



The Chartered
Institute of Marketing

Professional Postgraduate Diploma in Marketing

Strategic Marketing in Practice

Case Study
December 2008

**IXeo Interactive Travel SA
and the Travel and Tourism Sector**



Strategic Marketing in Practice – Case Study

Important notes for candidates

The examiners will be marking your scripts on the basis of questions put to you in the examination room. You are advised to pay particular attention to the mark allocation on the examination paper and budget your time accordingly.

Your role is outlined in the Candidate's Brief and you will be required to recommend clear courses of action.

You are advised not to waste valuable time collecting unnecessary data. The cases are based upon real-life situations and all the information you will require for the examination is contained within the case study. No useful purpose will therefore be served by contacting companies in the industry and you are strictly instructed not to do so as it may cause unnecessary confusion.

As in real life, anomalies may be found in the information provided within this Case Study. Please simply state your assumptions, where necessary, when answering questions. The Chartered Institute of Marketing is not in a position to answer queries on case data. You are tested on your overall understanding of the case and its key issues, not on minor details. There are no catch questions or hidden agendas.

Acquaint yourself thoroughly with the Case Study and be prepared to follow closely the instructions given to you on the examination day. To answer examination questions effectively you must adopt a report format.

As part of your preparation for the examination, you need to carry out a detailed analysis of this Case Study. You will then need to condense your analysis into a 6-page summary (a maximum of 6 sides of A4, no smaller than font size 11). This summary, and how you use it to answer the questions set, will be awarded marks and should be attached, with a treasury tag, to your answer booklet at the end of the examination.

The copying of pre-prepared 'group' answers, including those written by consultants/tutors, or by any third party, is strictly forbidden and will be penalised by failure. The questions will demand analysis in the examination itself and individually composed answers are required to pass.

Important Notice

The following data has been based on real-life organisations, but details have been changed for assessment purposes and do not necessarily reflect current management practices of the industries or the views and opinions of the Chartered Institute of Marketing.

Candidates are strictly instructed **not** to contact individuals or organisations mentioned in the Case Study or any other organisations in the industry. Copies of the Case Study may be obtained from:

The Chartered Institute of Marketing, Moor Hall, Cookham, Berkshire SL6 9QH, UK or may be downloaded from the CIM student website www.cimlearningzone.com

Candidate's Brief

You are employed as a Marketing Consultant with experience of the travel and tourism sector. IXeo, an interactive travel company, has contacted your consultancy to ask you to look at the travel and tourism sector and in particular the online market.

The Chief Executive Officer (CEO) of IXeo is keen for this new start-up enterprise to position itself as a serious player in the market and to become a major portal for online travel bookings for both businesses and individuals. The CEO is particularly interested in developing relationship strategies, branding and competitive positioning.

Recently you have been commissioned to produce a significant piece of research that includes:

- a critical analysis of the travel and tourism sector, and
- a profile of IXeo Interactive Travel SA.

On 5th December 2008, the CEO will ask you further questions.

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The tourism industry and the impact of technology

The 'traditional' tourism industry

Until the 1950s, the vast majority of the British could not afford holidays abroad. However, increasing affluence soon led to a rapid increase in the number of people taking trips to other countries, and during the 1960s a booking pattern emerged: many people went to a high street travel agency near their home and chose from a range of package holidays, each consisting of return flights, transfers and a hotel room. Destinations were typically Mediterranean seaside resorts, particularly in Spain and to a lesser extent Greece and Turkey.

By the 1990s, discretionary income had risen, and the range of destinations expanded, with trips to Florida and other parts of the USA, the West Indies, Thailand, Australia and other long-haul destinations becoming very popular. The package, and the way it was booked, largely remained unchanged.

Two major factors have changed this picture in the last few years: a growing demand for a broader range of travel experiences, and the internet (Appendix One).

Changes in taste

In recent years there has been a trend away from 'sun, sea and sand' holidays at the mass tourism seaside resorts towards diversified travel experiences. Cultural and natural heritage, education, health and medical tourism are becoming increasingly significant drivers in the choice of destination – often destinations in developing countries, where the infrastructure for providing seaside holidays may be limited. This trend makes it difficult for tourism operators to offer the enormous range of products required, and to make them cost-effective.

Holidays as one of life's essentials

Research published by Mintel in March 2008 shows that the credit crunch and economic slowdown that began the previous year have so far had less impact on holiday growth than on other areas of consumer spending. As will be seen below, strong growth is predicted in the next few years.

A survey carried out by online travel company Kayak found that almost 60% of respondents would not change their summer holiday plans, even though a similar proportion were under pressure from the rising cost of housing, fuel, food and transport. The majority would rather reduce their expenditure on luxuries than on a summer holiday. When asked how they would make savings on a holiday if it were necessary, 66% responded that they would look for travel deals in order to get the best price, 60% would cater for themselves rather than eat in restaurants, and 30% would take less luggage so as to avoid excess baggage fees.

Research undertaken by Richard Cope for Mintel indicates that public attitudes have changed and despite harder economic times, foreign trips are no longer the first thing to be cut back on. 'Holidays are increasingly seen as a necessity rather than a luxury, and people want to ensure they will get the break they need,' he says.

'Bookings are up across the board, from luxury holidays to city breaks,' said Ian Bradley of the Association of Independent Tour Operators. 'The gloomy financial outlook doesn't seem to be making people feel they shouldn't book a holiday – in fact quite the opposite: people are planning their escape.'

The importance of information

Tourism offers a series of tangible products such as destinations, hotels, leisure and transport. Time spent in relaxation spas, on beaches or interacting with people from different cultures all add to the tangibility of what is on offer. However, the operators lose out if holidays are not sold, hotel rooms are empty and leisure facilities are poorly filled. The products are perishable and a major means of driving the consumer towards consumption of a particular service is information. Technology – above all, the internet – plays a vital role in providing consumers with the information they need.

Consumers and the internet

The internet has changed the way in which people perceive and book holidays. This in turn has changed the way in which tourism products are sold and distributed.

The number of consumers using the internet to make transactions is increasing. According to Mintel, the largest proportion of this group – 36%, or eight million adults – buy travel-related products, while only a quarter buy small-ticket items such as books, music or clothing. The fastest rates of growth are in spending on entertainment and tickets, followed by spending on holidays.

In addition, Mintel reports that half of all internet users browse travel-related websites for information, a higher proportion than visit any other type of site. This means that some 15 million adults in the UK visited travel sites in the three months before the survey was carried out, in October 2007.

Technology is playing an increasingly important role in the tourism and travel industry, in both the business-to-business (B2B) and business-to-consumer (B2C) sections of it. The industry relies heavily on making information available, and with increasing access to broadband, particularly in the developed countries, it is easy for customers to see holiday destinations and to book flights and holidays. Online booking is increasing fast.

According to Mintel:

- Internet holiday bookings in the UK have been growing by over 30% a year since 2004, compared with 2-3% a year for the overall holiday market. Almost half of all foreign holidays and a third of domestic holidays are now booked online. The proportion of online bookings has doubled in the last four years, and the total online holiday market is currently estimated at 35 million holidays, worth £10.8 billion.
- 16% of the UK population – 25% of all internet users – bought travel or holidays online in the first quarter of 2008. The average amount spent on a holiday abroad was around a third lower when booked on the internet (£402) than overall (£535). This is because the internet has created price transparency and a large number of bargains and deals, not least budget air travel.

The trend towards online booking is international. According to UNCTAD, in the USA, where most tourism is domestic and consumers are confident to book with national tourism providers, the percentage of consumers booking travel online rose from 30% in 2000 to 50% in 2004. Total online sales were worth US\$144.6 billion in 2004. Travel accounted for the largest proportion of B2C online sales, at US\$52.4 billion.

The influence of social networking sites

In the last few years, Web 2.0 use of the internet has led to the creation of enormously popular social networking sites. Travel-oriented sites include Doyoutravel.com, which

attracted 2,000 members within three weeks of its launch in January 2008, Virtual Tourist (www.virtualtourist.com) and WhereAreYouNow? (www.wayn.com), which is linked with Facebook and is the UK's fastest growing community website of its type (Appendix Two).

Virtual Tourist is a social network focusing on travel. Founded in 1999, it now has 935,000 members in 220 countries, and regular gatherings are arranged all over the world. Like other travel-based networking sites, Virtual Tourist provides travellers with information from local people, travel tips, and reviews and photographs from other visitors. The site claims around 400 new members a day, and five million unique visitors per month. Every day about 1,350 new postings are added to the website.

WAYN is a similar site, enabling members to keep in touch with friends they have made while travelling and to find new contacts in places they plan to visit. From 45,000 members in March 2005, WAYN has expanded to over ten million, in 220 countries.

Users of sites like these are likely to want a customised holiday, and to book it online. Going to a high street travel agency and choosing among inflexible packages is not an option.

Developing countries and the internet

Tourism in developing countries benefits from the internet as it provides direct access to consumers around the world. This is one reason why developing countries have increased their share of the tourism market over the last forty years, from 12.7% of international tourism arrivals in 1970 to 34.5% in 2004 (UNCTAD). Of these, over 55% of arrivals in developing countries were in the East Asia and Pacific region. Other developing regions have been less successful in increasing their foreign earnings from tourism, attracting only around 30% of international tourism income.

More and more destination management organisations (DMOs) in developing countries are offering products based on their cultural and natural resources, which meet the need for diversification. Ecotourism, for example, is one of the fastest growing segments of the tourism industry, and is frequently offered by developing countries. Such niches are quite different from the offers of international hotel chains in developed countries, and the traditional 'static', inflexible packages that online tourism operators tend to promote in developed countries.

Appendix Three compares international tourism arrivals and receipts in 2003 in the top ten destinations in developed countries, and similarly in developing countries. In general, the share of the latter group in international tourism remains relatively small.

The internet as a distribution channel

The internet is becoming a major distribution channel which both competes with and complements traditional channels. As well as affecting consumer behaviour, it is used by DMOs, hotels, leisure companies, distributors, tour operators and many other suppliers – including travel agencies themselves.

Although traditional travel agencies are still the largest distributors of tourism products, they are losing market share to the internet. The major tour operators use companies that specialise in providing e-commerce solutions for the travel industry, many of which power a large number of company websites.

Travel-specific search engines now enable consumers to browse the databases of numerous distributors, and to choose among different prices for the same flights and accommodation.

Such technological developments are having a significant impact on market structure within the tourism sector. Mergers are creating a smaller number of very large tourism businesses engaging in fierce competition. At the same time, tourism providers are becoming 'co-opetitors', maintaining an uneasy balance between competition and co-operation. For example, airlines and hotels can maximise their profits by selling in more than one way: directly to consumers, and by using each other's distribution networks as a means of selling available seats or rooms at the best prices until the last minute. For both consumers and sellers, the days of the fixed-price seat or room have long gone.

Booking online

Research by Louveris and Oppewal (2004), indicates that most people at the information search stage for tourism offers prefer the following channels in descending order:

- Friends
- Internet
- Travel Shop
- Email
- Brochure
- Talk to Travel Agent
- Call
- TV
- Postal Mail
- IDTV
- Fax
- Teletext
- Virtual Community
- WAP Mobile Phone.

The rapid growth of social network sites since this research was carried out strengthens the role of friends by adding in virtual contacts.

In October 2007 GfK NOP/Mintel carried out a survey into the ways that UK consumers plan and book holidays (Appendix Four). One significant finding was the continuing importance of word of mouth: 34% of the sample chose their destination after hearing from friends or relations about where they had been, and 5% had seen friends' photographs or videos either personally or on the internet.

40% of the sample used the internet to research and/or book foreign holidays. The websites most often visited, according to Mintel, were those of low-cost airlines, such as Ryanair and easyJet, with 24% of the sample. These airlines are strongly associated with online booking and low prices. Scheduled airlines, whose websites were visited by only 12%, have had to follow their rivals' example, both in presentation and even in pricing. While the demographics for using the websites of the two types of airline tend to differ, high-earning, urban AB consumers visit both.

Online travel sites (e.g. Expedia and lastminute.com) were used by 17% of the sample, ahead of tour operators and scheduled airlines. Other types of website were used by less than 10%. Traditional tour operators' websites mainly attracted families, mid-market tabloid readers and satellite TV viewers.

Most people who had used the internet to research or book a holiday abroad had created their own package by booking a flight (62%) or accommodation (47%), while only 24% had booked a package holiday.

21% had downloaded a brochure, representing a considerable cost saving for operators, and 12% had used a travel blog in the previous 12 months.

With regard to attitudes towards the internet, 72% of adults who had used it in connection with holidays saw it as a useful tool for price comparison. In general, people in their early twenties had the greatest faith that the internet gave them access to the best deals.

Mintel forecasts that both the volume and the value of holidays purchased online will continue to grow significantly. For overseas holidays a 91% rise in value is predicted between 2007 and 2012 (63% after removing the effects of inflation). The comparative figures for domestic holidays booked online are 77% and 51%. Volume growth over the same period is expected to reach 86% for overseas and 73% for domestic holidays. The lower growth rate for volume than for value reflects a trend towards trading up to higher value holidays. Volume growth is in part driven by the increasing tendency to take multiple holidays. The UK holiday market – both domestic and overseas – is predicted to reach 95.5 million holidaymakers by 2012, despite fears for the economy.

Appendix Five includes a range of Mintel data on the Holiday Booking Process and Leisure Intelligence (March 2008).

Customer relationships and the internet

It is relatively cheap and easy for businesses to establish an internet presence, which can contribute towards higher bookings, a higher return on customer investment, and – perhaps most importantly – increased customer loyalty. The very competitive environment in the tourism industry makes it essential for firms to create a strong brand identity and a strategic environment which encourages loyalty. Building relationships with customers can bring a strong competitive advantage, and tourism companies must therefore be customer-focused.

A customer relationship management (CRM) strategy can benefit the organisation in a number of ways.

- It reduces the cost of communicating with customers.
- It reduces operational and administrative costs by encouraging self-service by customers.
- It improves sales targeting through better customer segmentation.
- It simplifies customer retention strategies.
- It encourages the development of a comprehensive database, with all staff being allowed access to important information.
- It can encourage customer loyalty by allowing the business to build on individual marketing profiles.

Yet despite all these advantages, only about 30% of online retailers are thought to have customer relationship strategies.

CRM provider Talisma, in a study of the internet travel and tourism sector, found that, despite significant investments in e-commerce applications, efficient communication was far from being the norm. In general, customer queries were poorly handled, with 44% of firms in the survey ignoring customer emails. Around one third responded within 24 hours and only a few specifically dealt with questions from customers. Relationships are obviously harmed, as delayed response times can lead to complaints and discourage loyalty.

When an organisation develops a CRM strategy, it needs to use appropriate databases and IT systems to identify its customers. A good system will also allow online market segmentation, which helps a business to understand the spending patterns and degree of loyalty of its customers. It also makes it possible to tailor offers to individual customer needs.

The travel and tourism sector has well-established segmentation methods. For example:

- airlines generally focus on frequency of travel as a measure of a valued customer.
- some online intermediaries measure revenues per customer.
- service providers may seek to identify segments that prefer new destinations.
- certain providers may want high net worth individuals looking for gourmet breaks.

Meeting the needs of an identified segment can be very profitable. According to Stockdale the design of travel company websites has suggested that sales could be increased by a third or more by improving customers' experience of the site. Many sites are untidy and confusing, leading to frustrating delays. Further, systems that capture customers' contact details can be used to keep them better informed. Frequently asked questions (FAQs) on a website can also improve communication.

Many customers identify online companies through their brand image. Amazon has become a leading books and music site, in part through tailoring the offer to the individual customer. One route to success for a brand is to provide a high level of service and interaction. Another is by developing customer loyalty schemes. Table One outlines the constructs of customer relationship development, summarising the key features for supporting and growing customer loyalty through online strategies.

Table One: Constructs for developing customer relationships online

Construct	Factors to be considered	Questions to consider
Identifying the online customer	<p>Improve market segmentation through the identification of each customer segment:</p> <p>novice users</p> <p>sophisticated users</p> <p>transactional users</p> <p>non-transactional users</p> <p>high value customers</p> <p>low value customers</p>	<p>Has the varying levels of IT sophistication of customers been taken into account?</p> <p>Are non-transactional customers of value to the firm?</p> <p>Are resources targeted appropriately to high value customers?</p>
Website design	<p>The website should provide good customer experience to all visitors. Design should take into account the targeted market segments and fulfil customer expectations in information gathering and transactional activities.</p>	<p>Does the website support the self-service offerings fully?</p> <p>Does the website offer interactivity and additional facilities to encourage return visits?</p> <p>Is the website effectively managed, with frequent updates, continuous assessment and ongoing innovation?</p>
Information gathering and handling	<p>Strategies for gathering, analysing and using information about customer activities are required. Information is used to customise products and follow changes in customer trends.</p>	<p>Are customer emails, bulletin board postings and call centre enquiries monitored and analysed?</p> <p>Are web logs used to track customer behaviour and the information used to support innovation on the website?</p> <p>Are application and database log files analysed?</p> <p>Would the firm benefit from the purchase of consumer behaviour analyses from a third party?</p> <p>Is a customer database used to register individual customer preferences?</p>

Communication with customers	The internet supports a one-to-one approach with customers, with one-to-many facilities for more simple requirements.	<p>Are customer enquiries answered correctly and within a specified time?</p> <p>Is there a coordinated response to customer enquiries through all channel interfaces?</p> <p>Do employees have access to the right information to satisfy customer queries?</p> <p>Can FAQs be used to respond to simple, repetitive queries?</p>
Loyalty and trust	<p>Trust is seen as the single most important element in customer relationship building.</p> <p>Loyalty and trust can be developed and nurtured through:</p> <p>Branding</p> <p>Customer loyalty schemes</p> <p>Community sites.</p>	<p>Is brand development based on recognition of attributes of the customer base?</p> <p>If a loyalty scheme is used, is it cost effective? Is there evidence that it promotes customer loyalty?</p> <p>Have customer attributes been identified? Is commitment to the customer signalled by appropriate displays of reciprocal measures, such as information sharing and indications of status?</p> <p>Is a community site a considered option for the customer base? Does the firm have the resources to build and maintain such a site?</p>

Source: Stockdale (2006)

Organisations can use such constructs to set their own relevant frameworks.

Dynamic packaging

The development of the internet has provided a way of solving a growing problem: the mismatch between the static, take-it-or-leave-it package holiday of the last few decades and the growing demand for highly customised holiday products. The need for a more responsive and flexible method of booking a holiday is increasingly being met online by dynamic packaging, which extends from travel agents to consumers the ability to choose among all available options. It builds a great deal of flexibility into the holiday booking. In addition, it enables travel agents to create their own packages, giving them the information they need to price competitively in order to achieve optimal margins.

