

Net Value

Marketing Travel On The Internet



From Travel Business Analyst

Pegasus findings

Pegasus Solutions was showing a static increase in ADS (alternative delivery systems) hotel bookings by end-2010 – 10.5% worldwide Jan-Nov compared with 10.7% in the first half, see Table 1.

Table 1

Percentage growth* in Pegasus ADS hotel activity, 2010

Region	Jan-Nov			Jan-Jun		
	Res	ARR	Rev	Res	ARR	Rev
North America	9.0	-2.7	5.6	9.7	-5.7	2.3
Europe	21.6	2.4	23.2	16.3	1.0	17.3
Asia Pacific	18.0	1.0	19.0	22.3	-2.7	18.6
World	10.5	0.5	9.2	10.7	-2.4	5.7

Notes: ADS = alternative distribution system, ARR = average room rate, Res = net reservation, Rev = net revenue. *Over same period previous year. Includes Africa. Source: Pegasus.

Growth in average room rate, however, is still lagging actual bookings by some way – growth was under 1% worldwide, and even declined in North America, by 3%. However, that is a significant improvement on the first-half, when worldwide was down 2%.

Revenue – the result of bookings and rate movements – looks comfortable, growing 9% worldwide, compared with 6% at half year.

Forward bookings were picking up for the first two months of this year, see Table 2, but have been slipping for March. In September 2010, forward bookings for March this year were nearly 20% above the same periods a year earlier. By November, they were at 17%.

Table 2

Forward bookings* in hotels, 2011

Month of stay	ADS		
Bookings in:	Nov	Oct	Sep
January	8.6	2.9	2.4
February	9.1	-2.8	-2.1
March	17.0	18.0	19.7

Notes: ADS = alternative distribution system. *Net reservations; growth against same month year earlier. Source: Pegasus.

Travelzoo results

Travelzoo, a travel search and booking portal, has almost doubled the revenue share of Europe in the past two years. In 2008, Europe accounted for 11% of its revenue, and had increased to 21% in the first half of 2010, and 22% over Jan-Sep.

However, although growth is still much faster than in home-base US (59% against 13%), it is slowing – 74% in the first half, 37% in Q3. At this rate of change, Europe's share might not progress much beyond 25%.

Travelzoo net revenue

Region	J-S 10			J-S 09			J-U 10		
	US\$m	G,%	S,%	US\$m	G,%	S,%	US\$m	G,%	S,%
North America	65.8	12.6	77.9	83.3	44.6	12.5	78.6	83.2	89.0
Europe	18.7	59.4	22.1	16.7	12.2	74.5	21.4	14.6	10.8
Total	84.5	20.4	100.0	100.0	56.8	19.1	100.0	100	100.0

Notes: Asia Pacific operations sold off as separate company in 2009. G = growth, J-S = Jan-Sep, J-U = Jan-Jun, S = share. Source: company.

This outside-US improvement again highlights the company's mistake in selling off its Asia Pacific division to the company's founder as a separate, private, licensee in 2009. With the region growing much faster than Europe and North America, Travelzoo may have difficulty in maintaining the fast group-wide rate it has achieved in recent years.

Bites

• Forrester Research says a study for part of 2010 showed that 28% of **leisure travellers** in the US who booked trips online would be interested in using a traditional travel agency, compared to 23% in 2008.

This followed a fall in the number of leisure travellers who went online to plan and book vacations - from 53% in 2007, to 46% in 2009.

That contradicts FR's finding that online booking of leisure travel in the US will increase from US\$80bn in 2010, to US\$86.6bn this year, and to US\$110.7bn in 2014. *Could it be that on-line travel has reached the level of awareness where complaints are commonplace – as for food on US airlines?*

• Data from ARC (Airlines Reporting Corporation) shows a 5.0% growth in **online transactions** for ARC member US travel agencies in November. Growth in earlier months, latest back to January 2010: -1% +5% +8%, +1% +3% -1% +3% +14% +16% +15%.

• PhoCusWright was expecting **Europe's online** travel market* to grow 10.5% in 2010 to US\$97.4bn (€73.4bn), following 1.5% growth in 2009. Penetration of the market was 31% in 2009.

(PCW forecast that the total travel market in Europe would grow 2% in 2010, following an 11% fall in 2009.)

US online is slightly smaller, US\$96.9bn, but penetration is higher – 39%.

*Data from PCW's *European Online Travel Overview*.

• **Travelclick**, which measures various booking activity, says that during Q3 2010, 66% of all internet bookings were delivered from a brand website, compared with 67% in Q3 2009.

Separately, it says GDSs were expected to have produced 50mn hotel bookings in 2010. That would have been a 9% increase.

• **Air Asia**, in a fare promotion last October (selling fares for MR1 for travel April-August this year), beat its previous online and mobile sales records.

It sold 36,871 seats, up 48%, in one hour during a promotion, and 538,000, up 38%, in one day.

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