



Brighter, Bolder, Better e-Commerce

## A closer look at Online Travel Agencies challenges

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«Амадеус – информационные технологии»

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# 1

## Business drivers

### Industry growth

- ▶ OLTA is the **fastest growing segment**, especially during recession
- ▶ Growth is attributed to consumers turning online to **find cheaper prices**
- ▶ A big trend is the **focus on the hotel and packaging** as they are high margin products vs. air

### Geographical expansion

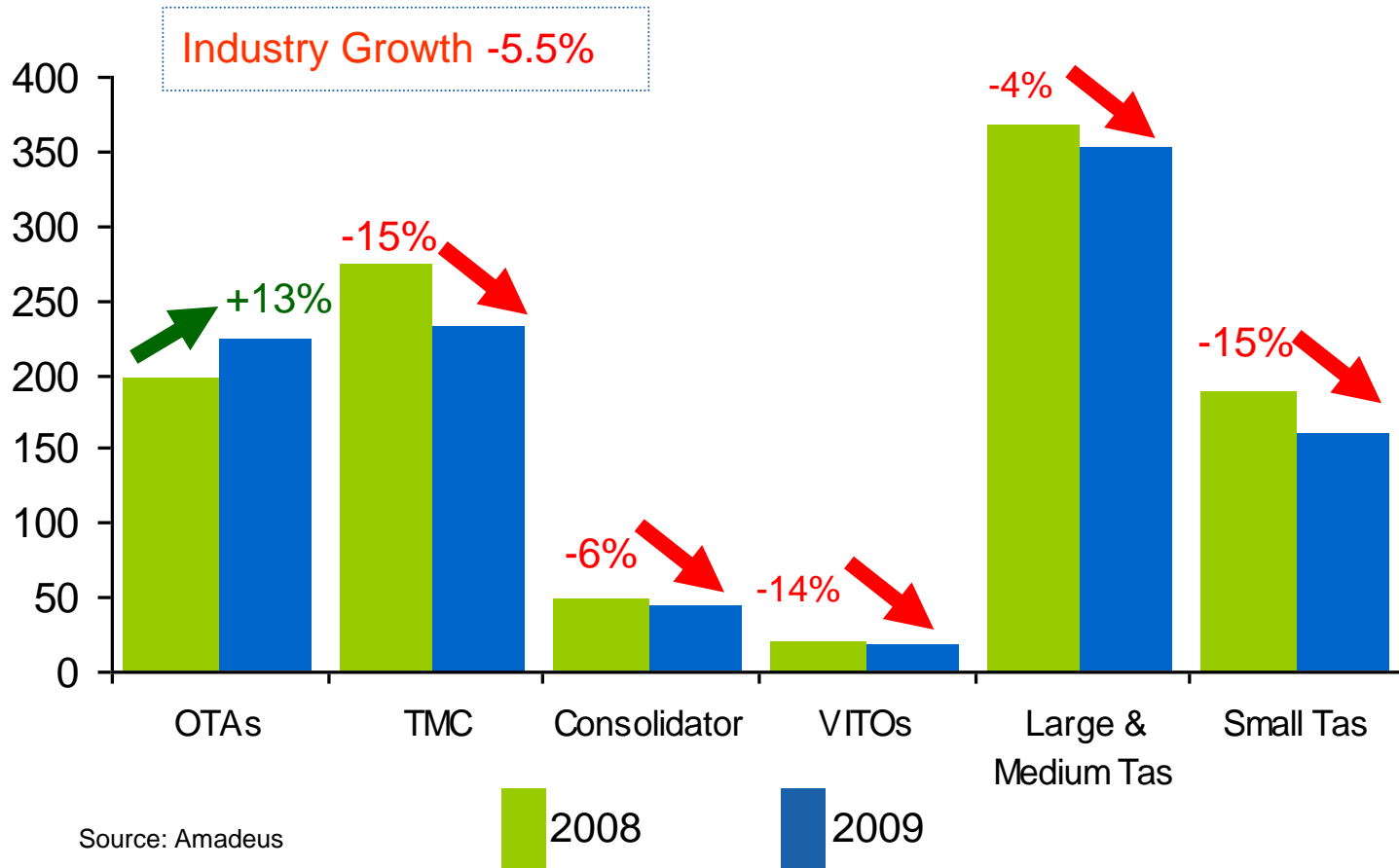
- ▶ In the US, the online travel agency is fairly mature, in Europe and Asia is still growing
- ▶ **Eastern Europe** will be the area of focus, driven by US/WE companies but as well local players becoming regional

