

Why online travel is taking the world by storm

As better online security measures are introduced and consumers overcome their fears about safety, booking holidays on the Internet may become the norm

Research unveiled last month by PhoCusWright, a leading US strategy and research company for the Internet travel marketplace, forecast that online travel in America is expected to reach US\$20 billion by 2001, seven times more than the US\$2.8 billion-worth of business conducted in 1998. Preliminary results from the research indicate that online travel bookings in the US will exceed US\$6 billion in 1999.

As yet, this kind of research is not available for the Australian market specifically but current trends would seem to indicate that Australia's online travel market will follow the same growth pattern as the US with about an 18 month time lag, according to Melissa Brown, online business manager, travel, for Telstra Big Pond.

The American market is, of course, much larger than Australia but the latter has similarly high personal computer penetration and Internet usage. Figures from the Australian Bureau of Statistics for 1998, for example, state that 64 per cent of all businesses employed personal computers (this rises to 99.8 per cent for businesses employing 100 or more persons), 45 per cent of Australian households (three million) had a home computer and 38 per cent (2.6 million) had a computer which was used frequently. Some 16 per cent of all households (1.1 million) had home Internet access, an increase of almost 280 per cent over the 1996 figure of 286,000 households. Together, the figures translate into more than eight million adults using a computer from any site in Australia in 1998 and more than four million adults accessing the Internet in the same year.

PhoCusWright's research shows that intermediaries - namely agencies - took a 54 per cent share of online travel business in the US last year. The remaining 46 per cent was shared by suppliers including airlines (25 per cent), hotels (13 per cent) and car rental companies (eight per cent). Online travel agencies accounted for more than half of online bookings in 1998 and that business is growing. For the first quarter of 1999, Travelocity.com and MSN Expedia more than tripled sales over the same period in 1998. Sales are expected to double for all segments of the online travel market this year with vacations, tours and cruises - virtually non-existent online a year ago - starting to experience growth online.

The convenience and simplicity of many travel transactions have much to do with the growth of the online business. In some cases, surfing the Web can eliminate the physical need to visit a travel agent. Most of the online travel sites available in Australia such as Telstra Big Pond Travel, Ozemail, Yahoo Travel and ninemsn allow customers to research their holiday destination, check out visa and health requirements, look up foreign exchange rates and find the best price for flights, all information previously supplied on the spot by the travel agent.

"All this can now be done from the convenience of your home or

office," says Brown. "The biggest benefit is that the customer can make a booking, often a trip they have customised themselves, pay for it online and receive their documents at home within a few days. If necessary, the customer can still contact a consultant and receive quality service from a reputable award-winning agency, at least in the case of Big Pond Travel."

In Australia, most of the major retail agency travel chains have a website - Traveland, Harvey World Travel and Flight Centre, for example - as do many smaller or specialist agencies. But the main form of distribution for the online travel business is considered to be via the major Internet Service Providers. Ozemail and Telstra have travel sites as does Yahoo.com.au. Ninemsn (linked to Network Nine's travel property Getaway) also offers a travel facility as does the Seven Network through a tie-up with Traveland. All travel websites are either an agency in their own right or backed and fulfilled by a licensed agency - in order to sell travel, whether online or not, the operator must hold a travel licence. According to Brown, Telstra Big Pond works with Sydney International Travel, recently awarded best NSW CBD Leisure Agency at the 1999 AFTA Awards.

An array of services, destinations and advice are available online at any one of the various sites. Ozemail's itravel service, which just received PC Computing magazine's accolade as the number one bargain travel site and is listed as one of the 100 hottest companies on the Internet, offers skiing trips, bus tours, timetables, bargain airfares, national tourism office addresses and travel tips for everyone from the socks-and-sandals tourist brigade to the seasoned overseas traveller. There are websites for New Yorkers wanting to holiday on the Gold Coast, bed and breakfast listings, routes for driving holidays, car hire companies, bungee-jumping destinations or simple listings of travel companies online and travel insurers.

Some online travel websites

Ozemail Travel - <http://www.itravel.com.au>

Telstra Big Pond Travel -
<http://travel.bigpond.com/travel.asp>

Yahoo Travel - <http://au.travel.yahoo.com/travel>

Ninemsn - <http://expedia.com.au/daily.home> (linked to Network Nine's Getaway television program)

Seven Network - <http://travelland.seven.com.au>

Travel.com.au - <http://www.travel.com.au>

Travelland - <http://travelland.southern-cross.com.au>

Harvey World Travel - <http://www.harveyworld.com.au>

Pulse Travel - <http://www.pulsetravel.com.au>

E-Ticket Travel - <http://www.e-ticket-travel.com.au>

American Express Travel International - <http://travel.americanexpress.com>

Thomas Cook - <http://www.thomascook.com>

NRMA Travel - <http://www.nrma.com.au/travel>

Flight Centre - <http://www.flightcentre.com.au>

Qantas Airways - <http://www.qantas.com.au>

Ansett Airways - <http://www.ansett.com.au>

"All the business transactions that can be done via a regular retail travel agency can or will be performed online," says Brown. In the US, there are some other business developments for travel that are specific to the Internet and they are in the area of auctions or "late sales". Priceline is a site that allows users to state what price they wish to pay for a given flight and if Priceline can find that price from one of the airlines the customer must pay. The other format is for companies to do a "sale" on their site for flights, rooms or car hire on a "last minute basis" at a discounted rate.

So who is making money out of online travel? Brown says that many of the US sites are reputed to be making a loss but that this could be due to the large payments they are required to make in order to be partnered with major search engines or Internet portals. "We expect the viability of online travel services to increase rapidly as consumers become more accustomed to doing business online.

"The future potential is great. With strong growth of the Internet, travel online will also grow. Developments of the types of access mediums, i.e., cable and

satellite, will also create more potential for what users can see and do online. And with the advent of shopping online this will mean that travel goods, duty free and foreign exchange will be able to be transacted online."

The only real problems facing the online travel industry are the same hurdles that confront the entire Internet industry and they are security and the ability to take signatures online, both issues which are being addressed.

One other downside for the online travel industry was noted recently by US-based new media research firm Jupiter Communications Online Intelligence. It stated that airlines, car rental companies and hotels have allowed their websites to stagnate and must continue to market aggressively to acquire and improve execution to reach travel consumers.

"Online consumers are being courted by more and better travel options and travel players are letting the opportunity to retain these consumers slip," said Fiona Swerdlow, a digital commerce strategies analyst at Jupiter.

"In the past two years, suppliers geared up and moved to disintermediate the travel agent market. However, despite falling commissions and increased competition, travel agents have conceded only one per cent of the US online travel market." <<

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Information from PhoCusWright can be found at <http://www.phocuswright.com>. Jupiter Communications' website is at <http://www.jup.com>.