Using a dynamic system, the customer, whether an individual or a travel agency, normally starts with their preferred destination and dates. Dynamic packaging then offers

a range of flights and hotels at different prices, and the customer books any combination they choose. The system can then offer relevant extras, such as car rental, insurance policies, city tours, airport parking, room upgrades and activities.

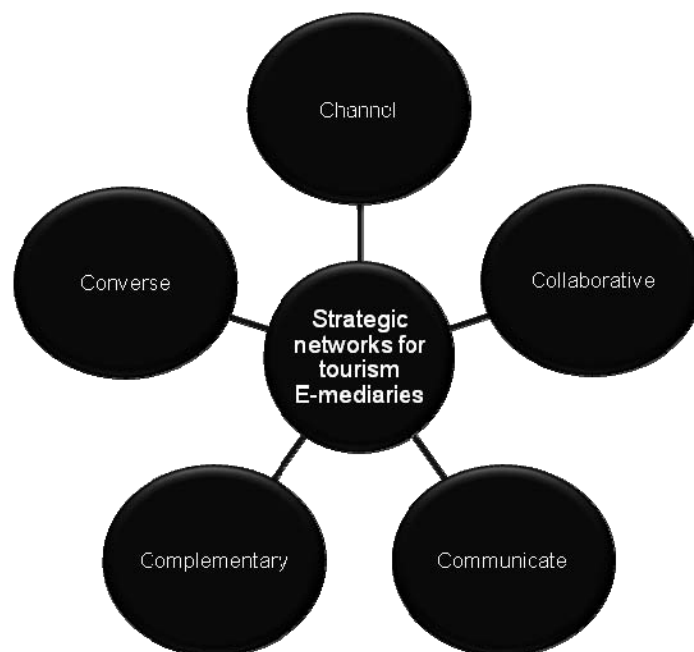
Customers can not only customise their holiday to suit their individual preferences, but can also take advantage of inclusive tour rates for flights: these fares, which are for flights that form part of a package, are usually 10-25% below flight-only rates.

Competition and collaboration

Channel relationships benefit customers by greatly increasing efficiency and choice. For example, the 2002 deal between Expedia and British Airways (BA) enables the airline to offer more than 40,000 hotels through its website. Similarly, lastminute.com has signed a deal with Orange allowing it to use the mobile phone network as a distribution channel. BSkyB and First Resort have created a TV travel show where transactions can occur straightaway, through interactive TV. Relationships like these enable firms to use a multiple channel approach, and help to build networks as outlined in Figure One.

Figure One

Strategic networks in the tourism e-mediary competitive environment



Source: Dale (2003)

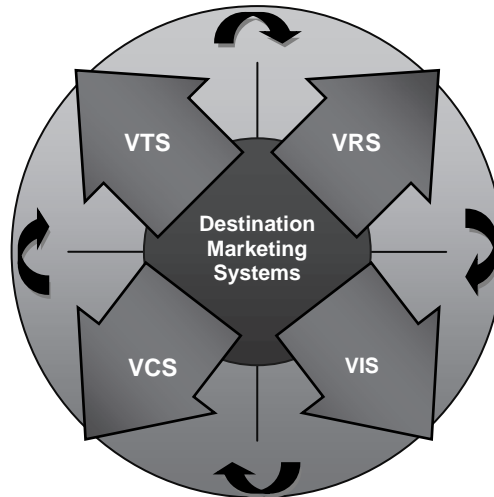
In the future, online competitive activity may well be carried out by networks of partners, rather than by individual firms.

Destination marketing systems (DMSs)

Wang and Russo (2007) propose a conceptual framework in relation to the function of destination marketing systems. They see a DMS made up of four interrelated components (Figure Two).

Figure Two

Conceptual ICTR model of destination marketing systems



Source: Wang and Russo (2007)

Virtual information space (VIS)

Most customers visiting sites need timely, accurate, interesting and easily obtainable information about destinations. The site also has to cater for a variety of tastes, as customers are becoming more discerning.

Virtual communication space (VCS)

Once the informational issues have been satisfied, the next level is communication, and a virtual space needs to offer reliable and seamless electronic communication with consumers. The communication strategy helps to develop relationships and assists with effective targeting, whereas communication difficulties may well lead to marketing problems.

Virtual transaction space (VTS)

A well designed operational facility that simplifies and encourages reliable and seamless transactions for holiday bookings and travel can be a successful step in building a strong relationship. A successful financial transaction builds trust.

Virtual relationship space (VRS)

The core of a DMS is the virtual relationship space (VRS), where there is a dynamic and continuous exchange of communication with consumers at all levels. The goal of VRS is to integrate technology, processes and business activities, allowing organisations to respond to and target behaviour-driven market segments.

Through understanding these different and interconnected spaces it is possible to evaluate the successful application of technology to DMS, as shown in Figure Three.

Figure Three

Effective evaluation matrix for technology applications in DMS

Importance	Yes	I Missing Opportunities	II Effective
	No	IV Indifferent	III Wasting resources
		No	Yes
		Utilisation	

Source: Wang and Russo (2007)

Wang and Russo used the matrix to determine the popularity and importance of technology applications in DMSs. They considered the following factors:

VIS

- Activities/attraction information
- Accommodation information
- Events calendar
- Restaurant information
- Shopping information
- Links to regional/city/area pages
- Maps/driving directions
- Travel guides/brochures
- Tour operator information
- Trip/vacation planner

VCS

- Brochure request capabilities
- Search functions
- Email newsletters
- Interactive tools
- Frequently asked questions

VTS

- Online reservation
- Banner advertisements
- Themed products
- Secure transactions
- Event tickets
- Attraction tickets
- Shopping carts

VRS

- Highlight special offers/best buys
- Direct email campaign
- Personalisation/customisation
- Privacy policy
- Incentive programmes
- Cross-selling opportunities
- Virtual tours
- Customer loyalty programmes
- Web seal certification

This is a comprehensive list of factors to consider when developing websites and following good customer relationship strategies in order to achieve effective online market growth. However, it is clear that the factors have to be suitable and acceptable, and it must be feasible to implement them. The factors can be positioned in the matrix in Figure Three to show their relative importance.

The growth of mobile communications

According to Mintel, an increasing number of firms are seeing the value of using mobile phones as a channel. For example, customers can already – or will soon be able to – access flight and other holiday information provided by Travelocity, and search for and book hotel rooms through Hotels4u.com.

The Trainline and Chiltern Railways aim to offer smart ticketing and mobile phone tickets on their services in the UK, while IATA is pushing to replace ticketed air travel by 2010.

Travel providers may benefit from Android, which Google is developing as the first standard interface for travel companies. This is expected to provide an easier route for travel providers wishing to maximise their web information on mobile devices.

As technologies converge and offer new possibilities, desktop computers are no longer the only means of access to the digital space that is the internet.

The online consumer

As mentioned above, online purchasing behaviour has changed dramatically in the past five years, led by the US market. This has had a major impact on travel and hotel booking patterns. Over 60% of US hotel bookings are now made online, and a similar development is occurring across Europe and Asia, and will continue globally. The shift has led to an enormous increase in the number of online travel agents (OTAs), many of whom do not carry traditional agent licensing from recognised organisations such as IATA. These 'travel merchants' generally retail products which they have picked up through global distribution systems (GDS) networks or branded travel agents such as Expedia and lastminute.com.

Today between 3% and 30% of a hotel brand's overall business is booked online; this is expected to rise to between 20% and 60% in the next three years. The online travel agency and retail community take anything from 25% to 40% of a hotel's yield and are forcing hotel brands into more of a commodity position than ever before. To retain brand integrity and maximise yield from revenue earned, hotels and brands need direct access to consumers, and to provide more than just a 'room' as a product.

In general, consumers want easy access to suppliers and rates. They require efficient navigation in the search for tailored products, and speedy delivery. A one-stop-shop is

clearly more attractive than having to access several portals for different types of information. This is where a portal such as IX-world is of value.

IXeo Interactive Travel SA

About the company

One of the largest networks of providers in the travel and tourism sector is IX-world, created by IXeo Interactive Travel SA. The company is a wholly-owned subsidiary of ICON.NET SA, a privately owned tourism and hospitality corporation. The businesses are based in Switzerland and Germany.

The company's founder and president is Graham Leslie, a marketing and distribution specialist in hospitality and tourism. Before setting up IXeo, he held a number of senior positions in the industry, including CEO of Serena Hotels (a hotel and safari lodge brand), and Chairman of Tourism Promotion Services, a subsidiary of the Aga Khan Fund for Economic Development.

Mission

IXeo's mission is to provide the world with the largest available travel inventory, as a gateway to hotels, resorts, camps and lodges combined with ground services, events and flights. The aim is to give access to a user friendly system that allows for easy and intuitive planning and booking search by brand, location, motive or lifestyle, supported by full destination information.

Aims

- To provide a solution to support hotels and destinations
- To promote countries and drive more visitors and business
- To act as an Open Gateway without commission fee or transaction charge
- To build destination supplier brand integrity
- To maximise image positioning, yield and returns through search engine optimisation, key words and an integrated platform

Business objectives

IXeo's business strategy is to be the fully interactive and dynamic worldwide tour operator by:

- providing a global travel and hospitality 'gateway' giving real-time interactive links for all travel, hospitality and tourism suppliers in the world
- offering a 'one-stop-shop' solution to book all travel and holiday requirements for travel agents through a global distribution system or online based on consumer interest and personal preference
- delivering the widest available 'live' tourism content to market
- allowing suppliers of whatever size to deliver through the IXeo platform their products live for increased choice and value.

IXeo guarantees an open transparency on all supplier products through the network, to benefit all in the supply chain. It has the potential to be as successful as Amazon, but faces stiff competition from the more established players such as ebookers and Expedia (see Appendices Six and Seven).

Business partners

IXeo has worked with the following partners:

- Micros Fidelio world wide
- Worldspan, Amadeus, Sabre, Galileo (IATA)
- Pegasus, TRUST, iHOTELIER, SynXis, Protel, MF
- Whatsonwhen
- Columbus Atlas Guides
- Multimap, ZTS, Wikipedia, Wirecard, VISA, etc
- All Licences and IATA.

Through alliances with other businesses (Appendix Eight), IXeo has created IX-world, a global electronic gateway for the travel and hospitality industry which provides access to a huge amount of interactive tourism content and bookable products. IXeo's objective is to provide the world's largest live tourism product, including hotels, resorts, transport, and local elements such as excursions and sports activities, along with online ticketing. It currently provides direct, interactive access to over 80,000 hotels and 800 scheduled carriers, as well as numerous other suppliers. The system allows users to plan a detailed travel itinerary, including flights, accommodation and activities, and bookings are sent direct to the supplier.

The information can be filtered in numerous ways, but IX-world also groups products, for example offering ones based on motive, such as IX-active, which provides packages for diving, golf, skiing etc, while IX-life is based on relaxation, health, gourmet, spa, etc. (Appendix Nine for FAQs).

Suppliers

The IX-world philosophy is to provide suppliers with a distribution network that supports their global product needs transparently, allowing them to strengthen their brand identity, meet their own clients' needs, and optimise revenue and yield. Suppliers pay an annual fee of €100 to join IX-world, with no commission or transaction charges, allowing for much higher margins and yields than they can achieve by using traditional agents and online intermediaries. This in turn significantly increases the available inventory and access to products in IX-world.

Unlike some other online booking engines, IX-world allows suppliers to display their own logo and link to their website on their product description page. This gives them control of their online distribution and brand integrity and allows them to sell to the customer directly.

The link to the supplier's website generates more referrals, improving its ranking in search engines like Google or Yahoo (Appendix Ten). Search engine optimisation is carried out through deep-linking keywords within the network – that is, creating links to specific webpages and not just homepages.

Rates and availability are set by the supplier and not by IX-world, so hotels are not required to commit to a room allocation and fixed rate many months in advance. Allocations may still be given to selected operators, including IX-world, but on the hotelier's terms.

In summary, IXeo believes that suppliers using the IX gateway will have improved online promotion and distribution benefits. These benefits include:

- direct links to all suppliers in the destination
- decentralised content management, including interactive mapping of all hotels and resorts, local activities, events, country guides, flights, car hire, excursions, transfers, heritage, culture, images, banners and promotion
- online editorial functionality and tracking
- full search engine optimisation that is keyword driven
- deep linking directly to product choice
- use of Microsoft technology and applications.

White label links

For a fee, IXeo provides a very useful B2B service of supplying all content as a *white label* link to other organisations, enabling products to be badged under different names. For example, a travel agency can be provided with all the infrastructure to set up a site and carry out dynamic packaging under its own brand. This benefits traditional travel agents seeking a more dynamic packaging web solution in order to compete with online travel sites like Expedia and the numerous online travel agencies, many of them set up by individuals working for commission. As another example, www.micros-ix.com is a white label with Micros Fidelio, the world's largest hospitality property management system.

IXeo provides white label clients with full online tracking with user navigation characteristics and search engine analytics, including full online editing functionality to add live content.

Concierge service

The IX-concierge is a filtering and wizard system, designed to help online dynamic bundling of different products: in other words, packaging components of a trip around the customer's interests. The tool works in the background as consumers browse the database and start making their choices, then presents them with relevant offers. Whatever service or information the consumer selects, the intuitive concierge will offer all available corresponding services and products, and those chosen are saved to the user's travel plan. Thus customers can select a flight to the airport closest to their destination, book hotel accommodation at a preferred time for a preferred price, and be offered information on the area and any number of other services. This interaction builds customer relationships in a similar manner to a traditional travel agent.

The concierge acts as a white label for hotels, tourism boards and other destination promoters, making it possible for them to provide online dynamic packaging that includes many more services than just room sales. For instance, after a customer has saved a flight booking, the IX-concierge asks whether they would like to book a hotel in the selected destination.

Market space

The standard method by which consumers can create their own itinerary is to source destination, resort and accommodation options by using search engines like Google, then check for quality and price across a range of B2C sites such as Expedia, lastminute.com, Travelocity, Orbitz or ebookers. This involves making several separate bookings.

IXeo is a one-stop-shop alternative, offering travel planner intermediaries and consumers a 'full range, high quality and competitively priced' inventory, together with total customised packaging capability. Customers can filter the network in as many ways, and

as many times, as they choose, for example searching for hotels by destination, brand or type, or by motive, such as golf, adventure or culture. Online information and bookings are free, and consumers benefit from best available rates and last-room availability.

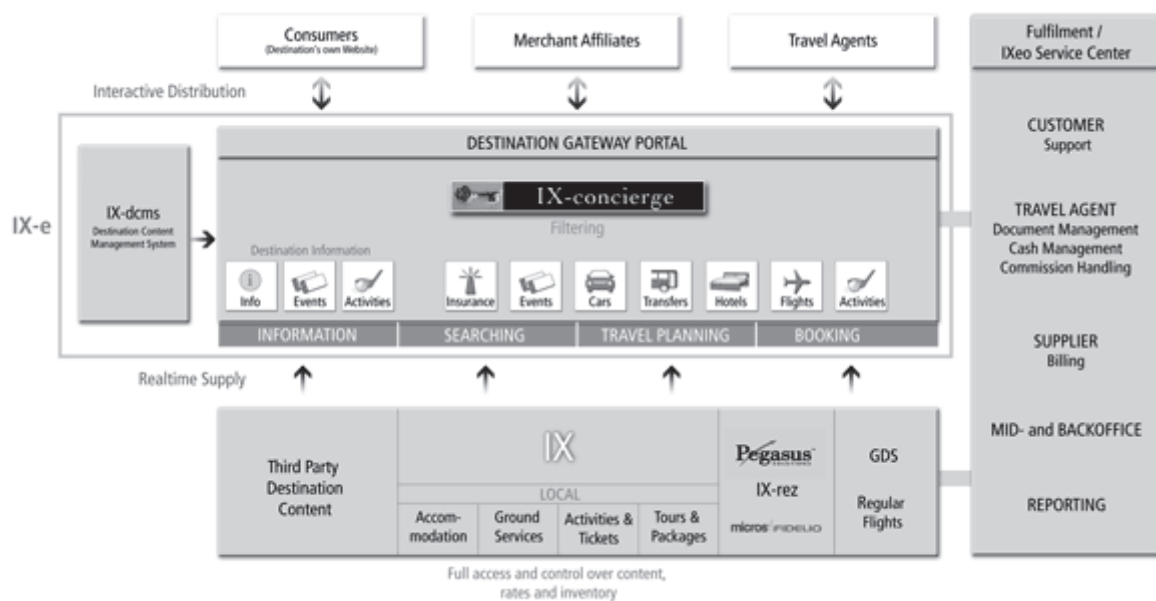
IXeo aims to serve the fully independent traveller (FIT) sector, the largest and fastest growing segment of the travel industry. The company exploits this market through three channels:

- **Discerning travellers.** IX-world appeals to consumers who are skilled at using search engines such as Google, allowing them to design and book their own travel experiences and itineraries. IX-world uses internet marketing techniques and distribution across tourism boards to increase visibility on search engines and encourage referral traffic.
- **Tourist Boards.** IX-world offers a ready-to-use country gateway, enabling tourist boards to provide customised travel experiences and hotels in real time. The organisations can thus take a much stronger country branding approach and be more proactive in generating visitors to the destination.
- **Hotel groups, hotel representative companies and other travel supplier companies.** IX-world provides a white label service, adding all or part of its content to a supplier's own website. A hotel's portal, for example, allows its customers to package hotel products with flights, transfers, special promotions, excursions and local information and events. The response from suppliers has been very positive, and IXeo's current priority is to expand this channel.

System architecture

The gateway architecture picks up and stores inventory and rates from a variety of interfaces, and an in-house content team adds content and images. The IX-concierge filtering system adds labels to all stored elements in the database, making it possible to match services and offers based on location or motive.

Figure Four: IX-world system architecture



Source: IXeo website

Examples of product groups (adapted from IX-world website)

Table Two: Motive driven search

<p>IX-adventure: The adventure section features adrenaline-inducing activities and locations. Subcategories include: safari, wild locations and trekking.</p>
<p>IX-active: The largest category addresses the increasing demand for active vacations or short breaks. The subcategories include fitness, hiking, diving, golf, skiing, sport, sailing, tennis and riding.</p>
<p>IX-life: This section addresses all the 'good things in life'. Subcategories include beauty, spa, health, culinary and casino.</p>
<p>IX-getaway: This section addresses classified recommendations for city breaks, family friendly offers, remote locations, romantic encounters and hideaways for those who require a break from it all.</p>
<p>IX-culture: This section addresses content and travel components around these subcategories: ancient cultures, heritage (cultural heritage, natural heritage) and IX-diary for the sophisticated traveller.</p>

Source: IXeo website

Table Three: Classifications

As mentioned above, all accommodation and services are clearly categorised in the IX-world database, so that the travel agent or consumer retrieves the required products.