### Business model evolution

- ▶ Some OLTAs have eliminated service fees which has further accelerated the channel shift

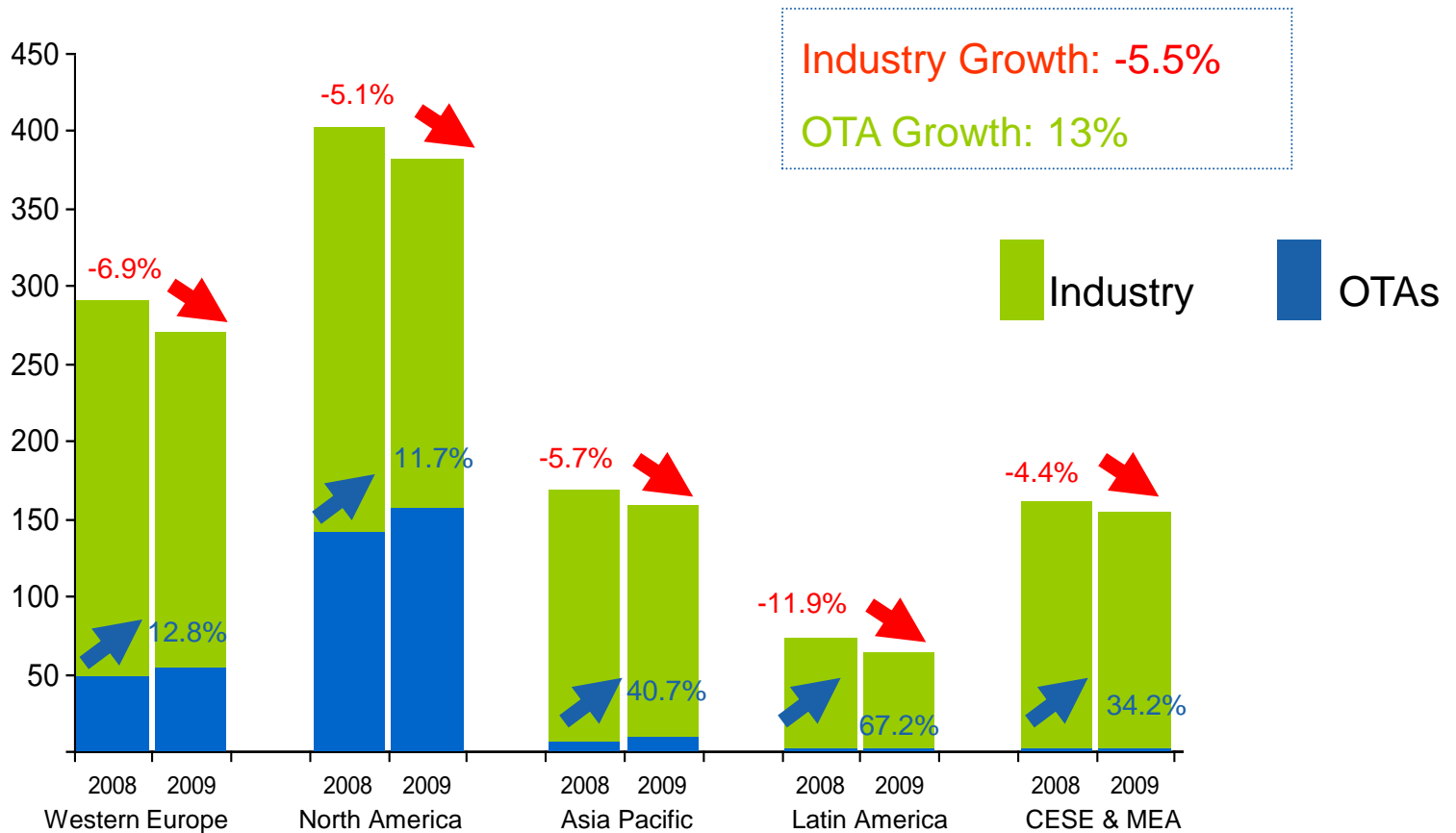
# Online Travel Agencies Leading the way in tough times...

