

Latest Online Booking Trends

THE AUSTRALIAN Tourist Commission (ATC) is recognised in the Pacific Asia region as a research-savvy national tourism organisation. In the last few years of the Internet revolution, one of the areas it has been following closely is the way technology is affecting travel distribution and booking patterns.

The following is a short summary of the trends it has tracked in some of the countries that generate business for Australia. The data was released in the market briefing documents presented at the Australian Tourism Exchange, May 27-31, 2002, and is reproduced here with the kind permission of the ATC. There are several references to www.australia.com which is the ATC consumer Web site.

China (PRC)

- The Internet is rapidly expanding, although Chinese consumers will still book through an agent – and in fact are required to book through a licensed agent for Approved Destination Status leisure travel.
- Consumers are price conscious and competitive pricing is a feature of the market. Package differentiation is generally on price rather than package inclusions.
- Difficulties in system compatibility in China (PRC) have hindered the expansion of the online environment.
- Frontline agency staff have little access to the Internet and require all online information to be in Simplified Chinese language.
- www.australia.com delivered 104,104 pages to Chinese users in 2001, up 28% over 2000. The ATC has some Simplified Chinese language gateway pages for Chinese consumers, as they are generally unlikely to research destination information in English.

Hong Kong SAR

- Hong Kong SAR is an extremely competitive market for travel agents. The airlines have a huge influence on travel agencies' pricing strategies and on itinerary planning, which in turn largely determine the airlines' marketing strategies.
- Shorter duration, mono-destination travel is expected to

further increase, at the expense of total outbound travel to long-haul destinations. Popular short-haul destinations include Thailand, Singapore, Chinese Taipei, Korea (ROK), Japan, Malaysia and the Philippines.

- Competition focuses predominantly on price, with some product or package variations.
- Airlines generally schedule supplementary flights over absolute peak travel periods in order to cater to increased demand, particularly during the Chinese New Year period in late January or early February.
- Most key operators have developed Web sites providing product information, special deals, travel clubs, newsletters and online enquiry response mechanisms.
- Airlines are encouraging consumers to book direct via the Internet, by offering incentives via air fare discounts and frequent flyer points.

Korea (ROK)

- Korean (ROK) consumers are largely driven by price. Products in the market are differentiated on price rather than product inclusions.
- Consumers will only refer to Korean language information and brochures when planning their holidays.
- Airlines are driving consumers to book air-only or air-and-land-only packages via online deals and promotions.
- In Korea (ROK), the Internet is now well established as a significant marketing tool. Most national tourist offices have a dedicated Korean language Web site, and there are already over 20 online travel agencies operating in Korea (ROK).
- The ATC launched its Korean language Web site in early 2001.
- Online agencies have experienced aggressive resistance by the traditional travel agencies, with extensive advertising campaigns in traditional print media by package travel agencies.

Philippines

- Short-haul, and short-break travel is increasingly popular with Filipino travellers, with Hong Kong SAR, Malaysia, Singapore, Thailand and Chinese Taipei topping the list of most popular destinations.

- Airlines remain the driver of product and destination development in the Philippines, with established networks of travel agencies distributing their products.
- Travel agents have little opportunity for access to the Internet.
- The Internet is used largely for information gathering by top-end consumers only.

Chinese Taipei

- Short haul, cheaper intra-Asian travel is expected to continue to increase in popularity.
- Competition between long-haul destinations is fierce, with price-led promotions dominating the market place. This is particularly focused on low-season trough periods throughout the year.
- Mono-destination travel is expected to grow as short-breaks become more popular.
- Although the majority of travellers arrive on group-inclusive travel (GIT) itineraries, partially-packaged tours and individual travel are slowly increasing.
- In Chinese Taipei, competition often focuses on price rather than product or package variations.
- There are an estimated 3,000 travel Web sites in Chinese Taipei. Many of these are content oriented and tend to be run by travel magazines or newspapers.
- Online bookings are generally limited to airline tickets and hotel bookings.
- www.australia.com delivered 123,048 pages of information to users in Chinese Taipei in 2001, up 79% on the previous 12 months. A Traditional Chinese language translation of the main pages is available for consumers as they prefer to research travel information in Chinese.

India

- Indian consumers have a short lead-time for booking their holidays.
- Most consumers will book through a retail travel agent, rather than direct.
- There has been a dramatic increase in the usage of the Internet to research and gather information for vacationing – a trend that is expected to continue.
- www.australia.com delivered over 789,530 pages of information to users in India in 2001, up 118% over 2000.