All Inclusive Resorts	Recreational properties where most services, meals and drinks are already included in the price paid in advance.
Beach Resorts & Hotels	Properties that have direct access to a beach.
Chic Hideaways & Retreats	An elegant, stylish or fashionable property at a peaceful and quiet place with privacy (maximum 100 rooms).
City Boutique Hotels	An urban hotel that has its own sense of style (décor and interior design) and is heavily dependent upon the design element of the physical plant.
Conde Nast Gold List	Properties which are rated by travellers as best in their market segment by the renowned travel magazine.
Exclusive Beach Hideaways	Individual upper end properties in a quiet and peaceful prime location with a unique sense of privacy and with direct beach access offering outstanding service and facilities (maximum 100 rooms).
Exclusive Desert / Bush / Jungle camps	Individual upper end properties located in such an area with luxurious and lavish shelters or tents offering great facilities and service.
Exclusive Independent Hotels	Luxurious properties offering outstanding services and facilities, but not belonging to a chain.
Golf Hotels & Resorts	Properties that have a golf course on premises.
Grand Classical Hotels	Impressive, well established luxury hotels with a great reputation and legacy.

Heritage Hotels & Inns	Historic properties which stand out by passing on cultural legacy.
Hip Design Hotels	Properties which set themselves apart by following a trendy style in design, architecture, décor, innovation.
Island Retreats	Properties on a peaceful, quiet and rather small tropical island with privacy.
Mountain Hotels & Lodges	Any property located in the mountains where mountain activities or the mountain 'feeling' are part of its main attractions.
Near Beach Resorts & Hotels	Properties which are located within walking distance of the beach and still see the beach as an important point of attraction.
Spa Hotels & Retreats	Properties which position themselves as a spa or wellness hotel providing facilities and services on the premises.
Sport Resorts	Properties with an above average offer on sport possibilities within the property and/or nearby.
Dive Resorts	Properties which have a dive centre on the premises or next to it and the dive centre is affiliated with the hotel.
Hotel with Gourmet Restaurant	Properties which have an award winning restaurant on the premises or one that is rated by a guide's rating system (e.g. Michelin, Gault Milliau).
Eco Hotels & Resorts	Properties which have a certification or acknowledgement by an eco association (e.g. Green Globe).
IX-nomadas	IX-nomadas features hideaways in rural locations or resorts with great outdoor options in evocative settings providing great charm that are always an oasis of calm and relaxation with personal service delivery and attention to detail.
IX-residencia	IX-residencia features town & city locations with great charm and excellent cuisine. An oasis of calm from the crazy pace of city life with a strong heritage or contemporary flavour all with an individual style.
IX-zamani	IX-zamani features a rare collection of independent camps and lodges in Africa. ZAMANI is the reflection of a truly great African heritage that includes remote locations with an unsurpassable hospitality that is all the more amazing given their locations.

Source: IXeo website

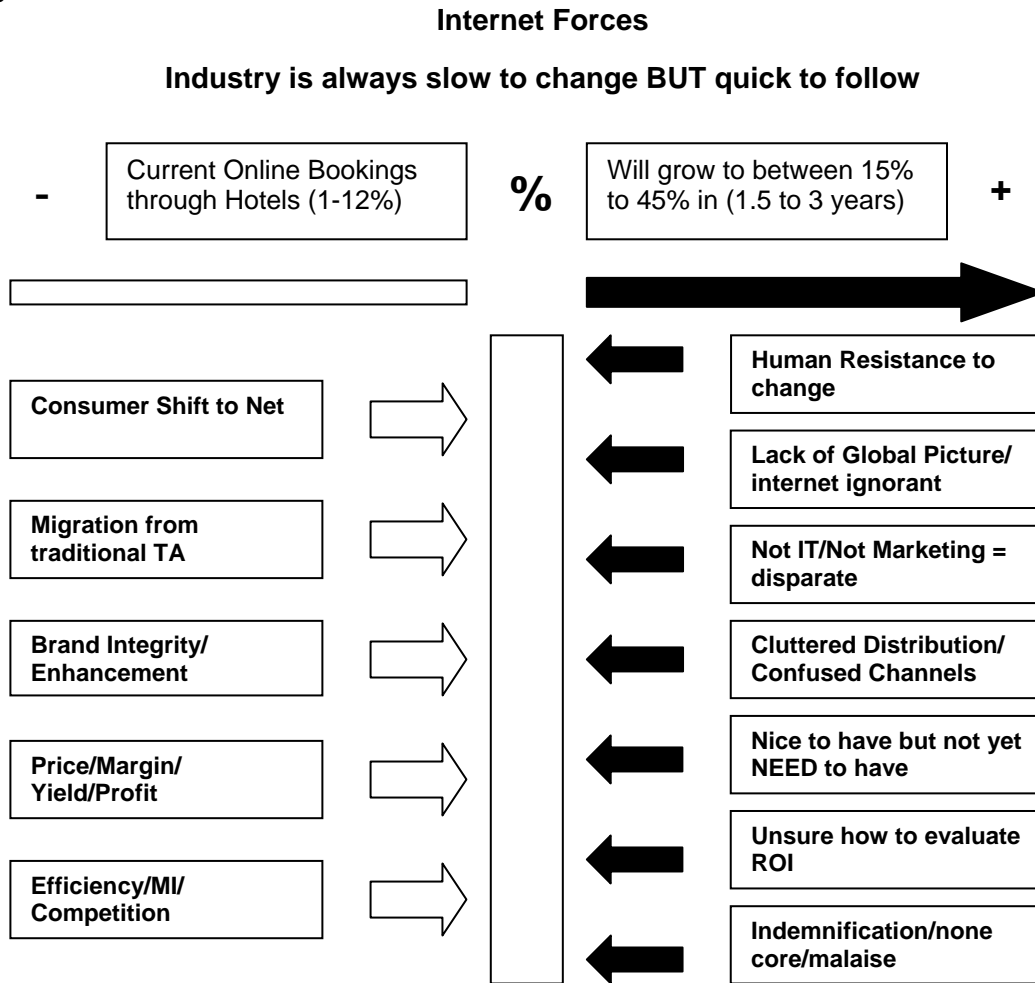
Market considerations

IXeo has identified some trends within the tourism market place. Online bookings used to be discount driven, but this is no longer the case. Online consumers seek more than room-only bookings and prefer a one-stop-shop approach to information and booking that is keyword generated. Online purchases are growing at a fast rate, and IXeo believes suppliers should present more 'product' to market, which should increase search engine optimisation.

IXeo has identified the fact that 60% of all transactions in the US domestic market are now net based. Five years ago this was under 10%. IXeo believes this trend will continue globally, and suggests that whilst in the rest of the world between 1% and 12% of transactions are made using the net, in the next 18 to 24 months this figure will rise to between 15% and 45%.

IXeo believes that users want to be able to trust the choice they have made in tourist products and know that it is the best. The product should also be guaranteed from the supplier direct.

Figure Five



Source: IXeo

Partnerships with Tourist Boards

IXeo is promoting tourism through enterprising initiatives with tourism boards globally. It believes countries must move towards a gateway that allows for full promotion of their tourism assets and reduces their continuing over-reliance on tour operators to promote a destination’s products.

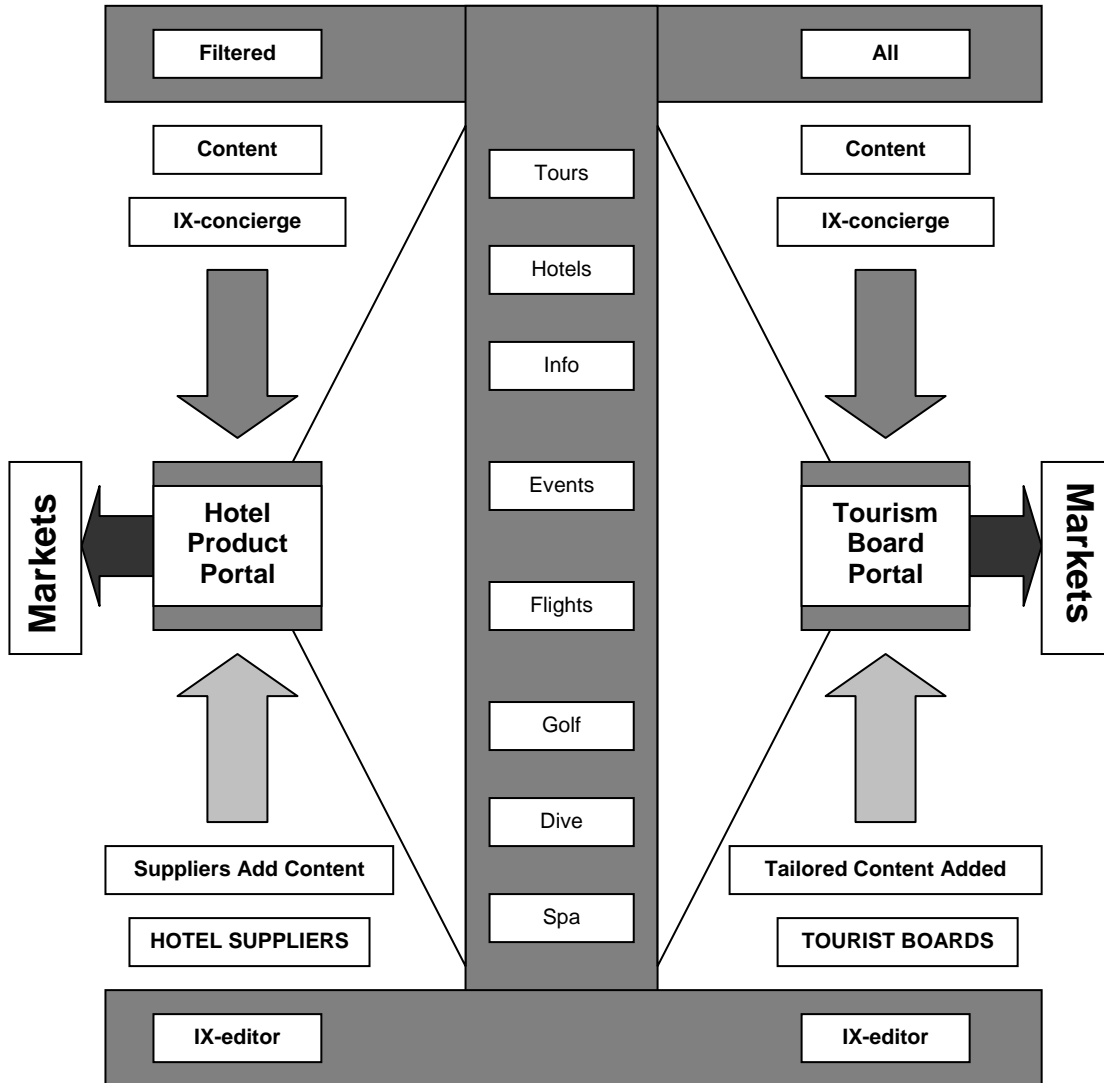
Working with tourist boards, it is helping the boards to improve their image content and is urging them to realise that their country is a brand. By promoting it as a brand they can benefit from untapped tourism potential. IXeo believes that a country should be the custodian and facilitator for sustainable visitor generation through the promotion of its products.

IXeo is promoting its IX-tourism as a product gateway that will provide tourist boards with content access, without creating a burden on resources or a separate management system for hotels and suppliers. It is hoped that this will ensure long term sustainability.

IXeo's destination solution gives a country's tourism board the ability to provide a global gateway to all the country's assets as interactive products that reflect the image desired, and which are bookable through all suppliers direct. IXeo knows that the solutions must benefit the tourism boards as well as all suppliers if integrated standards are to improve.

Figure Six

IX Provides Self-fulfilling Unique Content Growth for Search Engine Ranking



Source: IXeo

Tourist Board Product Growth

The unique element within the IX platform is the interactive links between the main tourist boards and their suppliers. Each supplier promotes the IX tourism product around its respective brand product through its own portal, adding its own localised content. The tourism board then automatically picks up all the supplier content and is able to add the country brand content on top. This is then automatically picked up live by each supplier.

IXeo believes this creates a very strong distribution network that strengthens the country's brand image at grassroots level.

Summary

For IXeo it is clear that there are many possibilities available in the marketplace for a comprehensive dynamic package such as the one it is offering. However, the digital space is rapidly changing and evolving (Appendix Eleven). It is also likely that the travel and tourism market will fragment into more specialised offerings in the future. Travel agents are becoming smarter in the use of technology and may even begin to challenge large providers such as Thomas Cook with well-developed sites of their own, supported by high street retailing. It is also becoming apparent that the use and importance of networking sites is growing rapidly. The challenge for organisations, therefore, is to be able to market effectively in this virtual space of blogs, messaging, email, video, discussion groups and voice chat. It also appears that social networking covers the whole demographic spectrum, and is actively engaged in by older as well as younger members of the community. It is interesting that the 55-64 year age group is the one most likely to book online (Mintel).

In the long term, the convergence of technology means that the rapidly evolving mobile technology platform with better functionality, screen provision and ground positioning systems (GPS) will offer further opportunities within the online travel and tourism sector (Appendices Twelve and Thirteen). The Apple iPhone and the Blackberry are already setting the trend. As 3G technology becomes established there is likely to be a massive explosion of m-commerce (mobile commerce) related applications, and travel and tourism is likely to be in the lead in the utilisation of such applications.

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Consumer loyalty - the next battle ground for hotel distribution?



This article supports a talk by Malcolm Preston (Travel Sector Leader at PricewaterhouseCoopers) at the Plenary session of the 8th International Hotels Investment Forum 2005 in Berlin, entitled *'Signals ahead: a look at the bumps, humps and curves on the road ahead'*.

Summary

Despite a number of potentially damaging setbacks, the travel industry continues to grow with the number of global tourism arrivals doubling since 1980. At the same time the growth of the DIY traveller has increased even faster, fuelled by increased confidence and a new convenient distribution channel, the internet. This has provided challenges for the traditional travel companies – the tour operators are holding their volumes but not enjoying any of this growth and the travel agents are having to focus more closely than ever on providing exemplary customer service to stay relevant with their client base.

The new entrants, the on-line travel agents, are growing exponentially and in so doing are opening up new channels for hotel distribution. In particular, the hotel aggregators, or wholesalers, whose traditional role has been to provide hotels for group bookings via tour operators, can now distribute those same beds direct to the consumer, and indeed, the on-line travel agents themselves are developing hotel merchant businesses.

For hotel distribution the battle lines for the consumer are being drawn. The increased range of products (quality, destination, location, etc.) the aggregators can market to the customer are being pitched against the consistency of product offering and loyalty programmes provided by the large branded chains. Understanding what the consumer really wants – and delivering it – will be critical in the battle for the hearts, minds and wallets of the hotel customer.

*connectedthinking

Introduction

Travel industry alive and well and driving more hotel bookings

In the first five years of the 21st Century, the world has been subject to a number of global shocks, both self-induced and natural. These might have been expected to send the travel industry into depression for years to come. On the contrary, the trillion dollar global sector that comprises business and leisure travel has recently enjoyed strong growth. Rather than dissuading people from travelling, events like September 11th, the Gulf War, SARS and more recently the Tsunami disaster in South East Asia have tended to cause people to defer rather than abandon their travel plans, creating pent up demand to certain destinations. Figures from the World Travel Organisation show that more people travelled internationally in 2004 (760 million individual trips) than in any equivalent period previously recorded. Air travel too has shown a continued upward trajectory, with positive growth for 30 of the past 34 years.

Of greater significance in plotting the growth of the travel industry are GDP and consumer spending. The substantial downturn in business travel seen in 2001/2 was visible before the events of September 11th 2001 as the world economy slowed down in the months preceding the terrorist attack. The business travel sector is no different from many others for which GDP is the single most important economic determinant. Related consumer spending and real effective exchange rates are also key drivers of the plans made by individuals for their leisure travel.

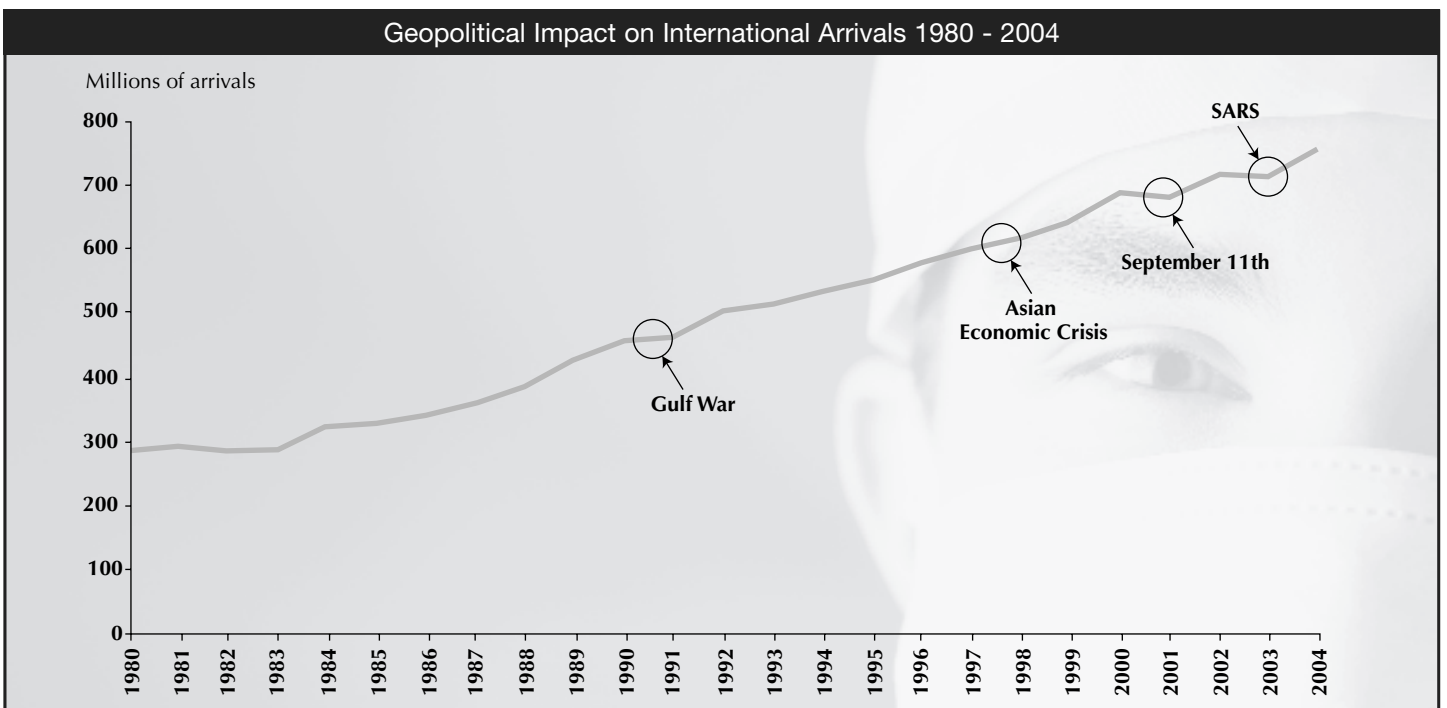
The chart below shows that global arrivals have more than doubled since 1980, and that potentially destabilizing events with global impact have done little more than momentarily depress an inexorably rising trend.