Air Bookings Evolution (all GDS's) 2009/2008 by TA Segment



# ... and in every region

Air Bookings Evolution (all GDSs) 2009/2008 by region



Source : Amadeus

## 2

## New business challenges

**Content Access:** Access to relevant content is still an issue (Air+LCC, Hotel, Tour Operators, Rail for some market)

**Marketing Spend:** Heavy marketing investments → 50% of TA cost per ticket

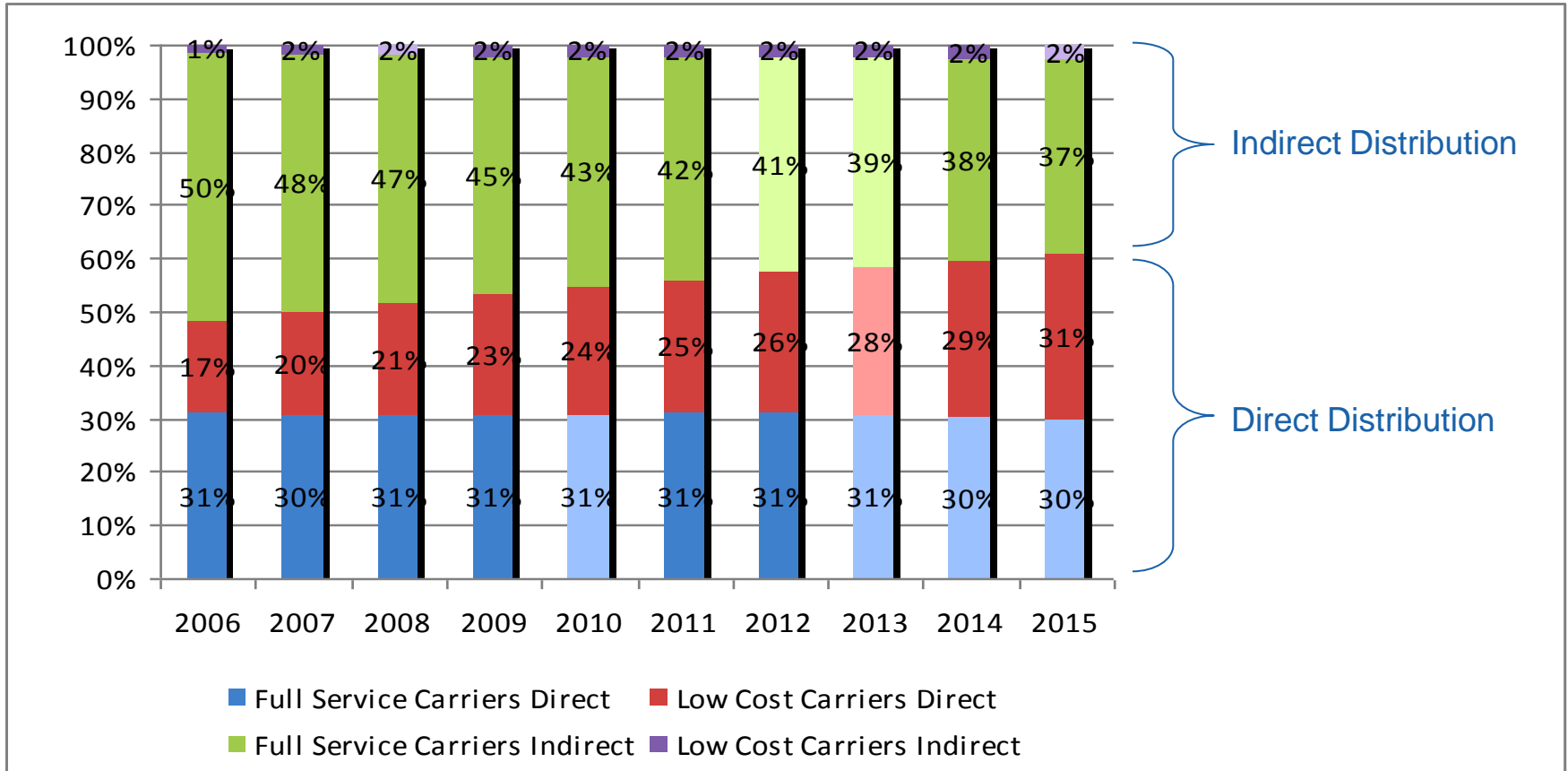
**Customer Loyalty:** Focus on price implies lack of consumer loyalty

**Competition:** Increased competition from online travel agencies, as well as from meta-search and other TA segments

**Profitability:** OLTA continue to struggle to break-even or have very small margins

**Efficient operations:** Building end-to-end processes in seamless flow and automating manual tasks is surging for OLTA (!)

