

# Net Value

## Marketing Travel On The Internet



From Travel Business Analyst

### Expedia's Q1

In the first quarter, transactions at Expedia increased 18%, see table, but gross bookings increased only 15%, pushing the per-transaction booking revenue down 2% to US\$417.

A key development however is the 21% fall in merchant bookings. If this trend is confirmed during the year, that would mean a significant change for the business pattern at Expedia.

### Results at Expedia, Q1

Item	2012	Growth,%	AAGR,%	2011
Transactions,mn	20.2	18.1	12.9	17.1
Gross bookings,US\$m	8421	15.4	11.3	7295
per transaction,US\$	417	-2.3	-1.4	427
US	5160	16.2	NA	4439
Non-US	3260	14.1	NA	2856
Agency	4621	11.5	10.1	4144
Merchant	2483	-21.2	3.7	3151
Leisure sites*	7666	15.2	NA	6653
Egencia†	755	17.6	NA	642
Revenue by segment,US\$m				
Leisure sites*	764	11.4	NA	686
Egencia†	53	26.2	NA	42
US	491	11.1	NA	442
Non-US	325	13.6	NA	286
Air				
Tickets sold growth,%	5	na	na	-10
Revenue growth,%	-17	na	na	5
Accommodation				
Roomnights sold,mn	23	24.0	18.1	18
Growth,%	24	na	na	15
Revenue growth,%	18	na	na	16

Notes: AAGR = average annual growth rate, 2007-12. \*Expedia, hotels.com, Hotwire, others; not necessarily leisure travel.

†Effectively, business travel. Source: company; some calculations by Travel Business Analyst.

Although the percentage change is not as obvious as for the merchant measure, Expedia's (bigger) US business is still growing faster than its non-US. In dollar terms over the quarter, Expedia's US business added gross bookings of US\$720mn, while the rest of the world added only US\$400mn.

That can be seen as great work by US management, but to deny that non-US sales should be moving faster would be hard.

That said, in terms of revenue, non-US grew faster than the US in

percentage terms (14% against 11%). But in dollar terms, non-US added US\$40mn while the US added US\$50mn.

In air sales, Expedia sold 5% more tickets, but revenue was down. *However, there have been some accountancy changes in this segment, and this change may not indicate a trend.*

In accommodation, room-night sales increased 24% to 23mn. Revenue sales were slightly behind, indicating a fall in hotels' average rates. *(However, this is a factor of travel booking, not necessarily hotel results. For instance, if more Expedia customers are booking budget hotels, the booked rate would go down, but deluxe hotels could still be getting their (higher) rates from other customers.)*

### Outbound Europe

Findings in the annual update on outbound travel in 2011 by IPK include:

- Online bookings represented more than half of all bookings - up 15% to take a 55% share.
- 79% of air bookings are on-

line.

- 65% of hotel bookings are online.
- 98% of online bookings are made on computers, which means 2% were on smartphone/mobile. *IPK says mobile will never become the majority; we disagree, but before that happens, the definitions will merge as a smartphone/mobile is/becomes a tablet and vice versa.*

- There were 5mn smartphone bookings (SBs) - biggest is UK (25% of Europe's SBs; not 25% of total online bookings in that market), then Germany, France, Italy.

### WTTC on the internet

Some soundbites from CEOs during WTTC's Global Summit:

- **Make My Trip.** Research will not tell you that this is the right time to launch an OTA. You need to change your website about 10 times a year. 2.5% of our searches are on tablets (computers); the price point is much higher on tablets.

- **Orbitz.** We make changes to our website every few weeks; before it was 2/3 times a year. We are linking up with public TV in US so that it gives people a link depending on what they are watching. 65% of mobile bookings are for hotels that night; that compares with only 15% on computers.

- **Sabre.** We provide options to about 80 airlines on splitting sales. Tablet (computer) activity is different from mobile.

- **TUI.** The company's current share of business sold online is 40%. The CEO adds that in 3-4 years it will be 50%. *We think that half-way mark will occur within two years if not one.*

### Bites

- **Cunard** says the internet is perfect for cruise travel because many people want to know more about cruise before they travel, and so the internet can provide the information required.

It adds that the internet is more important in terms of information than booking.

*We believe that the internet booking share will follow all other categories - despite current sentiments. As more people carry out more activity on the internet, it seems unlikely that cruise travel will be an outlier.*

- **Google** says it has found that people use a tablet (computer) in front of their TV - two activities at a time.

- Data from ARC (Airlines Reporting Corporation) shows a 2% growth in **online transactions** for ARC member US travel agencies in the first quarter.

### Growth in online transactions for US travel agencies, Q1

Year	2012	2011	2010	2009
Average,%	2.4	-9.7	15.0	18.7*

Notes: \*TBA estimate. Source: Airlines Reporting Corporation, Travel Business Analyst.

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

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