

Net Value

Marketing Travel On The Internet



From Travel Business Analyst

Kayak pushes boat out

US-based travel search company Kayak plans an IPO (initial public offering), probably in the first half of 2011.

All financial details have still not been released, but its Jan-Sep revenues were up 48% to US\$128mn – above the US\$113mn for all-2009. Its revenue comes from advertising on its various-country sites; 25% from Expedia brands, 19% Orbitz, 8% Google.

A problem for the future could follow Google's recent purchase of ITA. As a result of this, Google is expected to launch a search product that would compete with Kayak. Yet Kayak uses ITA software for its air search, and 85% of Kayak query volume is air-related.

Kayak's contract with ITA runs until end-2013. If Kayak or ITA do not renew, a question is whether Kayak can find a replacement.

Tripping up

Make My Trip, India-based US-quoted*, has announced fast growth in its second quarter – Jul-Sep. For that period, gross bookings increased 48.8%, revenue 40.5%.

We have looked at another period (first half of the current fiscal year) and some other data, see table. These do not show such clear growth.

Pointers:

- Is MMT buying growth? Revenue-per-transaction fell – as much as 10% for air, even though the figure is already low.
- There are no clear figures on geographical patterns for the latest report period. Our report before MMT's stock-market debut showed that India was an overwhelming share of activity – 85% of transactions and 95% of revenue.
- There is little change in revenue pattern – and what there was is arguably in the wrong direction. The 38% share of air ticketing in the 2009/10 year has so far

fallen to 35% this year.

• The difference between air revenue and hotels packages is also moving in the wrong direction – a difference of US\$440 in 2009/10 and now US\$473 this year.

*MMT received US\$70mn from its IPO earlier this year.

Bites

• 20% of internet bookings on domestic flights in **Japan** come from mobile phones.

• PhoCusWright says that **India's** travel marketplace totalled US\$15.8bn in 2009, and estimates it will grow to nearly US\$20bn by 2011.

• **Elong**, China; an Expedia group company. Has long been not much more than a hotel-booking site, but is now steadily becoming more like its Expedia parent, an online travel agency. In the first half, 33% of its business was online, and we estimate that its Q3 results will show this grew to 40%.

• Ctrip, according to PhoCusWright, controls nearly 75% of **China's** online travel market.

• Data from ARC (Airlines Reporting Corporation) shows a -0.8% fall in **online transactions** for ARC member US travel agencies in October. Growth in

earlier months, latest back to January: +5% +8%, +1% +3% -1% +3% +14% +16% +15%.

• PhoCusWright says online **vacation rentals** in the US averaged 4.7mn monthly unique visitors in the year through April 2010, up from 4.1mn in the earlier 12-month period.

• Rush – to offline?

PhoCusWright says* this year of-line travel distribution in the US will grow faster than online – 15% compared with 8%. However, the main reason is that offline fell further in 2009 because of the economic recession; PCW expects the shift from of-line to online will resume in 2011.

PCW says following a 15% fall in 2009, the US total travel market will increase 10% this year to US\$255bn. That would still be below 2006; new highs are not expected until 2012. Online fell only 5% in 2009, so the growth this year will be about 5-10%.

*Most data in this report is from PCW's US Online Travel Overview.

• An ITB Asia survey on **social media (SM)** found:

• Most companies allocate under 5% of total marketing budget to SM. 67% use SM as a business communications tool.

• 63% say SM is 'most beneficial' for generating exposure for their business; 81% say it is 'very' or 'fairly important' in attracting new business; 74% say it is 'very' or 'fairly important' in maintaining existing business.

• 47% say it is too early to tell if SM helps increase profits or reduce costs; 34% say that SM helps the bottom line.

• 60% say a favourable review creates 'some business'; 24% say it creates 'a lot'; 16% say it has 'no significant impact'.

• Nearly 55% say a negative review on a SM site would have 'some negative impact'; 16% say 'a lot' of NI; 15% are unsure; 14% say it has 'no impact'.

Make My Trip results

Item	Apr-Sep 2010			Apr-Mar 2009/10		
	Revenue, US\$mn*	Growth, %	Share, %	Revenue, US\$mn*	Growth, %	Share, %
Revenue, US\$mn*	57.6	45.4	100.0	83.6	21.9	100.0
Air ticketing	20.3	33.7	35.2	32.1	67.1	38.4
Hotels and packages	36.2	51.4	63.0	50.3	3.4	60.2
Transactions, mn	1.3	49.6	100.0	1.9	40.9	100.0
Air ticketing	1.2	49.3	94.2	1.8	41.3	94.2
Hotels and packages	0.1	53.2	5.8	0.1	34.9	5.8
Revenue/transaction, US\$	45	-2.8	na	45	-11.2	na
Air	17	-10.4	na	18	18.3	na
Hotel & packages	490	-1.2	na	458	-23.4	na

Notes: *Quoted in US\$. Different from other period when not rounded. Source: company; extrapolations by Net Value from MMT data for Apr-Mar 09/10.

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For more information, contact Raymonde Perpignani at Travel Business Analyst, TBAoffice@gmail.com

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