The data in charts 1-4 opposite highlights the relationship at its clearest: the higher the rate of annual growth in GDP, the larger the growth in travel. What the data shows is that the relationship to global travel of GDP and consumer spending (real effective exchange rates) is directly correlated. We are seeing an increase in travel over time that rises in accordance with both these indicators.

A number of other factors are also driving the increase in travel. In Europe particularly, the rise of the low cost airlines has made it easier and cheaper for people to travel for short stays and to visit family and friends. Closely linked to newly affordable air travel is the rise in holiday home ownership overseas. Figures for the UK suggest that between 500,000 and 600,000 UK citizens now own a second home in Europe. This gives rise to many more trips from the UK as friends and family make use of the accommodation at times when the owners are not using it.

Business travel, which is fundamental to the profitability of the scheduled airlines and the chain hotels, is enjoying a period of strong growth, again closely linked to the overall strength of the global economy. It is clear from charts 1-4 opposite that it is the global economy that influences the strength of European business travel, not simply European GDP. Travel businesses focusing on Europe need to make sure that they look beyond the EU's borders for the data that they can use in their forecasting.

The travel industry – both leisure and business – is broadly speaking in a healthy state. However, reading some stories in the business press might lead to an alternative conclusion. Tales of the torrid times facing the travel business, of tour operators and travel agents in peril are common. Why, against the backdrop of healthy growth for the industry should these stories have such currency? Part of the answer lies in looking a little closer at the data.



Source: World Tourism Organisation

Chart 1: World Business Travel

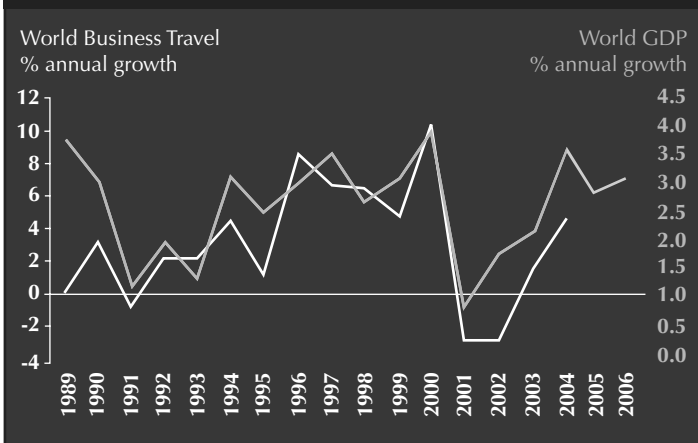


Chart 2: World Leisure Travel

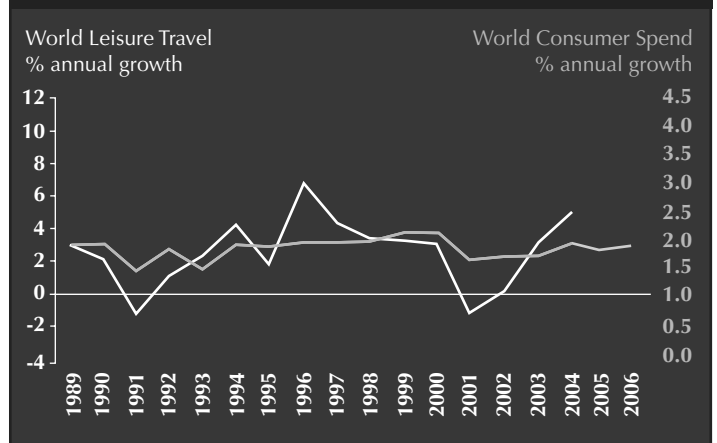


Chart 3: European Business Travel

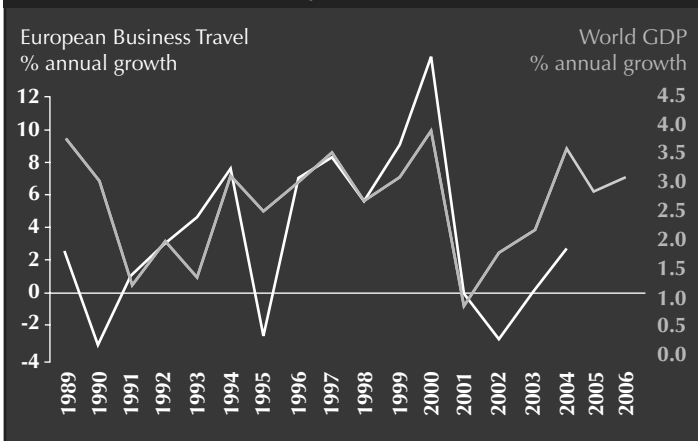
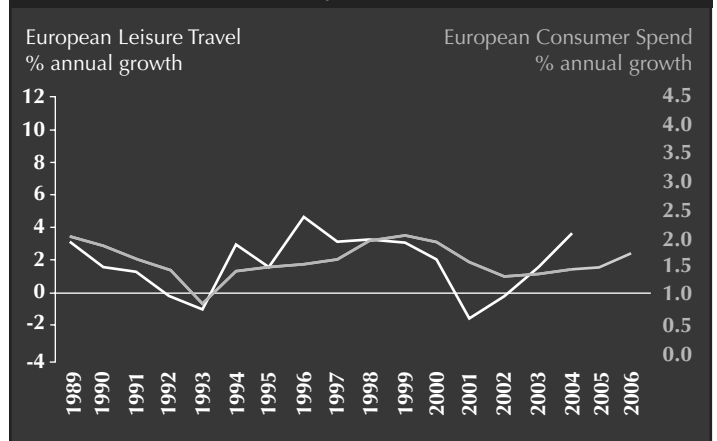


Chart 4: European Leisure Travel



Source: WTTC, OECD, PricewaterhouseCoopers analysis

Perception versus reality: the inclusive package is dead, long live the inclusive tours

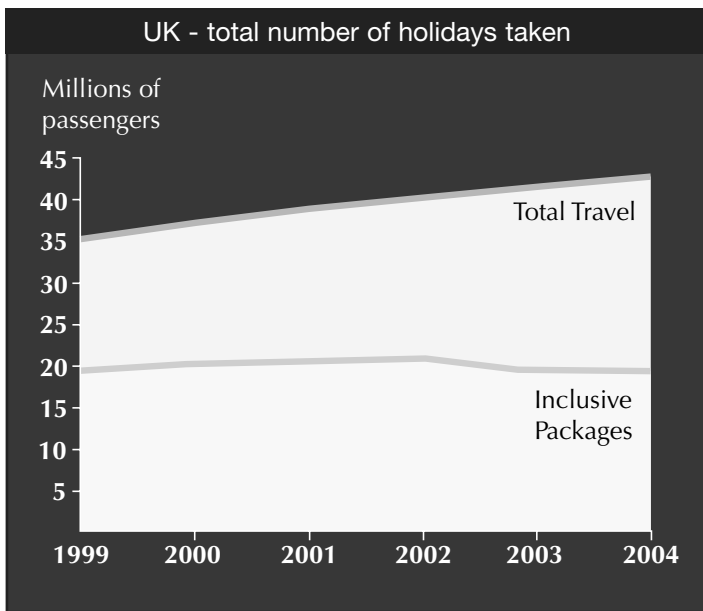
The UK market illustrates this apparent paradox admirably. Looking at the total number of holidays taken from the UK shows a steady rise in the last five years from 35 million in 1999, to 43 million in 2004. Of that total number some 20 million or so are inclusive packages, a figure that has stayed fairly consistent throughout the same five-year period. The growth in total number of holidays is accounted for by independently arranged travel, much of which is driven by the low cost airlines and the internet and the growing incidence of people taking several holidays abroad each year.

The misperception that the data represent the death knell for the inclusive tour arises from an analysis of the figures which concludes that what is on display here is declining relative market share. The conclusion from this being that the inclusive package has had its day, and it is time to pull out of that market. But nothing could be further from the truth. Any basic economic analysis of the inclusive package sector must give the conclusion that this way of buying holidays is the cheapest available, and this is due to a number of factors.

Of course, an industry the size of the packaged holiday business will have some overcapacity, and the likelihood that excess beds and flights will be available at a cheaper price is inescapable. However, the popular notion that all those 20 million holidays could be available for less is wrong. Cheaper deals bought at the last minute are acquired at the margin through the sale of 'distressed' inventory. That is not to say that it is not possible for the industry to deliver holidays for less, but generally lower prices will be driven by improvements to business processes and the adoption of lower cost business models that leverage technology to then reduce tour operators' cost base.

The business models on which the inclusive package is based operate at load factors that are higher than anywhere else in the industry. Charter airlines from the UK operate at around 98 per cent load factor and the hotels to which they deliver holidaymakers typically run at 95 per cent occupancy, and sometimes higher. By way of comparison, the low cost airlines operate profitably at around 75 per cent load factors and for chain hotels somewhere in the region of 55 per cent to 60 per cent occupancy.

The reason for the levels enjoyed by the inclusive tour operators is simple: the inclusive package operators have control of the duration of each holiday (typically seven or



Source: Mintel

fourteen nights). The predictability that this duration control provides means that beds and flights can be sold to match preordained slots. It is hard to see how a bespoke or DIY system that allowed travellers to dictate their own terms could come anywhere close to matching the levels enjoyed by the inclusive tour operators.

The evidence of a steady 20 million inclusive packages sold in the UK every year shows that reports of its death have been somewhat exaggerated. However, the industry does face a challenge to reassess its business models and lower costs to ensure that inclusive packages can be operated on a sustainably profitable basis. See chart above.

The internet and the battle for the customer

Adopting more efficient business models and looking along the supply chain to target and eliminate areas of high cost are certainly elements of the strategy that travel businesses need to implement. Many are already doing so. However, any analysis of the distribution channels that travel businesses use comes back to one fundamental issue: the battle for the customer. And this is a battle that is far from concluded.

The Internet has had a dramatic influence on the travel sector – perhaps more than in any other. More money is spent online on travel than on any other product or service. Between 2002 and 2003 the online travel market in Europe alone grew by 44 percent.

The combined rise of the online travel agent and the hotel aggregator selling direct to the consumer has changed the way that many people purchase travel forever, largely eliminating the price asymmetry that the hotel sector has benefited from in the past. The genie is out of the box and there is no possibility of putting it back. Each of the multiplicity of customer channels has felt the impact of the Internet. But the question remains: what persuades customers to use one channel or another when buying

travel? What combination of advice, price, flexibility, service and availability appeal to different segments of the market? The battle to own the customer comes down to understanding who those customers are, what they want and what it is that drives their buying decisions.

Traditional methods fall short

Traditional methods of customer analysis do not go very far in helping with this inquiry. Demographic and occupational information may give some indication of likely travel patterns, but are to all intents and purposes blunt instruments when it comes to assessing customers' likely behaviour. New analytical methods are needed.

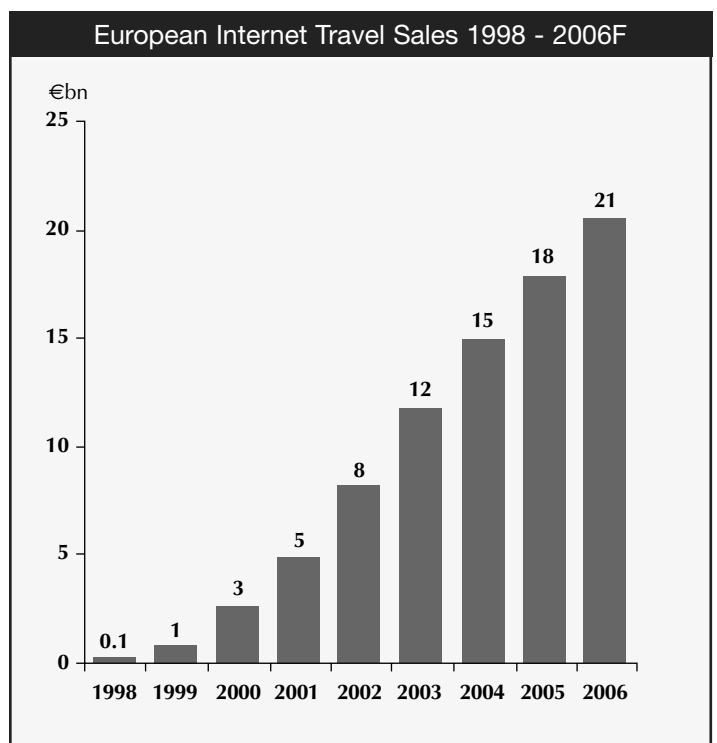
One organisation that has developed a wholly new method of analysing the travel market is TripVision. TripVision has segmented the UK market into seven different types of travel buyer as shown opposite.

These categorizations are based on a new methodology that seeks to understand what people do in relation to travel as opposed to where they are in terms of income, age, occupation, etc.

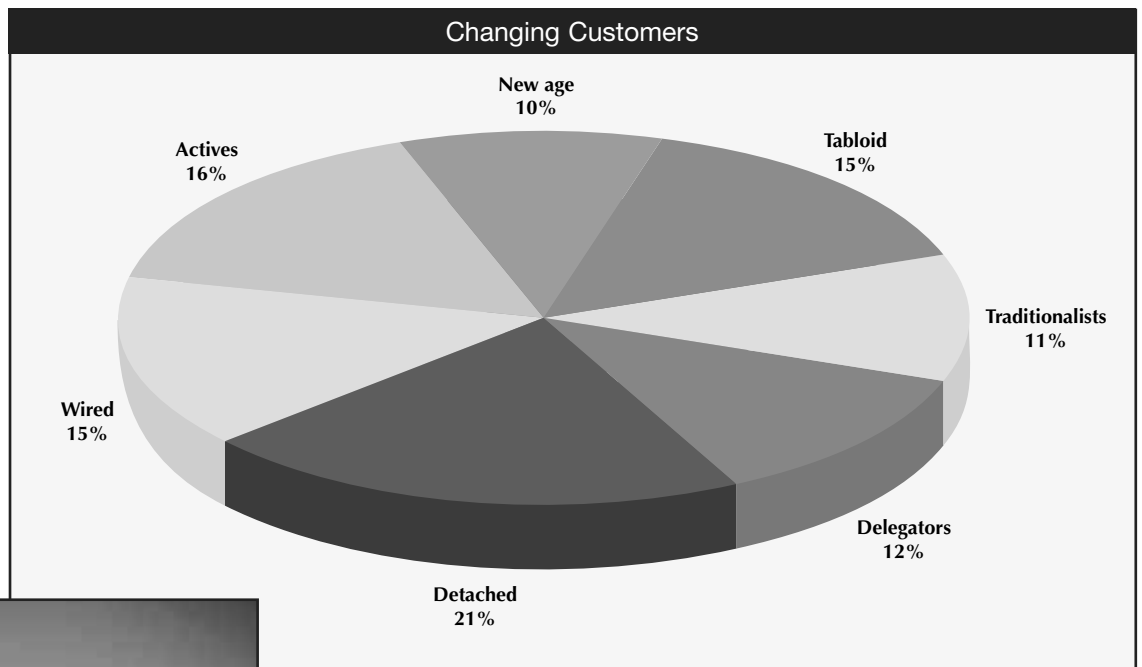
In the battle for the customer, understanding how these different types of customer behave looks like becoming an increasingly crucial ability. To illustrate the potential insights that this new analysis offers, it is worth considering two of the more extreme types described by TripVision in a little detail:

Tabloid and Wired

Tabloid: The name derives from the newspaper reading habits of the intended group (the analysis is largely UK based, though the models are also relevant in the broader European market). The Tabloids can also be thought of as



Source: Centre for Tourism & Regional Research



Source: TripVision



the 'couch potatoes'. However, it would be incorrect to see this description as having anything to do with occupation, income or social mobility – Tabloids can be anyone from the factory-floor worker to the city trader.

Tabloids are brand aware and are at the lowest point in the technology take-up curve. This group would typically take a package holiday booked through the traditional channel of a high-street travel agent. Familiarity with a tried-and-tested product at the right price are the key considerations that guide their buying decisions. The profile of this group gathered by TripVision in the UK shows that they have flown only with British Airways, a charter airline or Virgin. Not one person in the statistically valid group (representative of 15 per cent of the UK population) – looked at by TripVision has ever used a low-cost airline.

Wired: At the other end of the spectrum are the 'Wired' group. Wireds are enthusiastic and early adopters of technology. They live in an information-rich environment and use multiple platforms to access the Internet. They

are most unlikely to book an inclusive package and would almost always use the disintermediating power of the Internet to book flights and hotels directly. Hungry for information, they carefully research their purchases. Though they may make use of travel agents to plug any information gaps about their travel choices, Wireds would not book through a travel agent and so from a commercial point of view are a poor investment of marketing spend for those businesses.

These descriptions give a superficial view of what is a far more detailed picture built up by TripVision. But what becomes clear even from this cursory glance at these models of behaviourally defined customers is the imperative for travel businesses to get to know which customers they have, which they want and to tailor their marketing and sales efforts accordingly. Low-cost airlines, for example, would be wasting their time focusing their marketing spends on the Tabloids, whilst major tour operators should carefully consider any investment in trying to communicate with Wired men and women.

More than one way to skin a cat? Service and specialization are key

In our recently launched 2004 Travel Agents' Benchmarking Survey we identified that the top performing travel agents have worked out that a clear focus on, and an understanding of, their customers needs can drive a very profitable business. They do this in one of two ways:

- Exemplary customer service to those who value it. This drives bigger margins (no pressure to discount) and high levels of repeat business;
- Specialisation. True specialists with in depth knowledge of their specialist area attract customers who almost by default have an interest in the service and value the advice provided, again allowing the agent to command better pricing and therefore profits.

Hotels react to a developing market

If there is one segment of the travel market that has much to lose and much to gain in the battle ground for the customer it is the hotels, and particularly the chain hotels. Whereas between them chains own some 70 per cent of all beds in the US, in the European market the share between chain and independent is more or less reversed, and in the rest of the world only 10 per cent of all beds belong to one of the global chains. It will therefore be difficult for the large chains to replicate the 'direct to

consumer' channels they operate in the US, elsewhere in the world, where they have such a significantly lower share of the market. This is where the online aggregators have seen opportunity to exploit the more fragmented non US markets.