Indonesia

- Indonesians have a very short booking lead period, which can be problematic in the area of visa issuance, particularly for group travel.
- Consumers prefer to book through travel agents.
- Partially packaged and flexible option packages are preferred.
- The cost and difficulties buying Internet-connection packages have slowed the uptake of the Internet by both trade and consumers in Indonesia.
- In 2001 page deliveries on www.australia.com were up 47%, to 63,893.

- Agents prefer to utilise fax and printable e-mail for land reservations, rather than Web-based services.

Japan

- The outbound market from Japan declined sharply in the wake of September 11, 2001, although some sectors of the market are now returning.
- The increasing popularity of media sales (sales driven by newspaper advertising or data-base marketing campaigns), is quickly changing the way consumers book travel. Lead times are shortening and consumers are more willing to shop around.
- The evolution of the Japanese travel industry into a more specialised, consumer-oriented sector is expected to continue. Destinations need to maintain a close involvement with the industry in order to maintain knowledge of the industry and take advantage of the rapid pace of change.
- Media sales specialists are leading the way in the development of new distribution channels, such as the Internet, as advertising rates in traditional media become more expensive and companies search for new and cheaper distribution mechanisms.
- Internet-only companies with a retail licence are emerging, and although the Internet currently plays a minor role in the distribution system, any significant change to an online distribution mechanism is expected to be long-term.
- The Internet is popular for information gathering; however it is still in the early stages of adoption as a booking channel, particularly for international travel.
- Although use of the Internet to book travel remains very low, the travel trade has recognised its increasing importance as a tool for disseminating information. This is evidenced by the increasing popularity of sites such as Traveltown, a Web site run by wholesalers JTB, KNT, NTA and TKK, which provides travel information as well as links to travel agency and NTO sites.
- The ATC's new consumer Web site www.australia.jp was launched in April 2001 and delivered 1.67 million pages in 2001.
- Japan Airlines also has an established and influential Web site, and in 2001 developed information-only pages to support the launch of the second stage of the "New Style Australia" campaign with great success. This featured product and lifestyle information to support the campaign in addition to leading to a booking mechanism.

Malaysia

- Malaysian travellers have become increasingly price sensitive, driven by special deals in markets driven by airlines.
- The market is moving toward last-minute purchasing patterns as consumers hold out for better deals closer to actual travel dates.
- Consumers still prefer to book through travel agents rather than direct.
- At this stage only some retailers have Internet access. This is gradually changing as more companies adopt the new technology. Several major retail groups have consumer Internet sites that offer consumer newsletters and e-mail booking facilities.

ONLINE BOOKING TRENDS IN NORTH AMERICA

Canada

- Seventy-six percent of Canadians still use travel agents to make reservations. However, few Canadians view agents as important influencers in destination choice or for information gathering.
- Canadian consumers are highly value conscious and are motivated by "good value deals".
- Consumers are unlikely to purchase a full packaged tour, and prefer to arrange much of the optional component of their holiday while in Australia. They are independent and also feel they will get a "better deal".
- Studies show that the Internet is dramatically transforming the Canadian travel industry. Over half of Canadian Web users (59%) have used the Internet to retrieve travel information, while 18% have made some of their travel purchases online.
- The vast majority (92%) of those who have booked travel online say that they are now using traditional travel agents less because of the Internet. It is projected that over half of all Canadian adults could be using the Internet to book their travel by 2003.

USA

- The travel trade in North America is one of the most complex and certainly the largest in the world. The traditional retail and wholesale distribution systems continue to be in a state of flux because of amalgamations, new technology and alliances.

- The independent travel behaviour of the American traveller has contributed significantly towards the highly fragmented US distribution system. Each level of the chain can be bypassed for better price and service. This is being compounded as Internet usage for research and bookings increases.
- The best approach for Pacific Asia operators to sell leisure travel products is through the travel trade distribution system i.e. through inbound tour operators, tour wholesalers and specialist travel agents.
- The ATC will continue to expand its Internet marketing capabilities in North America and Internet applications will remain the main platform for marketing operations. In addition to its promotional capabilities the Internet aids in the distribution of information and the servicing of enquiries at low cost. Australia.com will continue to be developed as the primary resource for planning an Australian vacation and micro-sites such as gay.australia.com will also be developed to service segments of the American market.
- www.australia.com hosts around 250,000 unique visits per month from American consumers, delivering over 9 million pages in 2001.
- The Aussie Travel Club has around 100,000 members who receive regular online newsletters outlining travel deals.
- The best methods of gaining distribution for a product through Internet travel companies is through GDS listings and through wholesalers which provide the services and products for the Internet travel companies.

- Consumers are increasingly using the Internet as a source of holiday destination information.
- www.australia.com delivered 204,230 pages of information to Malaysian users in 2001, up 44% over 2001.

