



## **The Ever-Changing Face of Technology**

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We continue to see the statistics and hear the stories – technology is always changing and, with these changes in technology comes changes in the way people live. Changes in technology affect us at work, at home, in our car, when we travel – it is everywhere.

As a travel professional, you see the changes in your own business. These changes can be seen in the way you do business with other travel industry colleagues, with your consumers and within the confines of your own office. With this STAR, the Strategic Development Council is seeking to provide NTA members with some of the most recent updates and changes in the industry where technology is concerned and provide some insights into how these changes can work for you. By keeping on top of the ever-changing face of technology, NTA members will stay at the forefront of the travel industry and will be ready to take advantage of these, and future, technological advances.

### *Current Online Travel Statistics*

The power of the Internet as it relates to travel purchases continues to grow. According to Forrester Research, U.S. leisure online travel revenue will increase to \$63.60 billion in 2005, up \$10 billion from last year, and is forecasted to hit \$74.4 billion in 2006. That is an impressive increase of over \$20 billion in just two years.

The Internet is also changing the way consumers learn about travel. In the past, word-of-mouth was always one of the strongest means of advertising. A recommendation from a friend holds more weight than a print or radio ad. However, statistics are beginning to show that the Internet is changing that as well. According to GMI, consumers all around the world are turning to the Internet first for travel information. In Australia, Canada, China, Denmark, France, Germany, Italy, Japan, South Korea, the Netherlands, Poland, Spain, the UK and the U.S., more people did Web searches than sought personal recommendations from friends and acquaintances for travel-related purchases. In a GMI poll of some 18,000 online consumers, they found that when using the Internet to make vacation plans, Britons, Australians and Americans are among the most satisfied online travelers. The Japanese and Polish consumers are the least satisfied, with one in five Russians saying online travel services are “not worth it.”

But, in the U.S. where online popularity is growing along with satisfaction, the 2005 YPB&R/Yankelovich National Travel MONITOR states that 47 percent of leisure travelers booked a travel reservation online, up from 38 percent two years ago. More specifically, 75 percent booked a hotel reservation and 65 percent booked an airline reservation. The MONITOR also states that leisure travelers will visit approximately four

sites before they make a reservation with the most popular reason for visiting sites being to check fares and rates (70 percent). Other travel-related reasons for surfing the Web were to check availability (65 percent), decide where to stay (62 percent), find a place to go (60 percent), plan things to do and see (57 percent), read visitors critiques or reviews (39 percent) or read journalists critiques or reviews (26 percent).

### *Technology and the Group Travel Market*

Use of the Internet for travel purchasing has been rising consistently for the past several years. When these numbers were first being offered, it was attributed to younger travelers who had easy access to the Web and was very comfortable with making Web-based purchases of everything from cars to a trip. A trend we are seeing as these numbers continue to rise is a more overall acceptance of such technology by older travelers. Today's senior is not only become more Web savvy, they have seen this type of technology creep into almost every aspect of life and they are becoming more and more comfortable with not just researching and reading online, but buying.

What does this mean for the tour operator? For the past several years, operators were seeing an increase in online purchases of pre-packaged tours. In fact, a recent PhoCusWright survey showed that the percent of online travel purchasers who bought vacations, tours and all-inclusive packages increased from three percent in 1998 to 18 percent in 2001. It was at this point that these numbers flattened – this was the same time that dynamic packaging software began to hit its stride.

PhoCusWright defines dynamic packaging as “a package for which the overall price and component prices change based on the business rules that govern them, as well as the value of the customer to the supplier, packager or intermediary.” Starting in 2002, as many as one-third of online travel buyers were reporting that they were creating their own packages by purchasing air, car and/or hotel in a single purchase, while fewer reported pre-packaged travel purchases.

There are several challenges as well as opportunities that face the tour operators as the dynamic packaging trend continues to develop. First, traditionally static packages do not match the desire of consumers to customize their own vacations. Secondly, the technology used to manage traditional tour operator inventory is often based on minimal computer technology that lacks the capabilities to provide robust online vacation planning. Many companies may face an ever-increasing threat to their core business if they do not embrace the emerging technology to provide dynamic packaging.

With many tour operators reacting to the market and moving away from pre-packaged product and more toward the customized tour product, they are positioning themselves to be ready for this dynamic packaging boom. Because of the complexity of the tour product, the technology to provide dynamic packaging for that product has been lacking. But, according to many professionals, those products are on the horizon. Savvy tour operators will be watching and preparing for such an opportunity to move their business and product to the next level of distribution.

