

TTI Spring Conference 2003

Online Meets Traditional

London, 8 April 2003

The emergence of electronic distribution channels in the past few years has fostered the birth of a wave of travel industry start-ups, whose sales, marketing and distribution strategies are vastly dependent on new technologies. The euphoria of the 'dotcom boom' was followed by a period of consolidation for these new entrants; those that have survived are now established businesses, their success largely dictated by their ability to adapt to changing consumer needs whilst retaining a cost-effective and sustainable business model. Originally serving the relatively small niche of web-savvy users, these travel companies have taken advantage of the commoditisation of consumer technology to position themselves as head-to-head competitors to bricks-and-mortar tour operators, high-street travel agencies and all other intermediaries and suppliers forming the traditional travel distribution chain.

This year's TTI Spring Conference aimed to explore how traditional businesses are reacting and adapting to this new state of affairs, and to question whether and how the online new entrants can maintain a competitive edge over their long-established counterparts.

Mark Bradbury, Business Development Director at RWA, opened the day with an overview of the challenges facing travel organisations moving to the online arena. Their primary requirement, he said, is a flexible distribution environment that uses common standards, embraces multiple channels and is cost effective. This system would enable tour operators to provide bookable content to 3rd party sites, whilst simplifying inventory access for other intermediaries. With barriers of entry lower, Mark asserted, those who invest in flexible distribution technology stand to gain significant competitive advantage.

Packaging customer relationships, rather than holidays, should be the new focus of travel selling, according to David Burdon of Lime Consulting. A move away from standardisation and buying muscle and towards the achievement of reduced costs through improved efficiency, has generated the current competitive dynamic — to cut out the middleman, building relationships directly with consumers and supplying products directly to them. End users have come to expect this — and more — from travel suppliers, choosing the self-select option over the packaged holiday. Self-select, David maintained, benefits consumers in many ways: it can be cheaper, more flexible and more satisfying than the traditional package. While traditional package operators will continue to

play a prominent role in the mass market for the foreseeable future, David stressed that their business model is in decline and under increasing pressure to change and adapt.

This concept was further stressed by Andrew Windsor, Global Head of Sales and Marketing at lastminute.com, who remarked that changing consumer expectations about the presentation and delivery of travel products are leading the industry to inevitable changes. Andrew explained how technology can help online intermediaries form and nurture close relationships, both with customers — whose primary needs are to be treated as individuals and to be matched to suitable products — and suppliers, now more confident that they have control over their inventory through extranet and XML links.

Paul Riches, Sales and Marketing Director of Libra Holidays, followed on the perspective of travel suppliers, who face the challenge of how to control and, if necessary, limit sales through different channels. Paul did, however, argue that many opportunities exist for tour operators to distribute online in a profitable, flexible and cost-effective manner.

Carl Michel, Director of Product Strategy at Opodo proceeded to illustrate how the airline industry is reacting to its current crisis, triggered by losses caused by recent world events. As GDSs are being forced to reinvent themselves as a result of the growth of direct connect sales organisations, airlines are under pressure to cut fares and operating costs. According to Carl, the Internet has been instrumental in the scheduled airlines' quest to reduce distribution costs. Following the example set by no-frills airlines, they have been adopting an aggressive marketing strategy to appeal to online consumers. As online sales surge in the aftermath of the Iraq war, Carl believes that, although commission levels are at an all-time low, there is great potential for sales of ancillary products such as hotels and car hire.

The high street needs to respond to online competition, increasing the value of the travel agent's service through the use of new technologies in the traditional sales process, said TUI UK's Nikki Parkinson. Whilst stressing the growing importance of pursuing a multi-channel strategy for traditional travel businesses, Nikki added that online and offline selling systems should be interlinked, to ensure that customers can receive support throughout the purchasing process.

Mark Jones, CEO of Online Travel Corporation, supported the idea of multi-channel distribution as the way to success. He spoke of the benefits of the white label model, which enables

organisations that may be present on different channels, to add travel sales to their product portfolio at a lower cost and risk.

Speakers and delegates alike expressed the consensus that the key to success lies in building a sustainable multi-channel strategy, enabling travel businesses (online and traditional) to have a presence at whichever contact point the customer decides to use, at any point of the transaction, and at the same time reducing distribution costs. However, it was also agreed that there will always be a place for traditional channels, as long as these can offer value.

Maria Cristina Licata

Genesys