Net Value

Marketing Travel On The Internet

From Travel Business Analyst

Amadeus on online

Amadeus has conducted a study on online shopping behaviour and "future motivations"*. Following are some extracts (those available publicly):

- 47% of US and 78% of Russian travellers experience frustration online.
- In developed markets, 50% of travellers had a particular place in mind for travel. In emerging markets, one-third.
- 40% of travellers are flexible about travel dates.
- 30% of travellers in Europe have no interest in using their mobile phones for travel-related activities.
- Mobile device usage for travel is more than twice as common in emerging markets. In India, 24% of travellers say they research destinations online on their phones.

Future:

- As consumer segmentation and behavioural targetting to consumers becomes more sophisticated, sellers will be able to target promotions to specific consumers.
- Programs will learn from an individual's behaviour over time by observing and aggregating common patterns. Segmentation will help companies analyse behaviour and deliver smarter results.
- Programs will recognise and process inputs from sites that consumers visit and what they do on them, and will act as an 'assistant' on the consumer's behalf.

**Empowering Inspiration: the future of travel search. Study conducted by PhoCusWright, which questioned travellers in Brazil, Germany, India, Russia, UK, US. Plus executive interviews.*

Expedia's 2011

All key 2011 results for Expedia, the world's largest OTA (online travel agency), show growth. But most showed a slowdown in growth – although this in turn is related to recovery from the post-2008 financial downturn.

In addition, Expedia has stopped publicising some measures - notably results by brand (such as Expedia itself, Hotels.com, and Venere). This makes it impossible to determine which segment of the internet sales business is stronger.

We assume that one change in reporting - packages-sold - which is no longer separated, indicates that the business sector has failed to warrant a separate designation. Its peak year was 2007, but even then it was less than 1% of Expedia's total revenue. Customers appear not to have taken up the packages offer, once the great hope for OTAs.

In terms of geography, Expedia now separates only 'domestic' (odd for an international company, but Expedia means 'US') and 'international'. The previous split was slightly-more-helpful - 'North America', 'Europe', and 'others'.

Other findings, see table:

- The number of transactions increased at a slower pace in percentage terms, but the actual number (7.2mn more in 2011, against 7.8mn in 2010) was not so much changed.
- Gross bookings grew a lot less in 2011, and added only US$3.2bn compared with US$4.2bn added in 2010.
- Our calculation for bookings-per-transaction show a nominal 1% growth, but $ growth was only US$5 compared with US$18 growth in 2010.
- In 2009, we wondered if the change in geographical breakdown was to hide a big fall outside the US. Apparently not. Outside-US grew 23% in 2011, almost the same rate as in 2010, but the dollar growth was greater.
- Merchant (ie, negotiated) bookings grew much faster than agency bookings. But that is the opposite of what happened in 2010.
- Average annual growth since 2005 has been good in most categories. The main exceptions are static growth in dollars per transaction, and the slower growth in the US market – 7% annually, compared with 22% outside the US.

But perhaps the surprise is that the US still represents 61% of total gross bookings. Does that mean Expedia has done surprisingly well in maintaining a good level of US sales? Or badly in that it has not yet been able to expand non-US business up to its potential?

Results at Expedia

Item	2011	+/-,%	+/-,no	AAGR,%	2010	+/-,%	+/-,no	2005
Transactions,mn	72.8	11.0	7.20	11.1	65.6	13.5	7.80	38.8
Roomnights sold,mn	94.2	18.0	14.4	NA	79.8	14.5	10.1	NA
Gross bookings,US$bn								
Total	29.2	12.4	3.22	11.1	26.0	19.0	4.15	15.6
Per transaction,US$	401	1.3	5.03	0.001	396	4.9	18.5	401
US	17.8	6.3	1.06	6.7	16.7	15.9	2.30	12.1
Outside US	11.4	23.4	2.16	21.9	9.2	25.2	1.86	3.5
Leisure sites*	26.6	10.6	2.55	NA	24.0	NA	NA	NA
Egencia†	2.6	34.5	0.67	NA	1.9	NA	NA	NA
Agency	16.4	6.1	0.94	10.1	15.4	22.8	2.86	9.2
Merchant	12.8	21.6	2.28	12.4	10.6	14.0	1.30	6.4

Notes: AAGR = annual average growth rate, 2005-11. *Expedia, hotels.com, Hotwire, others; not necessarily leisure travel. †Effectively, business travel. Source: company.

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