Suppliers and DMOs have also reacted to the increased demand for dynamic packaging. To date, many suppliers/DMOs have launched dynamic vacation planning on their sites either through private label agreements with online travel agency systems or by using

technology from third party software companies. A few recent examples of such partnering on the supplier end are:

- Orbitz recently announced a partnership with Group Travel Planet (GTP). The agreement provides Orbitz with group hotel bookings through the product available on GTP. By selecting a “need 5 rooms or more” button on the Orbitz hotel home page, a group travel planner would be redirected to a co-branded Web site where they can access discounted group rates from more than 10,000 properties in the U.S. and Canada. Hotel participants with GTP can also tier their room rates if they wish – offering tiers for five to nine rooms and another for 10 or more rooms.
- The first major online agency to establish a group booking feature was Travelocity who, earlier this year, announced a deal with Grooble – a rival of GTP. Following that announcement, Grooble opened offices in Paris and Denver and said it will soon introduce group booking capabilities for air, car, cruise and rail.
- The Nashville CVB worked with Travel Spike – a provider of custom online booking engines and technology for destinations and other travel companies – to launch a dynamic vacation planning section of the Nashville Web site. Customers can visit the Web site or call the CVB to book hotel packages, hotel rooms, attraction tickets, etc. Local hotels and attractions are able to attract a large segment of consumers by utilizing Travel Spike’s travel ad network with over 120 million travel page views a month to direct traffic to their area and a site where an entire vacation package can be planned.
- GLAMER introduced GroupTravelMart.com – an online travel show that allows group leaders to surf information provided by dozens of destinations, attractions, hotels and tour operators. GLAMER reports an average of 4,100 visits to the Web site every week and will soon unveil another site – DayTripsAmerica.com – to help group leaders plan day trips to hundreds of smaller destinations across the country.
- Choice Hotels recently partnered with Ticket Reserve for the college bowl season. College football fans who visit Ticket Reserve’s “Fan Forward” program that guarantees a face-value ticket should the fan’s team of choice selected go to either the Orange, Rose, Sugar or Fiesta bowls. At the same time, “Fan Forward” is also offering “Fan Forward Lodging” which adds the option to obtain lodging for the games at a Choice Hotel property within 10 miles of the bowl venue.
- Kayak.com – a comparative shopping engine – has made a strategic partnership with About.com, who claims 20 million monthly visitors, for a multi-year travel search agreement. This will make the Kayak.com engine available on two of About.com’s 23 channels – the Travel and Cities & Towns channels.
- The European Tour Operators Association (ETOA) and the Hotel Electronic Distribution Network Association (HEDNA) are collaborating to discuss how hoteliers and tour operators can work together more effectively in automation and distribution. The two will be sharing information and meeting on the idea of a way for companies of all sizes to save costs and work more efficiently together.

These partnerships, many of which would have been thought of as unorthodox just a few years ago, are a strategy for a supplier-driven dynamic packaging initiatives that offer them a new avenue for relationships with their best existing customers or a new avenue

to finding new customers. These types of strategic partnerships are occurring every day in the travel industry and they hint at the wave of the future in dynamic packaging – for suppliers and destinations to move beyond outsourcing and third-party solutions for dynamic packaging and seeking to capture this lucrative online vacation planning market all the while securing the loyalty to their brand.

### Wireless Technology – It's Uses For Leisure Travel

The expansion in recent years of wireless technology has changed the way and speed in which consumers receive information. PDAs, cell phones, WiFi is already changing the way in which people live. As one expert stated, this wireless revolution will change the way people shop in the 21<sup>st</sup> century as the transistor radio changed the face of the music industry in the 1950s. At that point, control of the radio was taken out of the hands of parents and put into the hands of children and Rock and Roll was born.

Today's e-commerce is unlimited – the future lies in extending the Internet to other devices that give consumers the ability to interact with information at multiple touch points in their shopping and planning process. According to *Research Alert*, some of the changes that can be seen by the continued advancement of wireless technology:

1. Retail Anywhere – consumers will come to rely on Internet access literally everywhere, all the time.
2. Anything Retail – not only does the Internet let retailers offer a larger selection of products, but it also lets them offer custom products to individual consumers.
3. Anybody Shopping – the demographics of online shoppers will continue to converge with those of brick-and-mortar shoppers as Internet access becomes even more widespread, devices become cheaper, and new payment methods allow sub-prime consumers to shop online.

Already, United Airlines is looking into WiFi Internet access on their domestic flights. In research conducted by the airlines, 38 percent of frequent business flyers said they would utilize such a service at the cost of \$25 per flight. And, this is not just limited to business travelers. More and more leisure travelers won't consider a hotel that doesn't offer an Internet connection – they want to stay connected while they are on vacation. And, the more people become dependent – even addicted – to their wireless technology toys, the more important offering such services will become. It is unimaginable that travelers could soon plan an entire vacation, receive confirmations and make reservations all from their cell phone? Alex Cristou, a partner in Accenture, recently spoke at a conference on travel technology. As he stated, "In five years every phone socket will have IP and everyone will have broadband – which will have a tremendous impact on the online travel industry." He linked the growth and strength in this area to connectivity and the thought that mobile phones will have greater Web access, facilitating easy, real-time communication between suppliers of travel and the consumer.

The tour operator, supplier or destination that can offer services to this new, savvy traveler will create a new kind of brand loyalty. Being ahead of the curve in meeting the tough expectations of a more advanced traveler – in other words, being an early adopter of technology will lead to a new kind of customer loyalty and will help your brand survive despite a growing number of competitors.

### Summary

It is very difficult to stay abreast of a world of technology that changes from one minute to the next. However, it is the future of business and, in the travel industry, technology is continuing to make a huge impact. Technology has helped the travel industry to become more and more global. The ability to communicate anytime to anyone located at any spot on the globe has made the world available to even the smallest of companies.

As illustrated in this STAR, in addition to the globalization of the product, the technology of today has also changed the distribution channels of the product. With dynamic packaging software and strategic alliances, the lines are blurring