Singapore

- Singapore is the only market in Asia with a trend towards direct bookings, particularly for frequent independent traveller (FIT) packages. The medium-sized or smaller agents also go direct to product suppliers in an effort to increase their profit margin.
- Consumers are driven by the "best" deal and are very price sensitive, generally waiting until the last minute to make a booking in the hope of obtaining a better deal.
- The airlines' role in the FIT and part-packaged market is predicted to expand with the continued enhancement of Internet booking capabilities. Airlines have largely driven the consumer trend to last minute bookings, with special deals and last minute offers.
- For comprehensive travel services and planning complicated travel itineraries, most travellers still prefer to complete the travel purchase face-to-face with a retail travel agent.

- Airlines and large travel agencies have been proactive in establishing e-commerce sites and services. Major retail groups have consumer sites, with regular updates and last-minute deals.
- Incentives are provided for consumers to take advantage of the convenience of booking point-to-point air tickets and hotel accommodation online.
- Increasing numbers of Singaporeans are using the Internet as a source of destination information. www.australia.com delivered 720,893 pages of information to users in Singapore in 2001 – up 57% over 2000.

Thailand

- The travel industry runs consumer travel fairs to target peak travel periods in an effort to capture business.
- Thai consumers still prefer to book with a travel agent.
- A few travel agencies in Thailand have started to use the Internet as a promotional vehicle. However, due to the relatively high cost of technology in Thailand, Internet use by both travel trade and consumer is limited.
- www.australia.com delivered 199,448 pages to Thai Internet users in 2001, up 86% over 2000.
- A small number of travel agents have access to the Internet at

their desks. Agents generally prefer to make reservations via traditional computer reservation systems (CRSs) and by fax. E-mail usage is not high in retail agencies.

New Zealand

- The New Zealand travel industry is dynamic and fiercely competitive, with traditional wholesale and retail distribution channels undergoing significant change as consumers become more savvy, waiting for and expecting deals, discounts and value add-ons when booking.
- There is a trend toward direct bookings in the younger segments, particularly in mature gateway destinations that the consumer is comfortable with.
- Airlines are relying less on the traditional wholesale distribution system and are increasing their focus on direct sales to consumers, particularly via the Internet.
- Consumers are very well informed on the available price and products and are extremely price-driven when making travel purchase decisions.
- Consumers are predominantly using the Internet to research travel information and fares rather than booking online. However, online bookings are gradually increasing as security measures improve and consumer confidence increases.
- Online travel agencies travel.co.nz and travelonline.co.nz continue to provide aggressive trans-Tasman packages direct to consumers, mainly via their online consumer databases.
- www.australia.com delivered nearly 360,000 pages of information to New Zealanders in 2001, up 5% over 2000.
- The year 2002 has seen aggressive promotion of the site beginning with the launch of the ATC's new regional advertising campaign – "Discover Australia" – featuring a comprehensive online fulfilment component and advertising on related high-traffic sites designed to drive business to australia.com.

Middle East

- Consumers generally have a very short booking lead-time, and it is common for a travel decision to be made less than one week prior to departure.
- Due to visa processing requirements the short lead-time on bookings creates significant issues in the ability to issue appropriate visas in time for departure.
- The peak travel planning and booking period is from May through to July, for the peak travel period from July to mid-September.
- Many Middle East wholesalers and large retailers are developing their own Web sites. The ATC is targeting these agents to include Australian packages in addition to a link to the ATC's consumer Web site.

France

- French consumers are traditionally last minute planners with a short lead-time between booking and travel.

- The French consumer still prefers to use a retail agent to make holiday arrangements.
- Consumers are increasingly driven by airline deals and growing numbers book air fares direct through airlines.
- Consumer confidence with online services and e-commerce is high and the French are happy booking and paying online.

Germany

- German travellers are careful planners, seeking detailed information from a range of sources prior to departure.
- The lead-in time for bookings is extensive due to planning, but as in other markets, the trend is towards shorter lead-times.
- Germans are confident long-haul travellers. They shop around as part of their extensive planning process.
- German consumers, while confident to research over the Internet, remain more comfortable purchasing long haul-travel via a travel agent in Germany.

This report makes clear two trends: 1) the rapid growth in Internet and online bookings; and accompanying it 2) a sharp reduction in advance booking periods. Both these trends are set to have a significant impact on pricing strategies as suppliers struggle to balance the way they deal with their distributors/packagegers and consumers.

This choice is not an either/or endgame; suppliers have to deal with all potential buyers and distributors. The ticklish question is how best to do this in a way that does not irk the distributors/packagegers while continuing to draw in the maximum number of direct-buyers.

As the volume of direct-bookings increase, the pricing conundrum should work itself out, with all the implications that contains for the distributors/packagegers, too.

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