



From Travel Business Analyst

Net Value

Marketing Travel On The Internet

PhoCusWright reports

- The company has released its latest **Asia Pacific Online Travel Overview**.

It projects a 17% increase in the region's online leisure/unmanaged business travel market this year, to reach US\$35.7bn. That would give it a greater share, because it estimates this year's overall travel market will fall 6% to US\$202bn.

Online travel market growth rates are expected to be in double digits for all key markets in 2010 and 2011.

- **India** downsized. Tracking online data counts is sometimes a puzzle. PCW once projected India online travel market would "surpass" US\$5.7bn in 2010. We believe Research & Markets - a company that frequently uses data without providing the source - took that "surpass" to create its own forecast of US\$6bn in 2010.

Before that, R&M (or some other not-credited company through R&M) forecast that India's online market would reach US\$4bn in 2011, following annual average increases of 46% starting 2007 - which would have meant the market was worth under US\$1mn in 2007.

Now PCW, *without saying this is a revision of its earlier estimates and forecasts*, estimates the market's leisure/unmanaged business travel market at US\$3.1bn. Its forecasts are an imprecise "double-digit" growth through 2011. It adds that the supplier/OTA share is 65/35.

- PCW says that despite the downturn in travel in the US market this year, the only category to decline in online traffic in the first half was air travel sales on OTA sites, down 15%. However, it adds that conversion has increased.

Conversion rates vary. PCW

says this year that conversion from 'looking' to booking varied from 19.7% for car rental suppliers to 0.2% for cruises booked via OTAs. Suppliers usually get higher conversion rates than OTAs.

Video conferencing

Frost & Sullivan, a consulting company, projects video conferencing usage to grow 20% annually over the next five years to become a US\$2bn industry before 2015. An important product will be TelePresence, which Cisco Systems has been selling since December 2006.



The TelePresence system turns video conferences into almost-lifelike encounters, see picture.

Cisco believes that one day video will account for a lot of communication among both businesses and individuals. It estimates that the amount of internet traffic accounted for by video communication will increase 10-fold by 2013, twice as fast as traffic overall. This data can be managed only with machines such as Cisco's Nexus 7000, which can handle 15tn bits every second (the equivalent of 1350 feature-length films).

TelePresence combines big, high-definition screens, spatially sensitive microphones, custom video-processing technology, and networking equipment. What is more, setting up a TelePresence meeting is as easy as making a telephone call. Facilitators are no longer needed.

(Cisco report extracted from *The Economist*. Comments by Travel Business Analyst)

China online

Research company Nielsen says the about-170mn internet users in China (12% of the population) are forecast to grow to 250mn by end-2011 (19%).

It adds that within the 18-40 age group in the major cities, market penetration of internet users is 60-70%. Among university-educated Chinese of that age, the level is over 90%.

The travel market is heavily dominated (no data; we estimate 60-70%) by the two leading players, Ctrip and Elong (see below). For international travel, the internet is used primarily for 'looking' rather than booking. Nielsen says this is likely to continue in the short- to medium-term (no definition, but we would reckon around seven years for 'medium term') because of the need for travel agencies to help apply for visas.

Out of Asia Pacific

Travelzoo has put its Asia Pacific division up for sale, preferring to concentrate on the Europe and North America markets, and its new Fly.com search engine.

For the 12 months through June this year, its Asia Pacific revenues were US\$1.5mn but its operating loss was US\$7.8mn. A buyer may be a company planned by Travelzoo's non-executive chairman, founder, and majority stockholder, Ralph Bartel.

The decision to sell seems short-sighted, given the expected fast growth of the region, but also that many activities are inter-regional. To be out of one of the world's three main geographical blocks will put Travelzoo at a commercial disadvantage in some activities.

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

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