

Net Value

Marketing Travel On The Internet



From Travel Business Analyst

Airlines and the internet

A big change is coming on how airlines work with the internet – according to a new report from IATA, entitled Future of Airline Distribution (FAD). The report itself covers much more, and is the subject of a report this month in the Travel Business Analyst newsletters.

Here, the internet elements of the report are covered:

- China passengers travelling with a smartphone are expected to increase from 92% (our estimate from FAD data) in 2012 to 95% in 2017, see Table 2. In other markets – France, Germany, UK, US – from 72-73% to 80-82%.

- China passengers travelling with a tablet are expected to increase from 53% (our estimate from FAD data) in 2012 to 88% in 2017, see Table 2. In other markets – France 25% to 65%, Germany 25% 68%, UK 26% 68%, US 35% 85%.

- Google shows that the typical traveller uses 22 websites to research a trip, in multiple shopping sessions, before booking.

- The changes predicted by FAD will help the world's airlines produce 59% of their booking volume through their websites by 2017, up from an estimated 35% in 2012 – with much of this share change coming from OTAs (online travel agencies).

- Airlines expect mobile devices to generate 7% of online direct sales in 2012. By 2017, FAD forecasts that 50% of online direct bookings will be made on mobile devices - with even more ancillary purchases made via mobiles.

- Travel is the largest ecommerce category, led by airline ticket sales. In the US, Forrester estimates that business and leisure travellers will have spent US\$85.7bn online for air

Table 1

Mobile phone activity* in 2013, % share

Activity	China	France	Germany	UK	US
Check-in/get boarding pass	50	43	40	45	55
Check baggage delivery	51	31	40	38	51
Pay for items purchased	53	31	35	44	50
Research flights	44	31	33	43	46
Book flights	47	32	32	36	46
Report lost luggage	44	34	36	32	45
Book taxi/ground transport	47	35	35	37	44
Book airport parking	44	36	35	36	37

Notes: Estimates by Net Value from IATA FAD data. *The actual question was loose – “How interested are you in doing [the following] from your mobile phone in the next 12 months?”. Source: Net Value, IATA FAD.

travel in 2012 - nearly 58% of total online spending - increasing to US\$110.2bn (56% of total) in 2016.

This looks lower than estimates by PhoCusWright, which put business travel only at US\$109bn in 2011.

- “db-commerce* could be the biggest technology revolution to airline commerce since the internet became a viable consumer channel in the mid-1990s.”

**Database-commerce. Means learning/knowing more about customers (as through social media) and CSR (corporate social responsibility), and subse-*

Table 2

Devices carried by passengers in 2012*, % share

Device	China	France	Germany	UK	US
Mobile	92	87	88	90	90
Laptop	85	77	80	85	80
Tablet	53	26	25	28	35
Ereader	30	10	20	27	33

Notes: Our general experience is that respondents in China exaggerate certain responses; for instance, we believe the laptop share is lower than shown. *No specific and matching time period for surveys – which took place in 2012. Estimates by Net Value from IATA FAD data. Source: Net Value, IATA FAD.

quently offering more to them, or making more- and better-tailored offers.

- VCHs* will account for 30% of airline reservations in 2017, and GDSs 7% (compared with 40% today). For full-service-airlines FAD expects 35% and 10% (55%), and for low-fare-airlines 18% and 1% (16%).

**Value Creation Hubs – the name given in the FAD report to a not-yet-created type of distribution for members of airline alliances, giving more selling flexibility (from the product- and outlet-sides) than presently available through GDSs.*

- The three leading GDSs – Amadeus, Sabre, Travelport – are expected to lead the creation of VCHs. Others expected to create VCHs are Farelogix, Google/ITA, Hewlett-Packard, Mercator, Navitaire, Sita.

PhoCusWright

Recent reports/research:

- PCW believes Europe's online travel market (leisure and unmanaged business travel) in 2012 grew 10%, down from 17% growth in 2011. It puts the total travel market growth at 2.5% – half as fast as in 2011 – to reach US\$310bn (€242bn).

PCW says OTAs (online travel agencies) grew 13%, with supplier websites growing 8%.

- In the US, metasearch visits in Jan-Jun 12 increased 13%; metasearch contributed only 2% of visits to air suppliers and 1% of the visits to hotel suppliers - both unchanged.

OTAs contributed 9% of traffic to airlines, and 6% to hotels.

**Metasearch is like a wholesaler-search website – sending requests to other search engines.*

- Of the 55% of US travellers who subscribed to at least one daily deal website (such as Groupon) a year ago, 7% have since stopped using them.

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