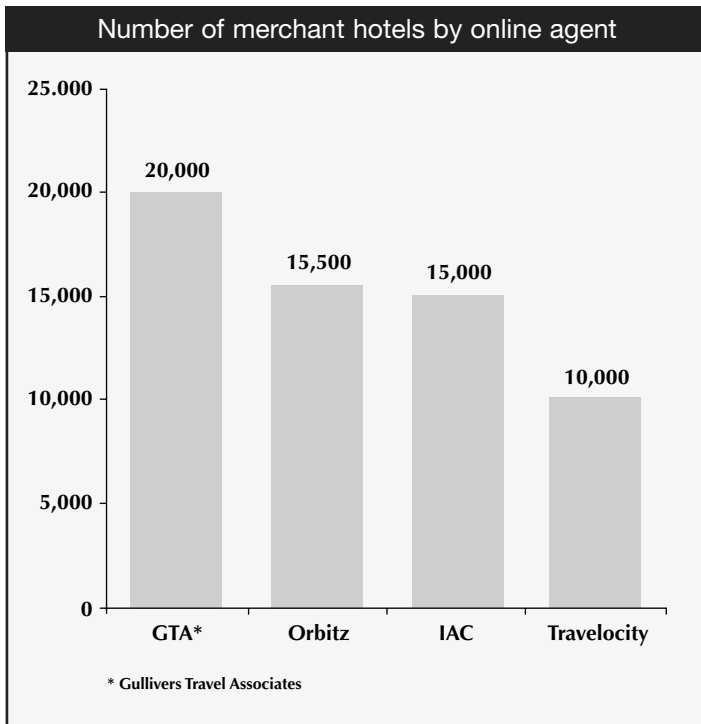
In the recent past two trends have emerged which are likely to exert a strong influence over the development of how customers book hotel rooms. The first of these is that online travel agencies have made it significantly easier to market hotel rooms directly to customers. This has introduced a level of price transparency, delinking the cost of the hotel from the price of a flight and room package. Though initially caught napping by this development, the chain groups have started to respond to this development. The decision of the InterContinental Hotel Group (IHG) to withdraw its entire global inventory from online travel agent Expedia.com illustrates the seriousness with which the chains view the challenge of reclaiming their inventory from the aggregators. With the increase in online booking of hotel rooms, the battle has intensified.

The second significant trend has been substantial activity in the hotel aggregator and online travel agent sector. Of particular note in the last twelve months are several significant acquisitions, by Cendant the most notable being the hotel aggregator Gullivers, (including Octopustravel.com) and Priceline's acquisition of Active Hotels. In addition, Hotels.com has recently announced a significant increase in the number of bed contractors operating in Europe in a quest to increase their bed stock in this territory.

Creating the travel "Amazon.com"?

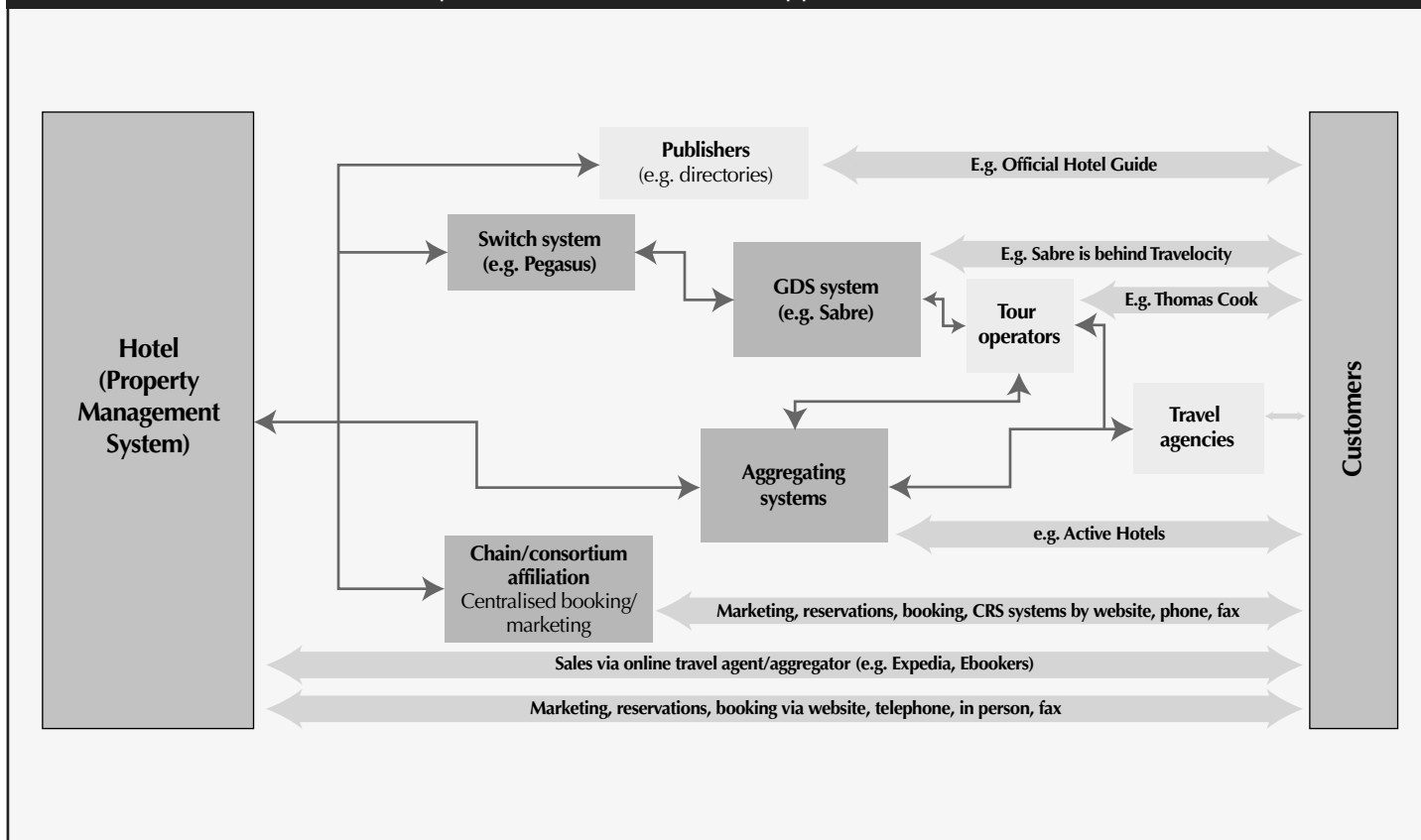
The rise of online channels means that, between them, online travel agents now give customers access to an enormous inventory of hotel rooms (see chart below), with the majority, outside the United States, in the independent sector. Traditionally, the chain hotels' marketing budgets and sales reach has given them a strong competitive advantage over the hugely fragmented independent sector. The brand loyalty that the chains command has overshadowed the ability of independents to compete for the same business. Now, however, the platform that the online travel agents can provide the independents is beginning to erode that advantage.

Loyalty to a particular chain - as defined by repeat business - may be the result of a positive affiliation by the customer with a specific group's offering, or it may arise from a lack of easily available alternatives where the consistency and quality of accommodation can be reliably assured. The increased visibility of independent hotels introduced by the emergence of the online travel agent may begin to probe the quality of loyalty that chain hotels have enjoyed until now. As the customer is able to make



Source: PhocusWright, Company Reports, PwC Analysis

1 For a more detailed discussion see 'Effect of the Internet on Lodging Demand - Update and additional Analysis' in Hospitality Directions March 2005



Source: PricewaterhouseCoopers 2005

all their travel plans in one place, the online travel agent that provides the right choice, availability, reliability and quality assurance seems more likely to retain the loyalty of a customer booking online than through the chain hotel's online sales channel. In this scenario, loyalty could shift from the hotel brand to the online travel agent itself.

Though it has yet to emerge, the "Amazon.com" of the travel world is the next logical development in the market - the one site that becomes the 'automatic choice' for travellers - just as Amazon has filled that position for buying books. Of course, the battle is still there to be won. No single travel site has as yet risen to the position of dominance that Amazon has in the book world.

Hotel choice becomes the travel driver

Most online travel agents are still driven by a flight search engine. But as flights become commoditised, the hotel will begin to emerge as the driver behind customers' choices. Accommodation needs are more diverse than flight preferences and consequently travellers begin to make a priority of their hotel requirements. The rise of boutique 'hip' hotel as destinations in their own right illustrates this trend.

Customers take it for granted that they are able to reach their destination within both a reasonable timeframe and price range. Therefore the selection of airline is largely irrelevant. What drives customer choice is the hotel and what it offers in terms of availability, facilities, convenience, comfort, etc.

The online travel agent that offers access to the widest array of hotels closely matched to the customers' expressed preferences begins, arguably, to win the battle for the customer and represents a clear threat to other channels.

At present, customers face a complex array of options when making their travel choices. See chart. They can book online through a travel agent or directly, through a tour operator or through a hotel aggregator. For hotels, the multiplicity of channels is necessary for them to handle cyclical fluctuations in demand. They need the business that the aggregators can offer them in a downward cycle where their focus is on boosting occupancy rates. During an upswing in business their focus shifts to maximizing average daily rates and the aggressive discounting demanded by the aggregators makes using them less attractive or necessary. See chart above.

Forecast Internet Effect

	2004	2005	2006
Revenue loss due to transparency and competition of internet	\$2.043bn	\$2.366bn	\$2.629bn
Revenue gain due to convenience and rate induced demand	\$1.407bn	\$1.787bn	\$2.089bn
Net loss	\$0.636bn	\$0.579bn	\$0.531bn

Source: PricewaterhouseCoopers Hospitality Directions US Edition, February 2005

However, whilst online booking has boosted occupancy for many hotels (particularly the case in the US) the increase in business volume has been accompanied by declining average daily rates as customers take advantage of the newly transparent and therefore competitive environment. The amount of travel has increased - spurred by the convenience and price advantages offered by the Internet - but the net impact on hotel revenues is negative. Data collected and analysed by PwC in the US shows that the net effect of the Internet for hotels has been a reduction in revenues of some \$636 million in 2004 alone. See table overpage. Price and convenience have boosted occupancy, but an even greater negative impact has arisen from price transparency and competition.'

Conclusions

Its not just price that will determine future winners

Whilst the comparable battle in the airline sector has shown that price and convenience are the major determinants of consumer choice, the hotel sector is different. Consumers are likely to be influenced by a far more diverse range of factors than those that guide their selection of airline. Price of course is a key attribute, but other factors carry similar weight. The challenge for all distributors of hotel rooms is to understand what their customers want and need, and to deliver according to their specific requirements. As behavioural models of customer analysis take hold, those different types of traveller – from the Tabloid to the Wired – will become increasingly important distinctions. The challenge both the online agents and the hoteliers face is to identify these distinctions and win the loyalty of customers by ensuring the range of product and service offering truly meet their demands. Let battle commence for the hearts, minds and wallets of those fickle, but invaluable, customers.



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Appendix Two – Social Networking

Content is king

- Web 2.0 is being more widely embraced into online offerings, potentially enhancing the enjoyment of the booking experience, while reducing the risk of making a bad choice – which over time maximises customer trust and loyalty.
- Convergent technologies are developing in order to meet the growing demands of the online market. Increasingly, the industry is recognising that content is the way to sell a holiday. Pictures, streaming video, resort guides and brochure downloads are now becoming more widespread – **TUI** even offers Google Earth images of its hotel bank and resorts from its **thomson.com** platform.
- The most successful websites are now full of relevant content, either owned or linked to third parties. Operators relying on details of never-ending discounts, a few grainy pictures of their accommodation and bland resort guides are now at a serious disadvantage.

And it's getting social

- With the rise in popularity of social networking websites like MySpace and Facebook, and the virtual reality of Second Life, the travel industry is developing a raft of 2.0 websites designed for information exchange, discussion forums and word-of-mouth marketing.
- Expedia-owned TripAdvisor is the best-known and most widely used travel blog and resource guide, benefiting from its first-mover advantage. But as review sites morph into social network sites, the likes of **BootsnAll**, **Gusto**, **Real Travel**, **TripTie**, **Virtual Tourist**, **WAYN**, **Wikitravel** and **World66** are creating community around travel. Travel, after all, has a huge social currency.
- User community websites are also addressing particular niches. For the airborne gastronaut, **airlinemeals.net** lets users share photos and descriptions of airline meals. For online daters, the booking experience can be enhanced by visiting sites such as **Flight Club**, **Tripmates** or **AirTroductions**, enabling passengers to find a perfect companion for their next flight.
- The more outright review sites such as TripAdvisor, the UK's **travelrants.com** and **holidaywatchdog.com** also offer visitors rich content based around travel reviews, opinions, photos and video.

And review sites are now meshing with the social networks. In 2007, TripAdvisor created an interactive map for Facebook users, which invites users to mark the locations they've visited on a map, and to check out the locations of friends' travels as well. Clearly, the major advantage here is that TripAdvisor can link to the huge amount of traffic that the Facebook community offers.

Source: Mintel, Holiday Booking Process, Leisure Intelligence, March 2008

Appendix Three – Tourism in developed and developing countries

International tourism arrivals (million) and receipts (\$billion) for the top 10 developed and developing countries in 2003

Top 10 Developed Countries	France	Spain	USA	Italy	UK	Canada	Austria	Germany	Hungary	Greece
International Arrivals (million)	77	52.3	43.5	39.8	24.2	20.1	18.6	18	15.9	14.2
Top 10 developing countries	China (including Taiwan and Hong Kong)	Mexico	Turkey	Malaysia	Thailand	South Africa	United Arab Emirates	Egypt	Singapore	Tunisia
International Arrivals (million)	57.1	18.7	13.3	10.6	10.1	6.6	5.9	5.7	5.7	5.1
Top 10 developed countries	USA	Spain	France	Italy	Germany	UK	Austria	Greece	Canada	Australia
International receipts (\$ billion)	64.5	41.8	37	31.2	23	22.8	14.1	10.7	9.7	8.1
Top 10 developing countries	China (including Taiwan and Hong Kong)	Turkey	Mexico	Thailand	Malaysia	Republic of Korea	Egypt	Indonesia	India	Morocco
International receipts (\$ billion)	28	13.2	9.5	7.8	5.9	5.3	4.6	4.0	3.5	3.2

Source: United Nations Conference on Trade and Development (UNCTAD) elaboration of data from the World Tourism Organization.

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Commission on Enterprise, Business Facilitation and Development

Expert Meeting on ICT and Tourism for Development

Geneva, 30 November–2 December 2005

Item 2 of the provisional agenda

Appendix Four: Mintel survey 'Holidays on the Internet'

'Thinking about your last holiday abroad, which of these, if any, did you do before you chose your destination and how to book it?'

FIGURE 46: PRE-BOOKING RESEARCH METHODS, OCTOBER 2007

Base: 1,411 adults who have taken a holiday abroad in last five years.

	%
Spoke to friends or relatives about where they'd been	34
Visited a travel agent	25
It was always somewhere I'd wanted to go	24
Looked to see what cheap flights were on the internet	22
Browse for package deals online	16
Read holiday sections in newspapers	8
Saw the destination on TV or in a film	6
Saw friend's photographs or video personally or on the internet	5
Saw an advert for a package deal in the street (shop or advert)	2
Saw an advert for a package deal in the press	2
I responded to an email or text alert	1
Other	15
Don't know	4

Source: Mintel, Holidays on the internet – Blogs and Consumer reviews, Leisure and intelligence, March 2008

'I would now like you to think about using the internet to plan, research and book your holidays abroad. Which of these sites, if any, have you used to plan, research or book holidays abroad in the past 12 months?'

FIGURE 47: WEBSITES USED FOR FOREIGN HOLIDAY BOOKINGS AND RESEARCH IN PAST 12 MONTHS, OCTOBER 2007

Base: 2,072 adults aged 16+

	%
Any website	40
Low-cost airline (e.g. easyJet, Ryanair) website	24
Online travel site (e.g. Expedia, lastminute.com) website	17
Tour Operator (e.g. Thomson, Thomas Cook) website	14
Scheduled Airline (e.g. British Airways, Virgin) website	12
Hotel company (e.g. Hilton) website	6
Rail site (e.g. Eurostar, Trenitalia)	5
Travel Forum (e.g. Tripadvisor.com, Lonelyplanet.com) website	5
Ferry or Cruise (e.g. P&O, Royal Caribbean) website	5
Newspaper (e.g. Guardian Unlimited, Telegraph) website	2
I have not been on holiday abroad in the past 12 months	22
I do not have access to the internet	11
None of these	25
Don't know	2

Source: Mintel, Holidays on the internet – Blogs and Consumer reviews, Leisure and intelligence, March 2008

'I would now like to ask you some more questions about your use of the internet for booking and planning holidays abroad. Which of these, if any, have you done in the past 12 months?'

FIGURE 48: INTERNET HABITS IN THE PAST 12 MONTHS, OCTOBER 2007

Base: 823 adults aged 16+ who have used the Internet to plan, research or book a holiday

	%
Booked a flight	62
Booked a hotel or other accommodation	47
Looked at travel blogs (sections of travel sites where customers post up their views and experiences)	27
Made use of video or virtual tours to look at hotel rooms	26
Booked a package holiday	24
Downloaded a brochure	21
Booked tickets for attractions abroad (theatre, gallery, sport)	18
Used email or social networking sites to tell people what I'm doing whilst on holiday	12
Posted my holiday photos or videos on a website	12
Requested advice on a travel blog	4
Posted a comment on a travel blog	4
None of these	14
Don't know	0

Source: Mintel, Holidays on the internet – Blogs and Consumer reviews, Leisure and intelligence, March 2008

'Still thinking about holidays abroad, which of the following statements, if any, do you agree with in regard to the internet?'

