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March 11 to 15*

*Online Travel: The Internet is the
key sales channel for tour operators*

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Market and technology trends in digital travel sales

Social networking, semantic searches, crowd sourcing, microblogging, and video content: the Internet is developing at lightning pace. Current trends, which today employ online pioneers and e-business developers, are also directly relevant for the tourist sector. In particular, in the main travel markets, the Internet is a targeted way of becoming the most important channel for holiday sales, information and recommendations. The current uncertain economic climate will not stop this trend, although it is likely to require strategic concentration on profitable e-travel applications. The ITB Berlin 2009 highlights the latest challenges and opportunities in online travel sales – with the ITB Future Day, over 130 Travel Technology exhibitors and PhoCusWright@ITB Berlin, the industry's leading international Travel Technology Congress.

In 2008, Europe's travel sector posted sales of almost 246 billion euros – the largest travel market in the world. In 2007, the sector grew twice as fast as the remainder of Europe's economy. Almost one third of capacity was ultimately due to Internet sales. The unique feature was that online travel business showed double-digit growth rates (2008: 19 %) and was considerably faster than offline business and the European travel market as a whole (2008: 3 %) (Source: PhoCusWright's European Online Travel Overview Fourth Edition 2008). Nowadays, two out of five reservations are completed online and more than half of all European travellers (55 %) uses the Internet for information about their travel destination, travel providers and special offers (Source: IPK International's European Travel Monitor).

Experts predict that especially in today's difficult climate, the concentration on online business will further grow, because customers react even more sensitively to prices and travel companies are more sensitive to costs: „Customers search on the Internet for the best offer for their money and travel companies want to minimize their sales costs“, comments Carroll Rheem, Director of Research PhoCusWright. „Even if the demand for travel offers is generally under pressure, as a result in 2009 more business will transfer to the Internet.“

Market development in Europe

At a closer look, however, the markets and market segments will profit with differing results:

- Great Britain, Scandinavia: established markets take the lead



The most established online travel countries – Great Britain and Scandinavia – already complete 44 and 40 per cent respectively of all holiday bookings online, and this quota will substantially increase. PhoCusWright expects that by 2010 in these countries half of

all holidays will be booked with virtual transactions. For the medium-sized markets of Germany and France, despite a high level of Internet business, in the short term it will be more difficult to boost Internet travel sales. Online travel growth rates are in decline, although in Germany they are still higher than in France (2008: 27 % or 16 %; 2009: 19 % or 12 %). In 2010, in Germany 33 % and in France 30 % of holidays will be sold online. The less developed markets in Spain and Italy have specific challenges to confront: here, the popularity of online business is still comparatively low (2008: 19 % or 14 %). In Spain, online travel agencies and airlines dominate the scene. Growth is primarily expected from the Spanish railway that heavily invested in its web presence. Additionally, direct sales in hotels have also shown movement. In Italy, where only one third of the population surfs regularly today, the main source of business will remain classic travel agencies. PhoCusWright anticipates that online coverage over the next two years will remain below 20 per cent.

- Travel providers win with multichannel and direct sales

Scheduled flight operators are especially driving growth. They are in the process of making up ground against the low cost carriers (who are reaching the saturation limits of online business) and achieving new Internet sales records.

The hotel segment is also in an optimal situation. Accommodation providers are today in a position of organizing their offers so that they can be sold both directly as well as via online travel agencies, tour operators and packaging systems of upselling partners. Their online bookings rose in 2007 by 30 per cent.

European railways have also significantly strengthened their online channels and were able to consolidate their online sales volume in 2008 to 1.2 billion euros.

Tour operators especially focus in the more established European markets on strengthening and widening coverage for their brands – and the success is tangible: their online direct business grew in 2007 by 12.4 per cent.

Technology trends:

In 2009, the expectation is that last minute bookings will be strong, because holiday-makers tend to shy away from early decisions due to uncertainty over the economy. Anyone who aims for success in online travel must be more than ever in the position of reacting flexibly to short-term changes in demand. The fundamental success factors are



high performance applications for dynamic price reduction and packaging and classic search engine optimization.