# The content challenge



**Airlines are expected to distribute 60% of their content outside the GDS by 2015**

# The content challenge

- ▶ **Travel agencies struggle to access content from fragmented sources in a simple and affordable manner.**
  - ▶ **GDS content**
  - ▶ **LCC content**
  - ▶ **Hotel aggregators**
  - ▶ **Airline websites**
  - ▶ **Local providers**
  - ▶ **Ancillary services**



# Threat from new market entrants

OTAs

Supplier Websites

Metasearch

Lead Generators

Travel Guides

Planning Sites

Review Sites

Social Travel Guides

Travel Blogs

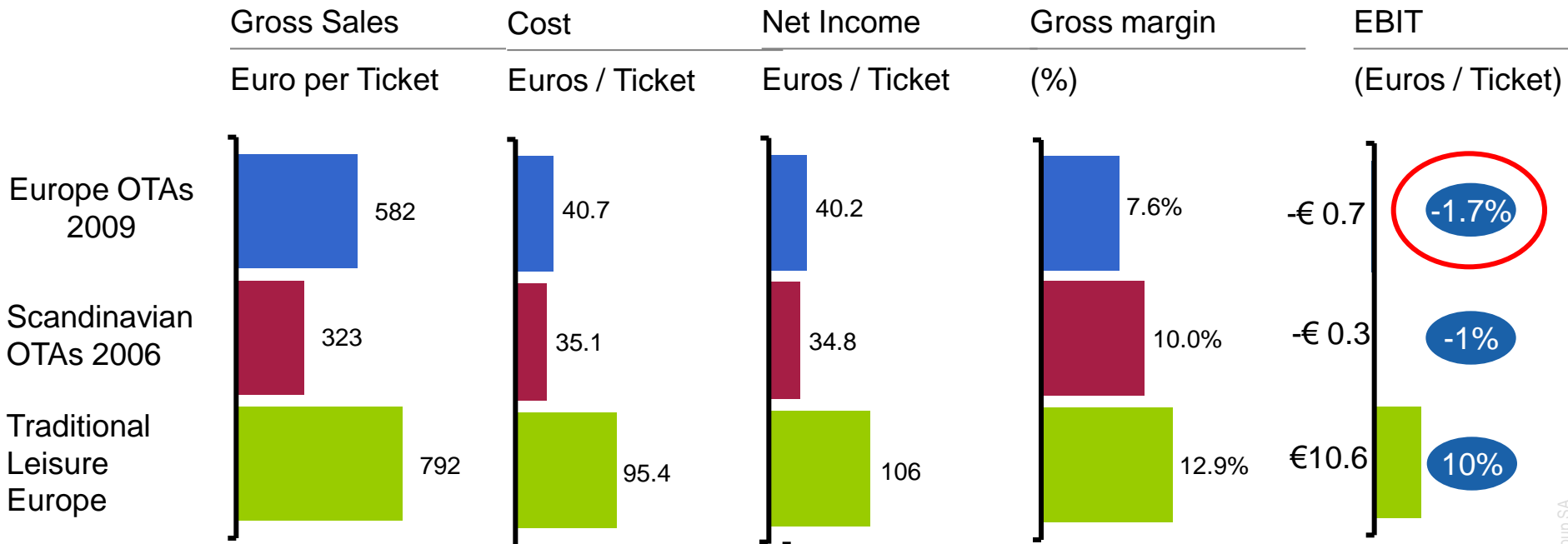
Destination & Tourism

Search Engines



# Low Margins

## EBIT OTAs Europe 2008



Source: Show Me the Value –Hermes/Amadeus

# 1. Inspire travelers

## Key Trends

- ▶ Travel shoppers seek for *inspiration*, large range of options, and fare trends
- ▶ Web consumers are looking for different *criteria* (budget, affinity)
- ▶ Internet users looking for '*natural*' search (e.g. one-line-input)
- ▶ Consumers are used to Google *speed*

