of its adspend, and it thinks this will fall to 76% in 2015. 'Traditional online' (TO) adspend (such as banner ads) expected to increase from 7.7% this year to almost 9% in 2015. And social media (SM) adspend (Facebook etc) from zero to 2% in 2015.

- Equivalent measures for **Air Asia:** offline 70% 45%; TO 15% 22%; SM 8% 16%. And an additional category - emerging marketing (EM) 4% this year, and 12% in 2015.

- And for **Tourism Australia:** offline 74% 40%; TO 20% 30%; SM 5% 25%; EM 1% 5%.

- **Audio-visual** is the new "grammar". before it was being able to read and write; no longer.

- **Daodao** (Trip Advisor China) now has 800,000 hotel reviews. Most are for 3-star hotels.

- **Gartner** forecasts that the growth in high-end tele-presence systems will allow companies to keep more workers at their desks, saving 2.1mn airline journeys by 2012.

- **Institute for Hospitality.** Yes, there are differences in the Asia Pacific market, but there are also differences in the Europe and other markets.

- **Langham Hotels International** says it books 15% of its business via the internet.

- **Morten Lund** (founder of Skype, who has now formed **Everbread**, providing software to help airlines and OTAs offer lower fares on more flights): "Don't take yourself too seri-

ously...there should be a law against people getting rich at age 25".

- **Small Luxury Hotels** says that of its 95,000 club members, about 40% book online.

### Web counts

Some recent findings from **ComScore**, which tracks online travel, for August 2010:

- There were 129.3mn visits to travel websites in Asia, up 19%. Includes information-only sites.

- Airline sites are no longer the most visited. OTAs represent 40% (compared with 37% a year earlier), hotels 21% (20%), airlines 19% (20%). *Net Value has long said – almost alone – that non-principal sites would overtake principals.*

- Low-fare-airlines registered a 44% increase in visits to their sites, much faster than the 8% for regular airlines. However, the LFA total represents a share of only about 10%.

- Of Air Asia's Malaysia-division visitors, 31% were aged 25-34, and 28% 35-44. Males were 48%; Malaysia's male population share is 53%.

- Top-3 users-of/visitors-to travel websites in China were banks – China Merchants, ICBC, China Construction. In Malaysia, Maybank and PBE, but in third place is CimbClicks. In Singapore, DBS, UOB, Citigroup.

- In Asia Pacific the penetration of social networks is 51%. In Europe it is 81%, and in North America 89%. By market in Asia – Australia 82%, China 38%, Hong Kong 75%, India 72%, Japan 44%, Korea 64%, Malaysia 87%, Singapore 86%, Taiwan 77%.

- **ComScore** says **Air Asia** has 500,000 followers on Facebook. *The airline itself says the number is getting "close to" 1mn.*

### Elong's 2010

Growth rates this year for China-based Elong, an Expedia subsidiary, indicate that it is out-performing its local market – at least the outbound market, for which we run ongoing estimates.

Revenue growth for all-2009 was 14%. *That was well above the overall outbound market, which grew at 1-4% – many China figures (in fact there are often many on the same measure) often do not match. Domestic travel increased about 10%.*

This year, Elong's first half was up 38%, *when we estimate outbound travel increased 30%, and for the nine-months Elong up 42%, our outbound estimate up 28%.* There is no ongoing data for 2010 domestic travel, but as an indicator the market's largest airline, China Southern, sold about 17% more seats in the first half, and about 18% more Jan-Sep.

However, Elong is not progressing much as a company; it is still a long-way from an Expedia-in-China. Most of its revenue comes from hotel commissions - albeit down from 80% in 2005 to 69% this year, see table.

And the growth pattern fluctuates. For all-2009, hotel commissions grew 1% compared with 24% for air, Jan-Jun this year 34% and 39%, yet for Jan-Sep 46% and 31%.

The 'Other' sector, not shown in the table, has moved from an insignificant 2% share for all-2007 to 9% YTD 2010. This share seems likely to grow as China's travel patterns continue to mature.

### Elong operating profile

	Commission 2010			2005			2009		
	J-S	G,%	S,%	S,%	J-D	G,%	S,%	S,%	
	US\$m				US\$m				
<b>Air commission</b>	4.8	30.8	22.6	12.3	14.1	24.3	25.3		
<b>Hotel commission</b>	14.7	46.4	68.6	80.4	37.6	1.3	67.7		
<b>Total</b>	21.4	41.8	100.0	100.0	55.6	14.3	100.0		

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

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