In future, there will be more demand for:

- *Travel 2.0 – the long tail of travel sales is alive*

The interactive Internet has already long since offered the travelling public the option to be actively involved in tourist information and web content in various different formats (travel communities, blogs, wikis etc.). Travel communities are booming: these network holidaymakers in all countries and their travel experiences. Globosapiens, Virtualtourist, TripsbyTips, Wikitravel: today, a Google search for the term „travel blog“ gives more than 400,000 pages alone. Most of the blogs have no user and content statistics, as shown today by YouTube, Facebook, Qype or Flickr. However, in general, communicative travellers post in millions of new comments, images or videos in no time at all. Nowadays, almost every destination, hotel or restaurant has an industrious critic in this *long tail* of user-generated content – and there is no delay to post praise or criticisms. Currently, uploaded video content only represents challenges for the companies.

What is clearer than ever: Web 2.0 and Travel 2.0 have long since arrived in the here and now. The latest phenomena include short reports (microblogs) and short films (micrologs) that use limited numbers of characters (140) or film lengths (< 1 minute) and take on the quality of real-time messaging. The community is directly involved in the experience: here and now, virtual friends can read or see where I am, what is happening here and how I am enjoying things. It is still a topic for debate as to what meaning the short formats have for online travel, and how they can be integrated in a value-oriented way into the interaction with travellers.

- *Finding content – the central challenge*

The challenge today is less about making guests write or put something online themselves. The more urgent issue is how to effectively organize the vast amount of content on the interactive web and to make available the relevant information to those undertaking searches in a fast and targeted way.

- Social Search – search like your friends, purchase like your friends

Social search approaches are gaining importance. They use, for example, meta data generated by users as indicators for the relevance of content for specific surfers and searches. This includes folksonomies, for which web entries were not only used as key words by a single author according to a fixed scheme (taxonomy), but were evaluated and tagged by many users. A community key word system is created, which facilitates greater flexibility for a more precise search with more exact results,



yet can also lead to fragmenting of categories and (due to absent standards), which can cause a lack of precision in indexing. Other social search approaches use virtual relations between people (social graphs) to suggest potentially interesting content and products on the basis of similarities among users (user behaviour, last pages

visited, social bookmarks etc.). These approaches clearly go beyond classic key word searches.

- Semantic search – the other way of being found

Just when you think you have mastered the web, the next generation emerges. The semantic web – also known as Web 3.0 – offers options for adding extra information (so-called meta data) to available content, to enable search engines to recognize meaningful links. For instance, an American restaurant web page offers initial attempts by searching user-generated text contributions according to fixed key words (good, excellent, poor etc.), awarding points and identifying an evaluation. EbSemantics (enabling semantic web based e-commerce), a project of the Austrian Federal Economic Chamber and the affiliated advertising platform, AUSTRIAPRO, as well as Smart Information Systems aims to make access to e-commerce in the semantic web easier for small and medium-sized companies – in the early summer of 2008, a working group focused on the development of semantic categories (ontologies) for tourism. Trustyou and Circos, for instance, search the web for hotel evaluations in order to recommend venues to guests not only based on price and availability but also in terms of quality and other criteria. Semantic searching – and coding content with semantic meta data – will make new demands of providers and search engine optimizers.

- *Omnipresence – boost for mobile applications*

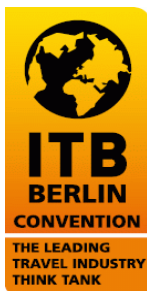
Finally, customers have increasing expectations of services and applications that integrate different sales channels: the mobile Internet is widespread today. The convergence of Internet, telephony and mobile phone technology is advanced. Additionally, networking of navigation and other wireless technologies (Navigation, RFID, 2D and electronic barcodes), social networking and e-commerce is possible any time and anywhere. The linking of tourist services with mobile applications (mobile ticketing or payment on trains, in the ski lift or hotel bar etc.) is increasingly common and offers opportunities for process optimization (e.g. more self services) and additional sales. The decisive point is to communicate an integrated experience to the client no matter which channel is selected. However, genuine multichannel solutions, which seamlessly combine all offers and interaction channels, are still rare. At the same time, key value-added potential exists precisely in this area also of tourist e-business: studies showed that customers who interact with the travel company via



more than one sales channel are „more valuable“ than single channel customers. They exhibit higher purchase frequency and their annual expenditure is about 32 per cent higher (Source: Shop.org, „Multichannel Report“ 2008). Travel companies could also profit from this with the corresponding concepts.