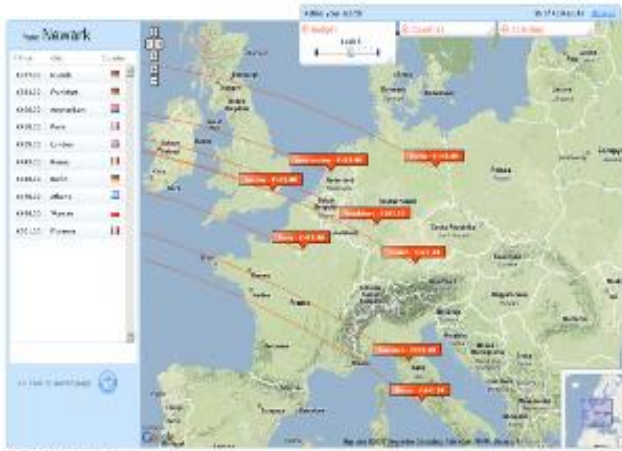
## Challenges

- ▶ Travelers' indecision and flexibility pushes the need for *exhaustive content*. Dramatic increase of the *travel data volume* to be computed
- ▶ Move away from traditional travel search criteria (O&D, dates)
- ▶ Develop simplified interfaces replacing the form-driven UI
- ▶ Bringing response time down

# 1. Inspire travelers

Our vision of the next generation of pre-hopping solutions

## Extreme Search



- ▶ Extreme Search capabilities:
  - based on criteria such as budget, points of interests, themes, 6-month calendar (e.g. Affinity Shopper)
- ▶ Fuzzy search Logic (open and imprecise):
  - find the most relevant recommendation, with requests supporting open search criteria (e.g. TravelTainment)
- ▶ Bringing response time down with massive computation and pre-caching (e.g. fare trends)
- ▶ Leveraging artificial intelligence to offer 'natural' search with one-line-input

I want to go from paris to london with my wife tomorrow

search



## Find my flight...

Please fill in or click the icons on the map behind

From

Budget per person

Dates

.. but have month or range of months in mind

- |                                 |                                 |                                 |
|---------------------------------|---------------------------------|---------------------------------|
| <input type="checkbox"/> Dec 10 | <input type="checkbox"/> Jan 11 | <input type="checkbox"/> Feb 11 |
| <input type="checkbox"/> Mar 11 | <input type="checkbox"/> Apr 11 |                                 |

Duration of my stay

To

Propose any destination to me

Round trip  One way

\* The displayed price includes the airfare, taxes, fees, other charges and the ticket service charge for 1 adult.

from Berlin

(Tegel)

Price	City	Country
€98.12	Munich ▶	
€138.89	Barcelona ▶	
€138.98	Bergen ▶	
€137.10	Edinburgh ▶	
€138.06	Basel Mulhouse ▶	
€173.59	Salzburg ▶	
€182.03	Innsbruck ▶	
€458.00	Beirut ▶	
€479.38	Alicante ▶	
€499.89	Washington ▶	
€509.89	Atlanta ▶	
€512.06	Calgary ▶	
€583.85	Amman ▶	
€599.21	San Francisco ▶	
€600.64	Vancouver ▶	
€628.78	Phoenix ▶	
€635.08	Los Angeles ▶	
€653.39	St. Johns ▶	



**Budget**

€1300

**Activities**

[unselect all](#)  
[select all](#)

- Beach
- Diving
- Golf
- Gourmet
- Outdoor
- Historical sites
- Cities
- Museum
- Shopping

**Countries**

[unselect all](#)  
[select all](#)

- Turkey
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- Uruguay
- USA
- Uzbekistan
- Venezuela
- Viet Nam
- Zimbabwe



POWERED BY Google

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\* The displayed price includes the airfare, taxes, fees, other charges and the ticket service charge for 1 adult.