FIGURE 49: ATTITUDES TOWARDS HOLIDAYS ON THE INTERNET, OCTOBER 2007

Base: 823 adults aged 16+ who have used the internet to plan, research or book a holiday

	%
It is good for making price comparisons	72
It gives you greater freedom of choice	52
The best deals are on the internet	50
I enjoy being able to package my own holiday online	34
I prefer the personal service you get with a travel agent or tour operator	16
I am worried about security when buying online	13
I always speak to someone who has been there before booking online	12
Independent blogs give you the real story	10
I am happy with a Rough Guide or Lonely Planet and don't need blogs	9
Travel agents often know less than the people blogging on the internet	8
I don't trust blogs on company sites	5
None of these	3
Don't know	1

Source: Mintel, Holidays on the internet – Blogs and Consumer reviews, Leisure and intelligence, March 2008

Appendix Five – Other Data from Mintel

Forecast of overseas holidays bought online, 2003-2012

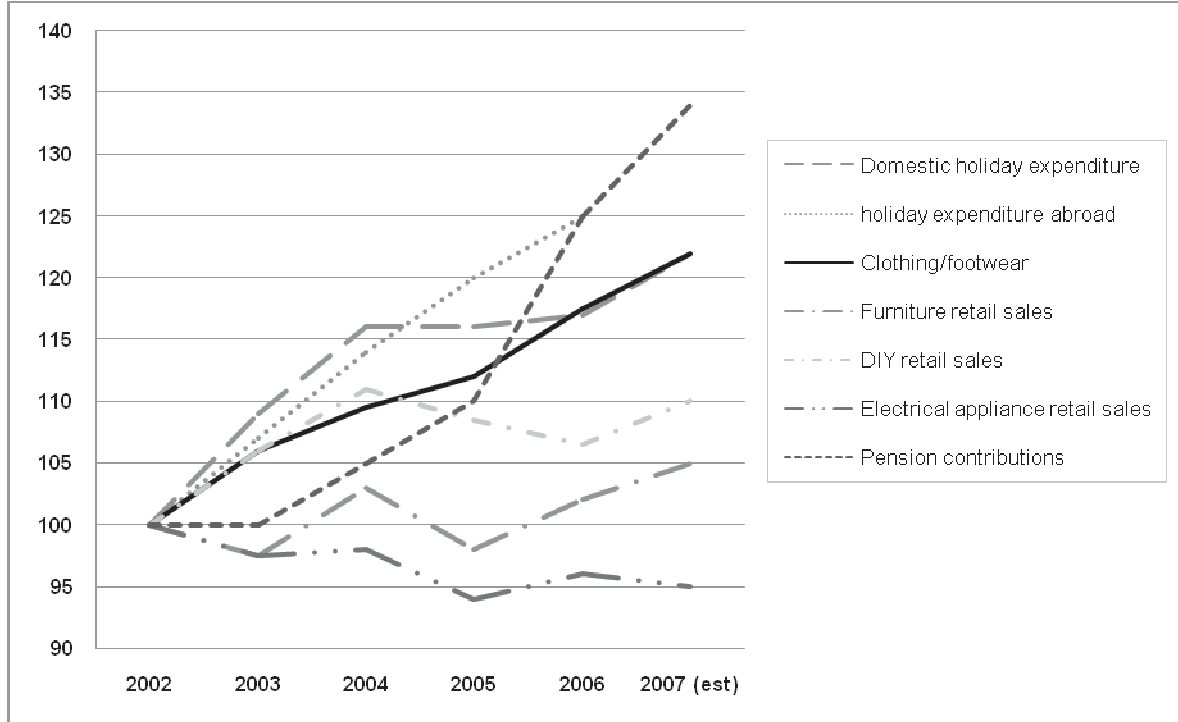
	Volume (Millions)	Index	Spend (£m)	Index	Spend (£m) at 2007 prices	Index
2003	9.5	42	3,371.5	40	3,732.2	44.5
2004	11.9	53	4,661.7	56	5,059.3	60.3
2005	15.8	71	6,296.5	75	6,621.6	79.0
2006	19.7	88	7,978.5	95	8,217.9	98.0
2007	22.4	100	8,387.0	100	8,387.0	100
2008	26.1	117	10,058.8	120	9,681.2	115.4
2009	29.7	133	11,280.8	135	10,419.7	124.2
2010	33.9	151	12,969.1	155	11,630.3	138.7
2011	38.0	170	14,559.8	174	12,800.7	152.6
2012	41.7	186	16,027.4	191	13,680.6	163.1
% Change 2002-2007	136		149		125	
% Change 2007-2012	86		91		63	

Source: Mintel, Holidays on the internet – Blogs and Consumer reviews, Leisure and intelligence, March 2008

UK discretionary spend, 2002-2007

FIGURE: Indexed comparison of holiday expenditure and other areas of discretionary spend, 2002-07

(2002=100)



Source: ONS/Mintel, *Holiday Booking Process, Leisure Intelligence*, March 2008

This graph shows that travel overseas is one of the fastest-rising sectors of the consumer economy, up 35% since 2002. The value of domestic holidays rose by a more modest 25%. The continuing fall in the relative cost of holidaying overseas accounts for the greater acceleration in overseas expenditure than in domestic holidays.

The current economic slowdown is likely to have most impact on secondary holiday expenditure, particularly short break, top-up holidays. Many travellers may become more concerned about value, which could benefit the traditional package holiday. On the supply side, the major tour operators have reduced their capacity for 2008, while the aggressive expansion plans of the low-cost airlines are encouraging a gradual shift towards flight and accommodation deals.

How last holiday abroad from UK was booked

FIGURE: How last holiday abroad was booked, 2002-07

Base: adults aged 15+ who took a holiday abroad for their last holiday

	2002	2003	2004	2006	2007	% points change
	%	%	%	%	%	2002-07
Last holiday:						
Travel agent	52.7	47.5	50.6	41.9	45.6	-7.1
- Package holiday	37.1	34.0	33.6	30.8*	33.9	-3.2
- Accommodation only	3.4	3.3	4.0	2.0	2.2	-1.2
- Flight only	10.1	11.7	14.5	10.2	11.2	+1.1
Tour operator	19.2	21.8	24.9	23.2	18.6	-0.6
- Package holiday	16.1	17.9	18.3	18.3	14.6	-1.5
- Flight only	3.2	4.1	6.7	5.3	4.2	+1.0
Made own travel/accommodation arrangements	22.8	21.4	25.4	37.3	40.3	+17.5
- Booked accommodation directly	na	na	na	21.1	21.6	-
- Booked flight directly with airline	na	na	na	21.8	21.6	-
- Other	na	na	na	11.1	10.7	-

Taken from the TGI survey of around 25,000 adults

* Please note questionnaire change. From 2006 onwards respondents were asked about 'Used travel agent shop to book package holiday' and 'Used travel agent shop to book flight and accommodation' which we netted together to 'Package holiday'.

Source: GB TGI, BMRB Autumn 2002 & 2004 & Quarter 4 2006 & Quarter 4 2007/Mintel
From: Mintel, Holiday Booking Process, Leisure Intelligence March 2008

How long booking was made before start of holiday

FIGURE: When booking for last holiday abroad was made, 2002-07

Base: adults aged 15+ who took a holiday abroad for their last holiday

	2002	2003	2004	2005	2006	2007	% point change
	%	%	%	%	%	%	2002-07
Under 2 weeks	9.7	14.5	14.6	12.9	12.1	10.8	+1.1
About 1 month	11.2	20.8	18.7	18.2	18.8	18.3	+7.1
2 months	7.8	14.9	15.0	14.8	14.6	14.7	+6.9
3 months	6.8	11.6	11.9	13.0	12.6	13.6	+6.8
4 months	4.2	7.6	6.9	7.3	7.2	7.4	+3.2
5 months	3.9	5.1	5.2	6.0	5.9	5.8	+1.9
6 or 7 months	6.9	9.7	10.9	9.9	10.6	11.4	+4.5
8 or 9 months	3.3	5.1	4.5	4.9	5.5	5.9	+2.6
10 months or over	5.1	6.9	9.1	8.7	8.9	8.2	+3.1
No booking required	3.2	2.5	2.2	2.7	2.1	2.7	-0.5

Taken from the TGI survey of around 25,000 adults

Source: GB TGI Autumn 2002, 2003, 2004, Q4 2005, 2006, 2007/ Mintel
From: Mintel, Holiday Booking Process, Leisure Intelligence March 2008

Top ten travel groups

FIGURE: Passengers licensed to top ten groups and companies, 2005/06 and 2006/07

	2005/06	2006/07
TUI Group	4,457,729	4,644,939
First Choice	2,886,124	2,854,597
Thomas Cook	3,352,594	3,212,055
MyTravel	3,137,876	2,823,360
Cosmos	852,998	811,751
XL Group	772,792	788,500
Expedia Group	958,151	1,009,250
Gold Medal Group	694,250	696,000
Sabre Holdings	689,455	675,601
Trailfinders	463,857	444,739
Others	12,463,763	11,659,804

Source: CAA/Mintel

From: Mintel, Holiday Booking Process, Leisure Intelligence March 2008

Last holiday

FIGURE: Previous holiday taken, October 2007

Base: 2,060 adults aged 16+

	2007
	%
Any independent holiday	40
Independently booked in Europe of 4+ nights	23
Independently booked outside Europe of 4+ nights	16
Independently booked in Europe of 1-3 nights	4
Independently booked outside Europe of 1-3 nights	2
Any package	34
Package holiday in Europe of 4+ nights	22
Package holiday outside Europe of 4+ nights	11
Package holiday in Europe of 1-3 nights	3
Package holiday outside Europe of 1-3 nights	1
I have never been on a holiday abroad	11
I have been on holiday abroad but not in the last five years	10
None of these	10
Don't know	1

Source: NOP/GfK Mintel

From: Mintel, Holiday Booking Process, Leisure Intelligence March 2008

Appendix Six – The rise of the online portal

The rise of the online portal

- Expedia, Travelocity, lastminute and ebookers are among many names that have become well-established in the market, bringing a new breed of intermediation to online travel booking.
- They are in effect online travel agents, offering numerous travel services at a single point of sale. Anyone booking a flight can also buy hotel accommodation and car hire, as well as travel ancillaries such as car parking, transfers and insurance. More recently, these sites have started offering package holidays, particularly discounted and late deals as well as short breaks.
- A newer type of online travel site is the price-comparison sites, which function like travel-themed versions of Google. Most aggregators have links to a much broader network than the more familiar online agencies, so they offer users a wider variety of options. 'Live prices' from numerous websites are offered and ranked by price, significantly shortening and simplifying the search process for the user. In the UK, travelsupermarket.com has used high-profile offline advertising to strengthen brand recognition, and is beginning to appear in the 'Top Ten' most searched travel sites. Other sites of this type include Kayak, SideStep and Yahoo!'s farechase.com.

Offline channel development – dynamic packaging makes headway into the travel agent

- High street travel agents are gradually adopting dynamic packaging, as they become more familiar with the technology. Indeed, some agents, particularly in the independent sector, view it as just a way of applying new technologies to what they've always done.
- While bed banks and the low-cost airlines have increased choice, many established independent agents have in effect been tailor-making holidays for years.
- The focus for much of the dynamic packaging effort is currently around short-haul packaging, and the traditional resorts served by the package tour industry and charter airlines. The longer-term opportunity is to apply it to other areas of the holiday industry, such as skiing, the cruise market – which is currently growing fast – and long-haul holidays.

Putting branding into the dynamic packaging mix

- In the longer term, there is also scope for a stronger branding of dynamic packaging. While it is widely available through all the main holidays and online travel portals, no single brand seems to have gained dominance.
- Different dynamic packaging offerings will need to become more clearly differentiated, probably through more specialisation (destinations and/or activities), improved site functionality, a wider range of ancillary bolt-ons, and price.

New technologies in dynamic packaging

- While their marketing needs greater efforts, developing technologies are introducing enhancements for both customers and agents. Agents are encouraged to choose

dynamic packaging, with systems that allow them to create ATOL-bonded holidays that earn them commission, with access to airfares that include low-cost, charters, consolidated and published fares. Other systems let them decide the margin they need to earn and the suppliers they want to work with.

- Software is also becoming available that helps agents to, in effect, own the relationship with their customers, while offering consumers control over their holiday. These enable an agent's customers to manage their booking via the internet. Customers can click on a button on the agent's website and view their itinerary, check for messages from the agent, and make part or all of the holiday payment.

But how 'independent' can it get?

In time, the traveller will require dynamically packaged choices to cover the full range of content available to the independent booker. While the resources are very varied, the independent-minded traveller needs to be attracted by a depth and variety that goes beyond the big hotel groups and major airlines. Dynamic packaging will need to reach the off-the-beaten-track, the quirky, the non-mainstream.

Source: slightly adapted from Holiday Booking Process, Leisure Intelligence, March 2008, Mintel

Appendix Seven – Competitor Data

Cosmos

The Monarch Travel Group, the UK's largest independent tour operator, carried 800,000 ATOL-licensed passengers (3% of the bonded market) in the year to June 2007 – a drop of 5% on the previous year. The group includes Cosmos Holidays, somewhere2stay.com, Avro, Monarch Airlines, flymonarch.com hotels, Archers Direct and Cosmos Tourama. The last two specialise in escorted tours as part of the Globus network. Globus and Cosmos are the largest group operators of escorted tours worldwide.

The Monarch group has improved sales performance by introducing web capability across its brands. However, its websites are not among the best with regard to user experience and functionality, and the group intends to rectify this. In March 2007, Cosmos and Monarch announced their intention to improve the user experience by testing web applications which would deliver up-to-the-minute news, the latest holiday and flight deals, and online booking. In January 2008, Cosmos added around 300 hotel and destination maps and videos to both its main website and its accommodation site, somewhere2stay.com.

Somewhere2stay.com has been repositioned as a stand alone business to meet the growing consumer demand for bed-only and ancillary bookings. Both consumer and trade bookings can be made. In November 2007, the website was modified to give travel agents more control over their bookings. The site now shows live availability and agents can view their previous bookings, track their sales and print colour hotel vouchers for customers.

Monarch Airlines operates a fleet of 28 aircraft serving 42 routes to southern European destinations, primarily Spain, and longer-haul destinations such as the Maldives, Florida and Goa. Over 90% of bookings are made online. In July 2007, the airline linked up with Hed Kandi, a house music label, to target club-goers travelling to Ibiza. Promotional activities included online competitions and customising an aircraft with Hed Kandi graphics.

Monarch has also simplified payment; in October 2007 it became the first European airline to accept payment via PayPal for travellers and agents booking through the website. One benefit is that PayPal securely stores user details, so there is no need to re-enter them with each new booking.

easyJet

easyJet is the fourth-largest carrier in Europe, with 37 million passengers in the 2006/07 financial year and a fleet of 137 aircraft. In 2007 the company added 46 routes – bringing the number up to 289 – and eight destinations, using 77 airports in 21 countries. With a third of its capacity based outside the UK, easyJet uses Geneva as its continental European hub. Milan Malpensa will be its third-biggest base by the end of 2008.

In the 2006/07 financial year, the airline's turnover increased by 11% to £1.8 billion, a 13% rise in passenger numbers. About 10% of total revenue is derived from baggage charges and sales of drinks and snacks. Revenue from these sources increased to 47p per passenger. The pre-tax profit was £202 million, an increase of 48% on the previous year after deducting one-off additions.

In December 2007, the airline reported a rise in customer traffic in the previous month, to 2.9 million passengers. It also announced six new routes for spring 2008, increasing the number planned over the next six months to 18. However, with economic pressure on consumer spending, easyJet experienced its worst December for five years: growth in passenger numbers fell below 10% year-on-year, while load factors dropped to 78.9%, compared with annual targets of 83%-84%.

The airline adapted its business model during 2007, moving into package holiday sales through holidays.easyjet.com in June, and signing deals with Amadeus and Galileo to appear on the global distribution systems of business travel agents. It now expects to purchase GB Airways, a franchise carrier for BA, and integrate it by the beginning of 2009.

In January 2008, easyJet announced the launch of a credit card. Users spending £250 or more on the card within three months of acquiring it will be offered one free easyJet flight worth up to £40 (including taxes), and a further 10% back if they make a booking in this period. The card, which offers 0% on balance transfers for the first nine months and an interest rate of 16.9%, will also offer three miles for every £1 spent on easyJet flights.

easyJet's strategy of focusing on online booking has been so successful that 98% of its seat capacity is now sold in that way. The main incentive is a discount of £7.50 per leg, an idea it pioneered, but which is now fairly standard industry practice. Its search functionality is flexible, so visitors to the site can view the cheapest flights in a two-week window around their preferred dates.

Other online features include the ability to reschedule bookings if flights are disrupted, so customers do not need to go to the airport. It now offers online check-in as standard, as well as bookings management.

In addition, easyjet.com offers hotel accommodation (powered by TUI-owned Hotelopia), car rental in partnership with Europcar, travel insurance with Mondial UK, and ancillary services such as airport parking and transfers. Its holiday website offers dynamic packaging for holidays to the airline's destinations.

Expedia Inc

Expedia Inc. is the world's leading online travel company, providing the tools and information needed to research, plan, book and experience travel. In the UK, it has about 3% of ATOL-licensed bookings, making it the third largest after TUI and Thomas Cook.

In the third quarter of 2007 the company reported gross income from bookings of \$5.2 billion for the period, 21% higher than in the corresponding quarter of 2006. North American bookings rose by 13%, and European by 47% (39% after allowing for foreign exchange movements). Revenue increased by 24% over the same period, primarily driven by increased worldwide merchant hotel revenue, and advertising and media revenue.

Expedia includes expedia.com, hotels.com, Hotwire, Expedia Corporate Travel, TripAdvisor and Classic Vacations. It has sites in many countries in North America, Europe, East Asia and Australasia, expanding into six more countries in late 2007.

Expedia.co.uk is the UK's largest online travel agent, offering fares from 450 airlines, 80,000 accommodation properties, car hire from leading rental companies, build-your-own packaging as well as pre-packaged holidays (holidays that include a flight segment

are ATOL-protected). Destination guides and maps are also available from the site, together with a travel information service and free online newsletter.

In the summer of 2007, Expedia.com launched a dedicated 'business travel' section on its website as a service for independent business travellers. Its target, the unmanaged business travel segment, includes employees of small companies, sole traders, the self-employed and homeworkers. Users can purchase tickets and book hotel rooms, without being subject to corporate travel policies. The website contains a MileageManager tool, which enables travellers to combine points from multiple loyalty schemes, and Expedia's 'ThankYou' programme, which rewards bookings.

Expedia's mission is to continue to introduce innovations in relation to how travellers plan, purchase and share their travel experiences. With consumers becoming increasingly demanding about the quality of their holiday experience, Expedia's chief executive has acknowledged the company's need to improve its commitment to service. This could lead to a more human dimension, such as a larger number of expert call centre staff. It is also considering incorporating user-generated content from its TripAdvisor site into its websites: this would give suppliers an incentive to ensure their products meet travellers' needs.

Expedia has been developing its white-label business in the UK, and in 2007 signed its biggest deal to provide accommodation on ryanair.com from 2008. Ryanair will be able to sell accommodation in 20,000 hotels, with the transaction incorporated into the flight booking process. Expedia Private Label also has deals with Alitalia, Eurostar and John Lewis's travel site Greenbee, and the company is negotiating with other established high street brands that wish to enter the online travel market.