Trend discussion with travel technology experts – at PhoCusWright@ITB Berlin

PhoCusWright@ITB Berlin – the leading international travel technology congress – discusses the opportunities and challenges of the current technology trends for tourism with industry leaders from around the world. On 11 and 12 March 2009, the debate entitled „Expanding E-Travel Across Europe“ will focus on social networking, the semantic web and innovative mobile applications in tourism.



ITB Berlin Convention 2009 takes place from March 11 to 14, 2009 in halls 7.3, 7.1 a and 7.1 b. The PhoCusWright@ITB conference on March 11 and 12 is the leading international Travel Technology conference-in-conference. This years conference theme is “Expanding E-Travel Across Europe”. A separate registration is required.

March 11

10.30 – 17.15: *PhoCusWright@ITB Bloggers Summit*

10.30 – 12.00: *Welcome Meeting*

12.00 – 13.00: *Lunch*

13.00 – 14.00: *Briefing*

Meet with „Five Minutes of Fame“ and PhoCusWright@ITB speakers

14.30 – 15.30 Uhr: *Workshop: The Top Social Media Trends for Travel & Tourism*

Moderated by: Stephen Joyce, Publisher, Tips From The T-List, CEO, Sentias Software Corporation

Panel guests: Darren Cronian, Editor, Travel Rants

Klaus Hildebrandt, Editor-in-chief, FVW International

Kevin May, Editor, Travolution

Mag. Martin Schobert, Head of Research & Development (CIO), Austrian National Tourist Office



15.45 – 16.45:	<i>Workshop: From Theory to Reality, Putting the Trends to Work for Your Organization</i>
Moderated by:	Stephen Joyce
Panel guests:	Darren Cronian Klaus Hildebrandt Kevin May Mag. Martin Schobert Vasco Sommer-Nunes, Founder and Managing Partner, mokono GmbH
March 12	
10.15 – 19.35:	<i>PhoCusWright@ITB: Expanding E-Travel Across Europe The PhoCusWright@ITB Hospitality Lounge Opens</i>
10.15 – 10.20:	<i>Welcome</i>
Speaker:	Philip C. Wolf, President & CEO, PhoCusWright Inc.
10.20 – 10.50:	<i>Street Talk. VC Talk. Walk The Talk</i>
Moderated by:	Gene Quinn, Chairman, PhoCusWright Inc.
Speakers:	Marc Duijndam, Partner, Greenhouse Innovation Jason Katz, Founding Partner, KP Capital LLP Daniel Smith, Partner, ISIS Equity Partners
10.50 – 11.20:	<i>Executive Roundtable: The Perfect Social Travel Guide</i>
Executive Roundtable:	Sebastian Heinzl, CEO, tripwolf GmbH Jan Kooman, CEO, HotelVideoReviews.com Diarmuid Russell, Acting Global Online Director, Lonely Planet Publications Jerome Touze, Co-Founder & Director und Co-CEO, WAYN – Where Are You Now? Ltd.
Moderated by:	Kevin May, Editor, Travolution
11.20 – 11.50:	<i>Executive Roundtable: The Semantic Web Meets Travel</i>
Executive Roundtable:	Jakob Riegger, Co-Founder & CEO, TRUSTYOU Morris Sim, Co-Founder & CEO, Circos.com Inc.
Moderated by:	Tom P. Botts, Partner, Hudson Crossing LLC
11.50 – 12.30:	<i>Keynote: Technical Innovation Re-Invents Travel Distribution</i>
Keynote Speaker:	Eberhard Kurz, CIO, Passenger Transport Division, DB Mobility Logistics AG
Talkback Roundtable:	Bret Gordon, President & CEO, Wandrian Inc. Anton Hell, Managing Director, hit-CONSULT GmbH
12.30 – 12.35:	<i>Five Minutes of Fame: Previewing Travel Industry Start-ups (1 von 4)</i>
Speaker:	Jean-Marc Godart, Managing Director, deciZium SA
12.35 – 12.55:	Break
12.55 – 13.00:	<i>Five Minutes of Fame: Previewing Travel Industry Start-ups (2 von 4)</i>
Speaker:	Ronald Lenz, Co-Founder & Creative Director, 7scenes