## 2. Taylor your offer

### Key Trends

- ▶ It is about the **best deal**, not necessarily the cheapest deal
- ▶ Display relevant travel options to users and **increase the comparison visibility**
- ▶ **Hotel packages offers** and **ancillary services** are booming

### Challenges

- ▶ With lower margins on air bookings, the need to **maximize yield** is surging
- ▶ **Content mix** from tour operators, GDS and aggregators, private inventory and private fares, LCC flights, etc as well as extras
- ▶ Display relevant travel options to users and **increase the comparison visibility**

## 2. Taylor your offer

### Our Vision

- ▶ More sophisticated output displays (Ajax filtering)
- ▶ Merchandising and up-sell to give you the opportunity to bundle offers and propose higher margin services (e.g. How much more for a totally refundable or changeable ticket?)
- ▶ New revenue stream by leveraging on airlines ancillary services with mark-ups and by cross-selling non-air content
- ▶ Book today and confirm tomorrow (Rumbo, French Railway)
- ▶ Offer payment installments facilities (Latin America)



**+5€**



**+22€**



**+18€**

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## Фильтры

### Посадка(-и)

<input checked="" type="checkbox"/> <a href="#">Без посадок</a>	<a href="#">9 377</a>
<input checked="" type="checkbox"/> <a href="#">1 посадки</a>	<a href="#">12 671</a>
<input checked="" type="checkbox"/> <a href="#">2 посадок</a>	<a href="#">21 678</a>

### Авиакомпания

<input checked="" type="checkbox"/> <a href="#">Air Berlin</a>	<a href="#">11 325</a>
<input checked="" type="checkbox"/> <a href="#">Lufthansa</a>	<a href="#">19 790</a>
<input checked="" type="checkbox"/> <a href="#">Multiple Airlines</a>	<a href="#">15 437</a>
<input checked="" type="checkbox"/> <a href="#">Rossiya-Russian Airlines</a>	<a href="#">12 671</a>
<input checked="" type="checkbox"/> <a href="#">Swiss</a>	<a href="#">15 130</a>
<input checked="" type="checkbox"/> <a href="#">Transaero Airlines</a>	<a href="#">9 377</a>

### Время вылета "туда"

<input checked="" type="checkbox"/> <a href="#">Утро (03<sup>00</sup>-12<sup>00</sup>)</a>	<a href="#">12 671</a>
<input checked="" type="checkbox"/> <a href="#">День (12<sup>00</sup>-18<sup>00</sup>)</a>	<a href="#">9 377</a>
<input checked="" type="checkbox"/> <a href="#">Вечер (18<sup>00</sup>-03<sup>00</sup>)</a>	<a href="#">19 790</a>

### Время вылета "обратно"

<input checked="" type="checkbox"/> <a href="#">Утро (03<sup>00</sup>-12<sup>00</sup>)</a>	<a href="#">15 437</a>
<input checked="" type="checkbox"/> <a href="#">День (12<sup>00</sup>-18<sup>00</sup>)</a>	<a href="#">9 377</a>
<input checked="" type="checkbox"/> <a href="#">Вечер (18<sup>00</sup>-03<sup>00</sup>)</a>	<a href="#">14 584</a>

### Цена

9 377 RUB - 21 780 RUB

**Flights Out: London to Hong Kong - Thu 23 Dec 10**

[Compare fare types](#)

From	To	Flight	Super Saver	Fully Flexible
<b>18:40</b> London (Heathrow)	<b>14:20</b> Hong Kong (Fri)	● <a href="#">BA25</a> Duration: 11h 40m	<input type="radio"/> £535	<input type="radio"/> £938
<b>20:55</b> London (Heathrow)	<b>16:40</b> Hong Kong (Fri)	● <a href="#">BA27</a> Duration: 11h 45m	<input type="radio"/> £535	<input type="radio"/> £938
<b>12:30</b> London (Heathrow)	<b>08:20</b> Hong Kong (Fri)	▲ <a href="#">QF30</a> Duration: 11h 50m	<input type="radio"/> £484 <b>Hurry!</b>	<input type="radio"/> £938

**Key:** ▲ = Qantas flight ● = Flight operated by oneworld carrier  
**Note:** Qantas flights QF1-QF399 depart from international terminals. All other flights depart from domestic terminals.