In May 2007, Expedia gave greater focus to UK domestic destinations and included hotel-only deals for the first time. This was to meet growing demand, partly caused by heightened environmental awareness and negative perceptions of overseas travel. A further reason was to shift the perception of Expedia as being only an overseas player.

lastminute.com

lastminute.com is a subsidiary of US-based Sabre Holdings, which merchandises and retails travel products, and provides distribution and technology solutions for the travel industry. lastminute.com's brands include Travelocity, holidayautos.co.uk and deckchair.com. The company's products and services cover:

- airline tickets
- entertainment tickets
- gifts
- hotel rooms
- package holidays
- restaurant reservations and home delivery.

In 1998 the company launched its website in the UK. Around 2.5 million people visit the company's website every week, making it probably the UK's most popular travel and leisure site. Following the success of the UK site, localised versions of the site were developed over a two year period in France, Germany, Sweden, Italy, Spain and the Netherlands. Further sites were developed in conjunction with travel.com.au to serve Australia and New Zealand and South Africa.

In 2004 the company bought out its rival internet provider Online travel and in 2005 agreed a hotel deal with Best Western. Later that year lastminute.com was bought by Travelocity which is a subsidiary of Sabre Holding Corporation.

lastminute.com is the largest retailer of West End theatre tickets, selling 10% of all those sold, or 1.5 million tickets a year. Customers can select accommodation from a portfolio of 80,000 properties worldwide and flights from 300 airlines. It sells over 750,000 package holidays a year, the largest category being short breaks. lastminute.com has also created a distinctive positioning with its environmental stance, by introducing its carbonwise scheme in 2006, a voluntary carbon-offsetting scheme for flight customers. In July 2007, it expanded the scheme to include dynamic packaging.

In November 2007 lastminute.com introduced 'Sum of One Ways' technology, allowing customers to book return flight journeys using different carriers for the outbound and return journeys, or two one-way fares with different airlines, if the combined fare is cheaper – probably the first website where this is possible. A flexible calendar search tool helps users to locate the cheapest fares and to reserve seats with more than 20 airlines.

To improve customer support, the company has used RightNow Technologies to ensure that its FAQ pages contain up-to-date information, following the government's decision to double Air Passenger Duty (APD). In a pilot, APD information was uploaded to the FAQs section of the main lastminute.com site, and received 7,000 hits. The availability of this information reduced customers' need to contact the company, leading to a 40% decrease in emails to its customer services.

The company is also developing its white label activity. In 2006 it arranged to provide travel booking on the website of BAA, the company that owns a number of airports, mostly in the UK. The following year it added accommodation, dynamic package trips and travel insurance via UK airport operator websites.

The holidays are displayed online through baa.com or the websites of seven British airports: Heathrow, Gatwick, Stansted, Glasgow, Edinburgh, Aberdeen and Southampton. The airport websites are visited by a total of over 200,000 unique users a month. Holiday options will be based on the flights available from each airport.

In September 2007 lastminute.com formed a partnership with the social networking site wayn.com, which will sell the entire Sabre Group's hotel content, consisting of 40,000 hotels from Sabre's global distribution system and a further 40,000 merchant-rate hotels from Travelocity, lastminute.com and medhotels.com.

The technology behind this partnership allows lastminute.com to work with partners whatever the size of their travel turnover. The service is free and supports a major pitch for partnering agreements, for instance, providing traditional high street travel agents with an online presence. One company that has made use of this opportunity is the French property lettings operator frenchconnections.co.uk, which retails its inventory of French properties on the lastminute.com website.

Ryanair

Ryanair is Europe's largest low-cost airline and the world's most popular international passenger carrier. The company offers low fare, short-haul scheduled flights between Ireland, the UK and continental Europe. In addition the company also offers:

- accommodation services
- car rentals
- rail tickets
- on-board sales
- travel insurance
- and other ancillary products.

Ryanair's website includes a wide range of travel-related links, including:

- car hire from Hertz
- hotels through Worldwide Travel Exchange (WWTE, the private-label division of Expedia)
- hostels and B&Bs provided by hostelworld.com
- tours and trips, powered by Isango, which claims to be the world's leading travel experiences site; and travel guides from arrivalguides.com.

Its nearest competitors include:

- easyJet,
- US low-cost leader Southwest Airlines, and
- scheduled carriers such as BA and Lufthansa.

The company sells seats on a one way basis using its internet booking facility and reservation centre. Fare prices reflect the level of demand for a particular flight and the time period prior to departure. Tickets purchased well in advance of departure are much cheaper than those purchased just prior to departure. The company balances budget fares against revenue raised from ancillary charges on items such as luggage check-in, hotel bookings and in-flight food. In January 2008, Ryanair adopted a strategy to encourage more passengers to travel with hand luggage only by raising its charges for checking in baggage at airports.

The company has adopted a controversial style of campaigning and aggressive price promotions (it pioneered the concept of seat sales), in order to be successful. For example in 2007, Ryanair continued with the deep-discounting culture, by launching another seat sale, in which two million tickets were offered at £10. This approach has had a mixed response, upsetting traditional airlines, but also winning admirers who respect its status as a rebel brand. It is often a target for the media and consumer watchdogs, and it receives a great deal of abuse online.

Business performance for the half-year to 30 September 2007 was as follows:

- turnover €1,554 million (an increase of 24% on the previous year)
- post-tax profits €408 million (24% higher than in 2006)
- 20% growth in passenger traffic.

The airline records net margins of 18% (based on average passenger revenue of €53 against an average passenger cost of €43) which are the highest in the industry. In 2007 Ryanair transported 43 million passengers, which was an increase of 22% on the previous year.

The company's future plans include:

- a strategy of aggressive expansion
- doubling of its fleet to 262 aircraft by 2012
- 600 routes by summer 2008

- increase of passengers by 19%, equating to 50 million.

However, some analysts question whether passenger growth will keep pace with this increase in capacity.

Thomas Cook Group plc

Thomas Cook is a European travel and tourism company owned by Deutsche Lufthansa and KarstadtQuelle and operates in Germany, the UK and Western Europe. The company owns several other brands in addition to Thomas Cook Holidays, including Signature, Culturatrips, Sunset Holidays, Style Holidays, Club 18-30, Sunworld, Thomas Cook Weddings, Neilson Holidays, JMC Holidays and Blue Sky Holidays Direct.

The company offers the following services:

- travel
- tourism
- hotel
- personnel and external
- leisure travel-related financial
- short-haul
- long-haul
- holiday homes and
- honeymoon suites.

It has 33 tour operators, in the region of 3,600 travel agencies, 76,000 serviced hotel beds and a fleet of 77 aircraft. The group provides full dynamic packaging through its flexibletrips.com operation, as well as tailor-made holidays from its Cresta Holidays and Tradewinds brands.

In June 2007 Thomas Cook plc merged with MyTravel, creating the UK's second largest travel company, with about a fifth of the market. The MyTravel Group comprises a number of well-known brands, including MyTravel, Airtours, Direct Holidays, Panorama, Manos, Going Places, The Cruise Store, Holidayline, hotelstogo.co.uk, LateEscapes, Aspro, Bridge Travel, Cresta Holidays, Escapades, Tradewinds and MyTravellite.

The aim of the merger was to:

- create a stronger rival to TUI Thomson in the package holiday market
- bring together a large range of holidays, and
- make major savings through reductions in the two companies' overheads.

The company expects to save at least €200 million by 2008/09 as a result of the merger, considerably more than was originally predicted.

In January 2008 the company declared pre-tax profits of €284.3 million which were up 30% on the previous year. UK bookings for the winter 2008 season were down by 5%. However, with capacity down by 7%, the company has fewer holidays left to sell. It has reduced capacity to short-haul destinations by 21% through rationalising its product offerings and removing unprofitable business. The company has also rationalised its capacity on its long-haul programme by 12%, again by removing loss-making routes. Bookings are in line with the capacity reduction and selling prices are up.

The company's strategic intentions include improving its performance in mainstream tour operating and independent travel, which it expects to increase to 25% in 2009/10 (compared with 18% in 2005/06).

On-demand TV and video are seen as vital tools in the consumer decision-making process, and Thomas Cook has invested in expanding this area. Its Thomas Cook TV runs more than 17,000 hours of high standard footage. In addition, Webrom TV, a leading UK provider of online video solutions, launched a new video-on-demand service for seven of MyTravel's brands. Broadband viewers can access the media content from the homepage of each of the brands.

Online video services have also been incorporated by the launch of a YouTube site called PimpMyTravel. Customers are invited to upload holiday videos to the site. According to Thomas Cook, consumers who view video footage while researching holidays are more likely to book a holiday.

Other related developments include:

- a partnership agreement with Tiscali to provide travel search results for the portal, offering deals on package flights, hotels and car hire from thomascook.com, and
- the introduction of e-tickets, as an optional alternative to paper tickets for customers booking a package holiday online with either Airtours or Direct Holidays.

Travelsupermarket.com

Travelsupermarket.com is owned by Moneysupermarket.com Group plc and is the UK's leading price-comparison website. This site reviews the websites of other travel suppliers and provides the user with 'live' pricing. The user is able to shorten search times and view ranked comparisons across a portfolio of travel products and services.

Its website features include:

- the opportunity to submit specific queries about destinations, flights, hotels and other travel issues, through an 'ask the expert' facility
- guides on where to go, how to get there and what to look out for
- travel forums and video blogs
- a newsletter featuring 'top deals' informing visitors about the latest discounted offers

Future plans include:

- providing additional travel content and editorial on the website, and
- increasing the supplier base to over 300 (currently 230).

From a focus on comparisons for flights, the site is broadening, and hotels and car hire accounted for a greater proportion of revenues in the first half of 2007 than in 2006.

The company has also been active in developing white label partnerships, including ones with hostelworld.com and holidaynights.com.

The company's most recent interim statement recorded a modest £7.5 million of turnover in the year ending June 2007. However, despite forming a relatively small part of the Group's activities, the company's revenues, visitors and transactions have more than

doubled in size within the year.

The popularity of the website can be evidenced from a number of sources:

- it was placed fifth in a November 2007 *Travel Weekly* survey, behind Expedia, lastminute.com, Thomson and First Choice
- a YouGov poll conducted in the summer of 2007, showed brand awareness of 63%, up from 30% the previous year and ahead of competitors such as TravelJungle, Kayak, Sidestep, Skyscanner and Travelzoo.

Brand building has been achieved by:

- a high-profile offline advertising and sponsorship campaign in 2007
- £11 million budget for TV and poster advertising, and
- sponsorship of *A Place in the Sun*, Channel 4's television series on buying properties overseas.

TUI Travel plc

TUI Travel plc was formed in 2007, when First Choice Holidays plc merged with the tourism division of the German company TUI AG. It is the largest tourism operator in Europe and operates under three business segments. These comprise:

- tourism
- shipping, and
- other services.

Operating in over 180 countries worldwide, TUI offers a wide range of leisure travel, and serves more than 30 million customers in over 20 source markets.

Its portfolio comprises:

- around 3,200 Group-owned travel agencies
- 70 tour operation brands
- 120 aircraft
- 35 agencies
- 279 hotels with a capacity for around 165,000 beds.

Reported revenue for the year ended December 2006 was €20.5 billion. Tourism accounted for €14.1 billion, shipping €6.3 billion and other services €0.2 billion. The biggest growth has been in shipping which grew by 63% on the previous year.

The company has four main divisions:

- *Mainstream*: 85 vertically integrated tour operators, airlines and retail shops across Europe, including First Choice, Thomson, thomsonfly.com, Suncars, 2wentys, falcon, Crystal, Jetsave and Portland Direct.
- *Specialist*: 27 UK, continental European and North American brands operating in three segments – Destination, Premium and Lifestages. The portfolio includes Hayes & Jarvis, Meon Villas, Citalia and Sovereign Premium.
- *Online Destination Services*: 47 incoming agencies supporting the company by providing accommodation and destination services worldwide, and online. Brands

include Hotelbed, Hotelopia, laterooms.com and Ambassador Tours.

- *Activity:* 37 activity lifestyle travel companies and premium brands operating in the three market segments – Marine, Adventure and Experiential. Brands include Sunsail and Country Walkers.

In addition, TUI operates the Island Cruises brand as a joint venture with Royal Caribbean.

Online services are regarded as important to the company and its future in order to compete with online rivals such as Expedia and Travelocity. One of TUI UK brands is Thomson Holiday which operates the Thomson Direct call centre, and the thomson.co.uk website, which includes online booking and payment. The thomson.co.uk website includes a full range of features including:

- brochure downloads
- video (some of it 360-degree virtual tours)
- holiday reviews (including those supplied by TripAdvisor)
- guides to individual hotels, and
- Google Earth imaging of resorts and accommodation.

The website regularly features in the top five online travel listings.

Through the Thomson website customers can book a whole holiday or individual elements such as flights, accommodation, car hire and ancillary services. A 'powersearch' facility enables the user to design their own holidays from a range of sources including 65,000 hotels, apartments and villas in over 100 destinations.

Thomson is responding to changing travel preferences by promoting DIY holidays in preference to ready made packages. A critical component to this business model is building the user experience into its website. In conjunction with TripAdvisor Thomson developed a service that enabled travellers to be able to put their own reviews of hotels on its own website.

TUI UK and AOL recently collaborated on a joint online service that gives users video content for their destination. Using the thomson.co.uk booking engines the technology enables customers to locate destinations within their budget and flight preferences. In addition an 'Inspiration Page' encourages users to try somewhere different with unusual holiday suggestions.

Future plans for TUI UK include:

- £100 million of cost savings
- reduction in TUIfly airline operations, and
- refocusing of sales from business flights and short-haul European holidays to concentrate on more exotic destinations.

Source: adapted from Holiday Booking Process, Leisure Intelligence, March 2008, Mintel and various Datamonitor company reports

Appendix Eight – Micros-ix

IXeo Interactive - empowering hotels; IXeo Interactive in partnership with Micros Systems launches micros-ix, an online gateway enabling hotels to offer dynamic packaging on their own website

IXeo Interactive, in partnership with Micros Systems, announces the development of micros-ix, an online tool that empowers hotels to offer dynamic packaging through their own websites.

Hotels can sign up to micros-ix for an annual subscription fee of just EUR5 per room, per month. No fee will be charged for any bookings made through the customer's website and IXeo Interactive offers all hotel companies a free 30 day trial.

Access to micros-ix can be added to any existing hotel website, whether on individual property or a chain, and download is immediate from www.micros-ix.com. Once downloaded, the micros-ix button will sit on the hotel's website, inviting users to access the hotel's pre-loaded travel planner. The portal will then take users of the hotel's website through to a fully loaded destination gateway from where they can book flights, tours and excursions, consult interactive maps, and browse points of interest as well as book their hotel accommodation.

While micros-ix will provide content from the tourism gateway IXeo.com, (which includes access to over 800 airlines and comprehensive destination information), hotel partners will be able to edit their own content and manage their own rates automatically picked up from the hotel's CRS system, as well as offering their own partners advertising space on their site as a means of covering the annual subscription fee, or generating extra revenue.

Graham Leslie, founder of IX Interactive and IXeo.com, says: "Micros-ix is an industry first. We enable hotels to take back control of their online distribution and positioning. We provide a product that supports a hotel's market position and develops their website, turning it from an online brochure into a key revenue generator. I believe we deliver a competitively-priced product that is easy to download, easy to monitor and above all, a sympathetic sales and marketing partner that connects hotel partners direct to market."

Join the IX-evolution
IXeo is fully licensed and insured.

Notes

IXeo Interactive will manage all non-hotel content covering licenses and annual maintenance without requiring any input from the hotel. IXeo Interactive will also provide fulfilment services to support the dynamic packaging and ticketing requirements under IATA licensing, tour operator insurances covering liability plus call centre support. Prior to setting up IX Interactive and IXeo.com, Graham Leslie pursued a career in the hotel and travel industry. His last role was chairman of The Aga Khan's Tourism Promotion Services and chief executive officer of Serena Hotels and Resorts. Prior to this he held several executive positions heading brand development, corporate strategy, marketing, sales, IT and distribution for Kempinski Hotels & Resorts, Dusit Hotels & Resorts, Exclusive Hotels, Conrad Hotels & Hilton International.

IXeo.com users have access to over 12 million hotel rooms and 800 airlines. All content is supported by fully descriptive and bookable destination information; from the best dive centre, to the top safari guide, from top opera festivals to a secret hideaway hotel.

MICROS Systems, Inc. (NASDAQ: MCRS) is the world's leading developer of enterprise applications serving the hospitality and specialty retail industries exclusively. MICROS serves table service and quick service restaurants, hotels, the leisure and entertainment industry, and specialty retail stores, with complete information management solutions including software, hardware, enterprise systems integration, consulting and support.

Source: information from www.micros-ix.com

FAQs

How to join IX-world and profit from its great distribution advantages

What is IX-world?

IX-world is a membership for hotels, tourism boards and other suppliers enabling them to display their web url on their product description on IX-world.com.

What are the benefits of IX-world?

For an annual fee of IX-world of only €100.- the hotel can profit from following benefits:

- Link customer to your own website and sell your product DIRECT
- More online presence
- ZERO commissions on bookings made through IX-world.com
- ZERO transaction fees on bookings made through IX-world.com

How do I join IX-world?

Just click the sign-up button in the IX-world description and fill in the form. You will receive your confirmation with the invoice. Your website url will be published immediately after receipt of your payment.

What must I do to join IX-world.com?

IX-world has connection with Pegasus Solutions, Trust and Synxis. If you are connected to either of them, IX-world automatically picks up your inventory anyway. If you are not already connected to one of the previous, please contact us for alternative possibilities.

Is IX-world only for large hotel chains?

No. IX-world is for any hotel small or large.

What are the main advantages for my products to be in the IX-world system?

As a hotel, you will have more live access to more travel and tourism product than has ever been the case giving you the capability to better compete in a fast growing e-marketplace. IX-world exposes your product to over 380,000 travel agents worldwide accessible through all GDS networks in leisure mode and also online directly. A major advantage when joining IX-world is that it gives you the possibility to distribute your products at your preferred rates, consequently giving you the possibility to external revenue yield. In addition, last minute rooms can be sold either on an electronic allocation or free sale basis (on request). Moreover, the IX-world system allows its users to browse through its content with ease, giving them the possibility to retrieve desired products and book without difficulty. It is our priority that your product is clearly categorized within our system. And last but not least, for the moment there are no set up costs or fixed costs.

Is Revenue Management possible with IX-world?

The IX-world system has been purpose-designed so that hotels may maximize their global distribution of inventory at their preferred rate. This will enable hotels to maximize the revenue and consequent yield potential based on demand. Rate and availability [are] dictated by the supplier and not by IX-world so hotels will no longer have to commit to a room allocation and fixed rate many months in advance. This does not limit your options in any way and allocations may still be given to selected operators, including IX-world but on the terms dictated by you the hotelier.