13.00 – 13.30:	<i>Executive Roundtable: From Thought to Finish: Implementation Realities in a Digital World</i>
Executive Roundtable:	Justin Cooke, Managing Director, Fortune Cookie (UK) Ltd. Kais Makhoulf, Vice President, Strategic Partnerships and Emerging Platforms, Nurun Inc. Diego Ricchiuti, Managing Director, Agency.com Marco Tosi, Managing Director, LBi IconMedialab Isabell Wagner, Managing Director, Germany, bigmouthmedia GmbH
Moderated by:	Daniel Krisch, Director, Client Services, h2c consulting GmbH, Market Analyst, Europe, PhoCusWright Inc.
13.30 – 14.05:	<i>Executive Roundtable: The Power of Local</i>
Executive Roundtable:	France: Pierre Alzon, Deputy CEO, Voyages-SNCF.com The Netherlands: Wim Butte, Founder & CEO, Airtrade Holding BV, Founder & Co-CEO, Vayama.com UK: Simon Cooper, CEO, On The Beach Ltd. Spain: Javier Pérez-Tenessa, Founder & CEO, eDreams Inc. Germany: Hans Simon, General Manager, Onlineweg.de Touristik GmbH
Moderated by:	Michaela Papenhoff, CEO, h2c consulting GmbH, Senior Market Analyst, PhoCusWright Inc.
14.05 – 14.55:	<i>Late Lunch</i>
14.50 – 14.55:	<i>Five Minutes of Fame: Previewing Travel Industry Start-ups (3 von 4)</i>
Speaker:	Manfred Osthues, Managing Director, protel hotelsoftware GmbH
14.55 – 15.25:	<i>Executive Roundtable: Next Generation Excellence in Tourism Marketing</i>
Executive Roundtable:	Ryan Bifulco, Founder & President, Travel Spike LLC Roger Carter, Managing Director, TEAM Tourism Consulting Konrad Plankensteiner, CEO, Tiscover AG Olaf Schlieper, Managing Director Media Management, German National Tourist Board Mag. Martin Schobert, Head of Research & Development (CIO), Austrian National Tourist Office
Moderated by:	Cees T. Bosselaar, Director, Business Development, PhoCusWright Inc.
15.25 – 16.05:	<i>Keynote: You Can be Better in Travel</i>
Keynote Speaker:	Dale Moss, Managing Director, OpenSkies (a British Airways company)
Talkback Roundtable:	Andrew Owen-Jones, Managing Director, TravelTainment Ltd. Anne Rösener, Vice President, Central and Eastern Europe, Sabre Travel network
16.05 – 16.35:	<i>Executive Roundtable: Economics of PPC and PPA</i>
Executive Roundtable:	Faisal Galaria, Managing Director, Europe and Asia, Kayak.com Javier González-Soria, Managing Director, Google Travel Spain Thilo Hertwig, Executive E-Commerce Manager, Steigenberger Hotels AG Ray Witter, Managing Director Europe, Travel AD Network
Moderated by:	Carroll Rheem, Director, Research, PhoCusWright Inc.



- 16.35 – 17.15: *Keynote: Luxury and Romance Meet Technology*
Keynote Speaker: Tamara Heber-Percy, Co-Founder, Mr & Mrs Smith Hotel Collections
James Lohan, Managing Director, Mr & Mrs Smith Hotel Collections
- Talkback Roundtable: Martin F. Jørgensen, CEO, Net Trans Services AS
Richard V. Leutwyler, President, Utell Hotels & Resorts
- 17.15 – 17.55: *Executive Roundtable: Best Practices in Mobile Applications for Travel*
Executive Roundtable: Pablo Alvarez, Group Innovation Manager, lastminute.com
Stefano Galastri, President & CEO, SIA Internet
Marina Hegemann, Managing Director, TouristMobile GmbH
Michael Lacy, CEO, Handy Group (UK) Ltd.
Gerry Samuels, Founder & Executive Director, Mobile Travel Technologies Ltd.
Moderated by: Norman L. Rose, Senior Corporate and Technology Analyst, Travel Tech Consulting Inc.
- 17.55 – 18.25: *Executive Interview*
Interviewer: Philip C. Wolf
Interview guest: Marc Charron, Managing Director, Europa, TripAdvisor
- 18.25 – 18.30: *Five Minutes of Fame: Previewing Travel Industry Start-ups (4 von 4)*
- 18.30 – 18.35: *Epilogue*
Speaker: Philip C. Wolf
- 18.35 – 19.35: *Cocktail Reception*

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