**Hurry!**  
 There are five or fewer seats available at this price. Book now to secure your seat!



**Flights Back: Hong Kong to London - Fri 31 Dec 10**

[Compare fare types](#)

From	To	Flight	Super Saver	Fully Flexible
<b>23:45</b> Hong Kong	<b>05:00</b> London (Heathrow) (Sat)	● <a href="#">BA28</a> Duration: 13h 15m	<input type="radio"/> £479 <b>Hurry!</b>	<input type="radio"/> £853
<b>23:25</b> Hong Kong	<b>04:50</b> London (Heathrow) (Sat)	● <a href="#">BA26</a> Duration: 13h 25m	<input type="radio"/> £450 <b>Hurry!</b>	<input type="radio"/> £853

**Key:** ● = Flight operated by oneworld carrier  
**Note:** Qantas flights QF1-QF399 depart from international terminals. All other Qantas flights depart from domestic terminals.



# Airlines earned 11 B Euros from ancillary services in 2009



2009 ancillary revenue earned by the top ten ancillary earners (€mns)

EUR 11bn = 2.8% of total 2009 revenue IATA airlines

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Search

Choose your flight

From Los Angeles to Paris, departure date: 09/30/10,  
34 solutions found from EUR 373.12 to EUR 1917.67.

Display only with following options:

- Prepaid Baggage:  Yes
- Premium Seat:  Yes
- Internet Access:  Yes

<p>Departing:</p>  United Airlines	<p>08:00 LAX → 15:43 YYZ UA8320 320 20:10 YYZ → 09:40 CDG UA8252 767</p>	<p>EUR 1309.64</p> <ul style="list-style-type: none"> <li> Included</li> <li> Add EUR 49.90</li> <li> Add EUR 5.00</li> </ul>
<p>Departing:</p>  United Airlines	<p>08:35 LAX → 16:41 YUL UA8466 319 19:50 YUL → 08:30 CDG UA8118 777</p>	<p>EUR 1369.62</p> <ul style="list-style-type: none"> <li> Included</li> <li> Add EUR 49.90</li> <li> Add EUR 5.00</li> </ul>
<p>Departing:</p>  British Airways	<p>16:00 LAX → 10:05 LHR BA278 744 14:45 LHR → 17:05 CDG BA316 319</p>	<p>EUR 1567.08</p> <ul style="list-style-type: none"> <li> Included</li> <li> Add EUR 44.90</li> <li> Included</li> </ul>
<p>Departing:</p>  British Airways	<p>16:00 LAX → 10:05 LHR BA278 744 17:00 LHR → 19:15 CDG BA322 319</p>	<p>EUR 1567.08</p> <ul style="list-style-type: none"> <li> Included</li> <li> Add EUR 44.90</li> <li> Included</li> </ul>

- ▶ Amadeus allows travel agencies to book in an easy & standardized way all available ancillary services
- ▶ And it is available in **Master Pricer** since Q42010

## Key trends

- ▶ Build loyalty in order to decrease marketing costs
- ▶ Offer services that stimulate the customer to **return on the Web Site**, such as trip planning, booking history, online check-in, etc
- ▶ Address **new technologies** to differentiate from competition and offer personalized services: mobile phones

## Challenges

- ▶ **Automate** post-booking activities such as ticket changing, ticket refunding, flight cancellation or reschedule
- ▶ Customer services must be improved and optimized:
- ▶ Access to online/self post-booking services is a differentiator vs competing OLTAs
- ▶ It is required to keep the pace with airlines.com, which are more advanced
- ▶ Reduce the cost of resources in call centers

# 3

## 3. Keep in touch

### Our Vision



- ▶ From the office, the home, the street, stay tune with your trip arrangements

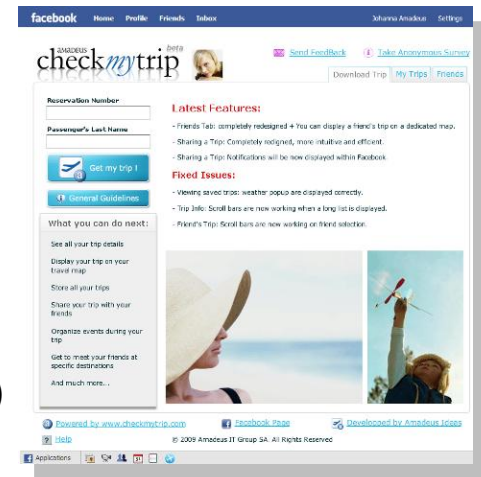
- ▶ Make the best of use of Social Networks

Stay in contact with the [Call Centre](#) (via Twitter)

