



Net Value

Marketing Travel On The Internet

First half

First half results for two of the world's top-five OTAs.

• **Expedia.** Transactions increased 12%, faster than the 9% average annual growth since 2005, see Table 1. Growth in bookings-per-transaction was less impressive, at 5%, although that also is above the average annual.

Revenues look better, though. Gross bookings increased 18%

(and revenue 20%); comfortably above the 13% average annual. Fastest growth was in regions outside North America (partly because the dollar figure is lower, of course). The NAM share has fallen nearly 10 points since 2005, to 69%.

But the company is not getting much growth from its multitude of brands. The core Expedia remains dominant; 79% in 2005 and 78% this year. And with hotels.com, the other main brand, 91% in 2005 and this year.

Also not moving much is 'merchant' (ie negotiated) sales. Expedia presumably prefers to sell these, but the merchant share has not moved much - 42% in 2005, and now 45%.

Packages revenue continues to disappoint, after being the Next Big Thing. But not yet; Expedia's total is still small, and has grown only 3% annually since 2005.

• **Travelport.** Tracking progress is complicated by the separation of the OTA Orbitz and the purchase of GDS Worldspan in the past 20 months.

If anything, the data indicates the main part of Travelport, the two GDSs (Galileo and Worldspan), is weaken-

Table 1

Results at Expedia, Jan-Jun								
Category	2008				2007		2006	
	No	Growth,%	AAGR*,% Share,%	Share,%	Growth,%	Share,%	Growth,%	Share,%
Transactions,mn	26	12.3	9.1	na	6.5	na	8.6	na
Gross bookings,US\$m	11836	17.7	12.9	100	10.9	100	10.3	100
(per transaction,US\$)	462	4.9	3.5	na	4.1	na	1.6	na
North America	8186	12.4	8.5	69.2	4.5	72.4	8.6	76.8
Europe	2480	32.0	22.7	21.0	35.7	18.7	3.1	15.3
Other	1170	31.3	36.3	9.9	24.6	8.9	54.8	7.9
Expedia	9183	15.1	12.2	77.6	11.3	79.4	10.3	79.1
Hotels.com	1551	18.6	16.5	13.1	8.7	13.0	22.8	13.3
Other brands	1103	44.4	14.3	9.3	9.6	7.6	-5.7	7.7
Agency	6658	14.6	11.7	56.3	9.1	57.8	11.4	58.7
Merchant	5178	22.0	14.6	43.7	13.4	42.2	8.9	41.3
Packages revenue,US\$m	262	7.8	3.3	na	-0.8	na	2.9	na

Notes: *AAGR = average annual growth rate, 2005-8. Source: company.

Table 2

Travelport revenue, Jan-Jun 08		
Division	No,US\$m	Growth,%
Galileo+Worldspan*	1184	44.0
Gullivers	185	27.6
Total	1369	46.6

Notes: Some distortion as Orbitz, now a separate operation, included in 2006 totals. Source: company.

Table 3

Travelport business profile, Jan-Jun				
Item	2008		2007	
	Number	Growth,%	Number	Growth,%
Segments,mn				
Galileo	140	-4.2	147	2.8
Americas	51	-7.1	55	3.2
ROW	89	-2.4	91	2.6
Worldspan	69	-17.7	84	NA
Total transaction value,US\$m				
Gullivers	941	15.9	812	21.0

Notes: ROW = rest of world. Source: company.

Elong revenue profile, Jan-Jun

Item	2008			2007		2006		2005
	US\$m*	Growth,%	Share,%	Growth,%	Share,%	Growth,%	Share,%	Share,%
Hotel commission	17.5	10.4	71.9	10.4	75.9	47.6	74.9	80.2
Air commission	5.5	46.6	22.7	46.6	18.0	102.5	13.8	10.8
Other	1.3	3.5	5.4	3.5	6.1	98.0	11.3	9.0
Total	24.4	16.5	100.0	16.5	100.0	58.1	100.0	100.0

Notes: *Converted at US\$1 to Y6.86. Source: company.

ing. Gullivers - a hybrid, part OTA part wholesaler - is doing well, but its sales represent only about 15% of the GDSs.

We have said earlier that Travelport may have bought Worldspan so that it did not go to a competitor. Results indicate that if that is not true, then Travelport is not running the company well; segments sold fell 18% in the first half.

Bites

• **Messe Berlin**, organisers of the ITB Asia trade show scheduled for next month in Singapore, has shown what appears to be surprising and great misunderstanding of the online business in Asia.

MB says online sales "will grow about 90% over the next 10 years". That would be a disaster; 90% annually or 900% might sound closer.

MB also adds that China, India, Indonesia, Hong Kong, and Vietnam (we are not sure if that list is in any order) will "lead the way". This is a bizarre list, leaving out - at least - Japan, Korea, Malaysia, Singapore. MB appears to show ignorance of the region by including Indonesia and Vietnam.

• China-based **Elong**, partly owned by the world's largest OTA, US-based Expedia, is a long-way from an OTA.

Most of its revenue comes from hotel commissions, see table, making it more like an online hotel reservations office. Although air is growing faster, the hotel share has fallen only from 80% in the first half of 2005 to 72% this year.