Enjoy and share your past trips ([Checkmytrip in Facebook](#))

Create [games / auctions](#) to attract regular visitors

Share good deals with your friends (link your results page to social networks)



## 4. Involve travelers

### Key trends

- ▶ Travelers are **looking at their community buzz** to select a destination
- ▶ OLTA are in competition to differentiate their content with more valuable information on destinations (guides, possible excursions, where
- ▶ Involving the travelers is a step towards **customer loyalty** (reward)

### Challenges

- ▶ Risk of many **visitors**, but no real customers
- ▶ **Translation** of the reviews posted by your customers can become a problem
- ▶ Filtering comments (censure) may become time consuming
- ▶ Risk of populating problematic content on your own hotel providers

# 4. Involve travelers

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Tours, Activities and Experiences | Holidays and Short Breaks | Destination Ideas and Inspiration | Help Travel blog | EUR | 24/7 0203 355 1240 | UK | Log In | Register

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A Mediterranean lifestyle and spectacular city-scape combine to make Barcelona a dream destination

**Search for**  
Experiences | Holidays  
Where are you going?  
Select a Country  
All Cities/Regions  
What would you like to do?  
All Activities  
Keyword search (Optional)  
Keyword (E.g. Safari, wine tours etc)  
search experiences

**Why isango!**  
Our promises  
Low price guarantee  
We guarantee to provide you with the lowest prices. Find the same experience or hotel cheaper and we will refund the difference.

**tripadvisor\***  
get the truth. then go.\*  
18,043,532 Travelers from 190 Countries Planned Trips Here This Week!  
Home | Destinations | Fun & Games | Paris Hotels | International Sites

**Recommended Hotels**  
Sort by: Popularity | 1-10 | next 10>>

**Jays Paris**  
Since the transport Break Barcelona vibrant sunsets  
Pos an pr A

**TripAdvisor Traveler Rating:** 5 stars based on 36 reviews  
**TripAdvisor Popularity Index:** # 2 of 1758 hotels in Paris  
**Rooms:** 6  
**Recommended For:** Honeymooners  
**Traveler Reviews:**  
▶ Mar 9, 2008: "A Very Special Hotel"  
▶ Dec 11, 2007: "Jays - a favourite"  
▶ Nov 17, 2007: "Excellent hotel with a laid back discrete luxury"  
[View all reviews](#)

**Friends who know Paris**  
Their Hotel Reviews (0)  
Do your friends have advice about Paris hotels? **Ask them!**  
▶ Favorite Destination (0)  
▶ Can Advise Me (0)  
▶ Been There (0)  
▶ Going There (0)  
Add Paris to your travel map. **Pin it!**

**Hotel Elysees Regencia Paris**

Map showing Paris region with cities like Amiens, Saint-Quentin, Compiègne, Beauvais, Arras, Douai, Cambrai, Reims, and Eindhoven.

## Key trends

- ▶ Due to the **crisis** hitting our region, securing inbound cash from the end-consumer as early as possible and settling outbound cash to suppliers the latest is becoming vital.
- ▶ Credit card frauds is still very high
- ▶ IATA is requiring longer cash guaranty to online players
- ▶ Online marketing costs are growing together with the online economy boom

## Challenges

- ▶ **Negotiations with suppliers** require strong brand driving and securing volumes
- ▶ **Payment acceptance** (authorization) with the lowest possible transaction cost
- ▶ **Credit Card Fraud assessment** in order to minimize revenue loss risks
- ▶ **Customer payment capture and settlement** with the lowest possible transaction cost and at the right time from a cash flow optimisation viewpoint (e.g. a soon as possible, but taking into account the risks of booking cancellation)
- ▶ **Multi-country** solution supporting various means of payments and various banks and enabling hedging with currency foreign exchange rates

## Our vision

- ▶ If no 3D secure or insurance against fraud are put in place, the development of alternative cash payment methods to credit card payment, vouchers and bank transfers will be needed

- ▶ Like cash machines



- ▶ Or payment via mobile phones



- ▶ OLTAs spend 53% of their total costs in marketing and acquisition, with a large share on Search Engine Marketing (SEM) and advertising campaigns: measurement of SEO and SEM activities is becoming essential. Changes in Search Algorithms (e.g. Google Instant) lead to further investments.

**You have our  
support &  
commitment**

Спасибо!

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