What audience is my inventory distributed to?

Your product is clearly categorized within the IX-world system exposed to 380,000 travel agents worldwide directly online & through GDS networks on leisure mode. In addition,

your product is available directly through the internet at www.IX-world.com accessible to any end consumer visiting our site.

Why do travel agents book with IX-world?

The Travel Agents are encouraged to use the IX-world system as it provides them with a larger inventory with products that were previously not available to them. The IX-world system allows Travel Agents 100% dynamic packaging capability to tailor specific needs. In addition, The IX-world system is much simpler to use, clearer & precise than previous systems used by the travel agent community.

Does IX-world respect my brand, its logo?

IX-world makes every effort to respect and endorse hotel brands. We facilitate a “search by brand” on our website and also work with our hotel brand partners on joint marketing and communication messages towards travel agents and consumers. Whenever we use a hotel’s image content for the banners on our website, we add the brand name /location/ hotel name to it so that a customer knows immediately where to look for booking this property.

What does IX-world mean by “offering flexibility”?

This means that IX-world offers you the opportunity to change your rates, to control your brand identity, image, and product content, pricing, trading standards and booking policies. It also means that users are able to tailor package their products.

What does IX-world mean by “guaranteeing open transparency”?

When using this term, we are referring specifically to our rates. By this, we basically want to communicate that we are always showing the end price: that we are not hiding fees or mark ups.

What is GDS networks leisure mode?

GDS stands for Global Distribution System. In GDS leisure mode, tour operators such as IX-world allow travel agents to book hotels and products all in one mask, moving more towards icons / graphic interfaces. The GDS company provides automated services to the travel vendors. Any travel agent working with GDS has access to a hotel’s allocated inventory. All content given by the hotel, rates, images, description is on the IX-world website available for travel agents to book.

What is Pegasus Solutions?

Pegasus’s Distribution Services facilitates electronic hotel room bookings by providing a seamless interface that connects travel Web sites and the global distribution systems (GDS) used by travel agents, to hotel central reservation systems (CRS). IX-world has a direct link to Pegasus and in addition, we have all hotels coming in through the leisure mode in GDS, which is new and unique.

What is Trust?

Together with other sister companies within Cendant Travel Distribution Services, TRUST International provides a comprehensive range of technology and distribution solutions for the hospitality industry.

Synxis?

SynXis provides hotel inventory distribution to more than 1,200 of today’s most popular Web sites and travel portals driven through connections to Pegasus, WorldRes, and direct connections. What is IX-rez? IX-rez is basically a CRS, giving the possibility to manage rates, content, image, product packages and availability at any time, and as frequently as desired. It also a tool provided to you accessible via extranet with an individual password.

What is IX-world exactly? Is it a system? Is it a travel agency? Is it a web merchant and wholesaler? Or is it a tour operator?

IX-world is really all of these things but most importantly IX-world is a GUIDE and a gateway. It is a gateway for more live tourism content to whoever we support and gateway for all suppliers to access the markets.

Why is IX-world Interactive Travel's Head Office in Kuesnacht Zurich?

Switzerland is central to all European markets and Zurich has excellent business and communication infrastructure.

Who will be IX-world competitors?

As we see ourselves as a gateway we prefer to work with all Suppliers, all Systems, all travel agents, all tour operators and all country tourism boards, including web merchants.

How tried and tested is the IXeo system?

The IX-world system is based on proven robust xml technology that has been used by various tour operators and now redesigned for the IX-world dynamic and fully interactive engine.

How can I be sure to trust IX-world Interactive Travel?

We are a member of the Swiss Travel Association of Retailers (STAR) and participate in the Swiss Travel Security© fund which insures the security of the refund of payments received by us and for the repatriation of our customers in the event of our insolvency. IX-world is a certified IATA Electronic Reservation Service Provider (ERSP Code 02-4 0798 5) and guarantees that all airline ticketing through the system will be under full IATA regulations and conditions using at all times only certified IATA travel agencies.

Does IX-world sell advertisement space on its web site?

There is no intention to sell advertisement space as IX-world is keen to maintain a product which is based on what the customer really wants rather than what we really want to sell to them.

Does the tourism content supported by Columbus Travel Publishing mean that the user will automatically be directed to the Columbus Travel Guide website?

No, the tourism content from Columbus Travel Publishing comes to the IX-world-platforms through a unique interface solution and will be displayed within the IX-world environment.

As Columbus Travel Publishing will be a partner, won't the hotels listed in a Columbus Travel guides be favoured?

No, IX-world is sourcing destination content and maps from Columbus Travel Publishing. However, our hotel information and rates are sourced from a different live database, however I am sure we will supply hotels and tourism content to Columbus Travel Publishing!

If I am a member of IX-world, will I still be distributed via travel agents?

No, as you are not paying any more commissions. Travel agents receive commission for their bookings made through IX-world. They will, however, be able to contact your hotel directly through your website url.

Source: slightly adapted from www.IX-hotel.com

Appendix Ten – Searching to get to the top of Google

From The Sunday Times
May 4, 2008

Firms are investing in search-engine optimisation to get themselves noticed on the internet

James Ashton

THE hotels website Superbreak had a problem three years ago. The volume of traffic arriving at its web pages was worryingly low. Surfers were confused by cybersquatters trying to pass themselves off as the business and, to make matters worse, it shared the same name as a popular brand of American rucksacks.

Search-engine optimisation (SEO) proved to be the answer.

Part crystal-ball watching, part trial and error, it is the practice of improving lacklustre internet commerce by getting a firm noticed on the results pages of search engines. And it is perhaps the fastest-growing sector in the marketing industry.

Cracking the code of how search engines like Google work is forecast to be a £400m industry in Britain alone this year and it is growing at 60% a year.

Superbreak called in the experts to ensure its name rose to the top of search lists when users tapped in queries for “short break” and “hotel break” into Google or other search engines.

The plan involved redrawing every web page to focus on the word “break”, simplifying its design, and making information more sharply relevant to weekend trippers.

“It was like replumbing an entire city,” said David Ranby, Superbreak’s internet-marketing manager.

The benefits of coming top of search lists are clear. Although click-through rates vary from query to query, results that make the second page or lower of a Google search stand only a 1% chance of being clicked on. Not surprisingly, the top result on the first page gets perhaps half of all clicks.

Revenues at Superbreak’s hotels division have risen to £154m a year and Ranby says the SEO programme is responsible for 35% of the increase in online revenues over the past three years.

It is no easy task to work out how to get a website to the top of the results thrown up by a search engine. Google – which with 85% of the search-engine market in Britain is by far the dominant player – keeps tweaking how its algorithms read web pages and indexes them.

“There are 200 signals that determine a page’s relevance,” said Matthew Trehwella, Google’s developer advocate. “Imagine it as a big wall of dials with a bunch of people turning them slightly every day.”

While Google offers plenty of guidance and advice, it won’t tell companies exactly how its system works.

“You have to accept that it is a moving target,” said Paul Way, digital-business director

for CMP Information, a division of the publisher United Business Media that houses more than 40 trade websites, including Building.co.uk.

“That is good for the consumer but as a publisher it needs work to stay on top of.”

Most companies achieve SEO by peppering their websites with keywords that Google’s technology can easily read.

“You have to be thorough and you have to be consistent,” said Way.

He cites SEO work done with the search agency Leapfrog on its Info4security site that pushed up its top five appearances in industry word searches from 256 last September to 762 by January. Approval by Google News also raised its profile.

Such results mean that spending on SEO grew faster than pay-per-click online advertising – also known as paid search – for the first time in Britain last year.

SEO addresses “natural” search results that appear in the left column of the Google page, while pay-per-click relates to keywords it auctions to create the sponsored links ranked on the right-hand side and often shaded at the top. For a decade, these have been the moneymaking meat of the search industry.

The specialist online site E-consultancy said spending on SEO rose by 68% to £250m in the UK last year, compared with a 56% rise in pay-per-click spending to £1.97 billion.

Microsoft, which last week souped up its own search site with an easier-to-use system, thinks that pay per click in Europe, Middle East and Africa could grow by only 20% next year. There are two reasons for this.

First, pay per click is extremely buoyant compared with traditional media and its cost is rising quickly. Search marketers argue there is little point in, say, banks paying £15 to Google every time they want to be connected to a customer that has entered “credit card” into a search form. With a conversion rate of one in 100, it takes a long time to earn a return. Even more targeted searches, say for “student credit card”, have shot up in price.

Firms have also worked out that more than half of all web searches do not involve a transaction. To appeal to window shoppers, they are better off polishing their reputation and profile with future trade in mind.

And then there are increasingly shrewd customers to contend with. They often take against being spoon-fed overtly commercial messages by never clicking on a result from the right side of the page.

“Big firms are looking more at SEO than pay per click because they realise that consumers are becoming aware the listings on the side and top of the page are paid for and that natural listings are in some cases more credible and more relevant,” said Rebecca Jennings, principal analyst at Forrester Research.

Her firm forecasts that spending on pay per click in America will increase between 2007 and 2012 by 125% to \$10.1 billion (£5.1 billion), compared with SEO soaring 365% to \$8.9 billion.

As well as using appropriate vocabulary, a website also needs to be well-networked to gain traction. Links to esteemed websites such as the BBC or a national newspaper act as advocates for its content, boosting its ranking with Google.

“It is more about who you get to your party, not how many people,” said Steve Leach, chief executive of Bigmouthmedia, the SEO firm that was called in to revive Superbreak’s website.

The name of Leach’s firm pops up almost first among 38m results – below only the sponsored links and ubiquitous Wikipedia entry – when you tap “search engine optimisation” into Google.

Historically, boosting a site’s volume of web links has been easy. But Google has been clamping down on “link farms” – machine-generated websites created purely to connect with the central site to make it look more popular than it really is.

Offenders have had their rankings reduced on the back of such exploitative behaviour in the past. Google went so far as to suspend the carmaker BMW from its search index for two days in early 2006, although the carmaker denied any wrongdoing.

“The vast majority of SEO firms are good,” said Trewhella at Google. “But it is a constant battle. They will do one thing; we will discover it; they will do something else.”

While Google welcomes SEO for making searches easier and findings better quality, it doesn’t make any money from the left column of listings. Instead, it hopes better searching means more use, yielding it its fair share of clicks on paid-for links.

Fredrick Marckini, the chief global-search officer at Isobar, part of the media buyer Aegis, said SEO was no threat to the search engine’s business model.

“There are no \$10m SEO engagements but there are many \$10m, \$20m and even \$100m pay-per-click search-advertising engagements. SEO is a necessary and critical component.”

Marckini argues that the shift in spending patterns is beginning to better mirror consumer behaviour. He cites research that shows 72% of web users click on natural listings and not on the paid ads.

“The European market seems to spend money on search marketing in a way that is inconsistent with the way the audience is using search engines,” he said. “European marketers must place a higher priority on natural SEO to more successfully target their audience.”

Of the two, SEO was invented first, with the concept of paying for positions in search results introduced only a decade ago by Goto.com, now part of Yahoo. Its renewed importance is only set to grow.

“This presents a great evolution opportunity for the advertising agencies,” said Chris Dobson, acting boss of Microsoft’s online UK business. “It shows you need a human touch to add value to technology platforms on behalf of clients.”

Source: The Sunday Times, May 4, 2008

Appendix Eleven – Technology in travel and tourism

Google Travel clicks up cost but adds value

Pay-per-click advertising on Google now costs more but is still a vital tool, reports

Charlotte Walsh

7 March 2008

THE COST of pay-per-click advertising on Google has risen by 20% in the last year, but the search engine claims it is actually becoming cheaper to secure bookings.

Google will launch a research paper for the travel industry on online customer behaviour in the next few weeks, revealing how the cost of keywords in different travel sectors has risen in the past year.

Robin Frewer, Google's travel, hospitality and leisure industry leader, said that although his travel clients had seen the cost of pay-per-click advertising rise by an average of 20%, some had seen the total amount they spent securing a sale halve.

"Everyone says cost per click is getting more expensive and, yes, it is up," he said.

"But the way we work with our partners has increased the efficiency of their sites and helping them buy better keywords means those they choose are more effective."

Frewer said companies were seeing higher conversion rates because of "considerable investment" in their sites and search engine optimisation. But this had driven up the prices of keywords, because of "aggressive bidding" for top positions.

Frewer's tips for online success include:

- **Be visible:** Ensure your brand is visible over the "life" of the search. Consumers spend a long time researching (see panel) and if your brand is visible during their initial generic searches, it has a better chance of becoming one of their final choices.
- **Understand your customers' thoughts:** Google found 30% of people form negative perceptions of a company if its website is badly constructed. Frewer urged firms to show the final price early on, claiming 65% of consumers leave a site when they arrive at checkout.
- **Integrate online and offline marketing:** Include your website on all marketing and use the internet to test campaigns before launching them offline. If some of your products are not available online, half of consumers assume they will **not** be available in your high street shop, so ensure the whole range is visible online.
- **Spend wisely:** Frewer advises retailers to base their online budget on a cost per acquisition model, investing more if sales continue. This is often more successful than setting a fixed online marketing budget at the start of the year, he says.

1 MAKING A BOOKING

Google research found that before buying a travel product online, consumers will on average:

- Make **12** travel searches
- Visit **22** travel websites
- Spend **29** days between first search and booking

Source: comScore and Google data

2 ONLINE BEHAVIOUR

- **37** million UK consumers used the internet each month last year – **60%** of the population
- **66%** of consumers research travel online every month
- More than **55%** of UK households have broadband internet
- Consumers spend an average of **7.2** hours online for personal use each week

Source: eMarketer and Google data

3 MARKET SHARE

Market share of top search engines based on searches by UK users for the four weeks ending January 26:

- Google – **88%**
- Ask – **3%**
- Yahoo – **3%**
- Live – **2%**
- MSN – **1 %**

Source: Hitwise. Lower-ranking search engines not shown

Travel searches leap

THE NUMBER of Google searches for travel products rose by 12% this January, compared with a year ago.

The increase is evidence that booking travel online has "come of age and totally reflects offline trends", said the search engine's travel, hospitality and leisure industry leader, Robin Frewer.

Google is by far the dominant search engine, accounting for 88% of all travel searches in January.

Its travel searches increased by 71% between December 2007 and January 2008.

Frewer said some of the travel products that saw a marked year-on-year rise in January were packages and hotels. Searches for packages rose by 10%, while hotels jumped by 12%.

"The reason for the rise is that with the advent of metasearch and price comparison sites, a lot of airline product is easily compared and commoditised, so the margin is slim. So companies focus on higher margin areas, such as packages and hotels, and customers are happy to book them online," said Frewer.

Source: Travel Trade Gazette UK & Ireland, 7 March 2008

Appendix Twelve – Mobile and travel – The whole world in their hands

The growth in web technology has widened consumers' access to data – but how ready is the travel industry to embrace mobile and how can it be used to capture the attention of an information-rich audience?

Mobile commerce is forecast to grow from \$15 billion in 2004 to \$90 billion by 2009, with 76% of European consumers in 2008 having a mobile web-enabled handset and the majority of them using mobile data services regularly, according to research from Trivnet and Forrester.

Only recently, consumers camped out all night to get their hands on the latest 'must-have' device, Apple's iPhone, which again demonstrated how entranced consumers are by their mobile devices.

"I got here 26 hours ago," said one 20-year old student. "It is a great piece of hardware. It is a great phone and I love it."

The reality is that the travel industry is now on the verge of seeing the mobile device taking off as a tool with which to communicate, use as a geographical location-finder, or market travel-related services to. And the opportunities are significant.

According to mobile travel specialist Mobile Travel Technologies, innovative travel suppliers and intermediaries should be getting ready to exploit the true potential of mobile: the personal connection, the context (i.e. the time and place) and the ability to serve highly targeted services.

"A number of forces have come together to fuel this adoption of mobile phones, and the information is absolutely good enough to be using mobile travel services," says Gerry Samuels, executive director of MTT.

"Around 30% of the mobile subscriber base are using the mobile web regularly. Since the end of 2006, we have gone from two million to between 13 million and 15 million users."

Among the driving forces are colour display handsets with user-friendly icon-based menus, while more than 80% of mobile handsets shipped in 2005 and 2006 have colour displays.

GPRS 2.5G and 3G are now standard, and users are becoming more aware of the costs of browsing the mobile Internet from their handsets. Typical costs are around €0.02 per screen/page accessed. There has been an expanded range of content, and marketing services are being heavily marketed by service providers such as O2 taking advantage of increased awareness of customised context-aware services. Meanwhile, developments such as Vodafone m-pay and Orange Directbill enable payments for content consumed to be added simply to a user's mobile bill.

A recent spate of acquisitions has also demonstrated the intention of several large mobile players to begin delivering travel guide content across mobile devices: Tom Tom, the supplier of GPS personal navigation devices has acquired TeleAtlas, the second biggest supplier of maps in the world, while Nokia bought Navteq, the world's biggest supplier of digital maps.

Henry Harteveltdt, vice-president and principal analyst, airline/travel industry research at research group Forrester, believes mobile as a key customer channel for the travel industry is on the verge of taking off.

He says: "SMS text has been adopted by a number of airlines in providing flight services for travellers. US Airways now offers on-demand flight status and frequent-flyer registration via text. This is a particularly useful tool for travellers with connecting flights to stay informed and on schedule. Next year will certainly see companies wanting to know more about mobile messaging."

In addition, says Harteveltdt, InterContinental Hotels has been providing wireless reservation services for five years, while Hilton has recently gone down the same route. Meanwhile, GetThere, a business travel brand of Sabre, offers corporations using its web-based travel procurement system the ability for their business travellers to book and manage trips anywhere around the globe via their hand-held device.

Travel applications for mobile phones can be split into three categories:

- Using a phone as a communications device to bridge the gap from the customer's PC if they booked online, and, before too long, using the phone as a check-in device holding a 2D barcode (see IATA section). In future, the same customer relationship will follow from a booking made over a mobile phone.

In some parts of the world, this happens already. For example, in Japan on Nippon Airways, 5% of all domestic flights are booked on mobile phones. In Japan, more web surfing is done on mobiles than on PCs and because of the length of their commute to work, people use a mobile to surf. The same mobile solution applies for checking or making hotel bookings on the move. Pegasus Solutions is working with Dublin-based MTT to launch a Mobile Reservation Services distribution channel enabling hotels to offer guests booking and customer service via their mobile device.

- Using the mobile as a means of providing GPS or location-based services. A new concept of 'geotagging' has evolved where location-based services can piggyback on a traveller's GPS location. The German company Locr (locr.com) has created a service using GPS photo software for Windows Mobile in which geotags can be added to users' photos uploaded via GPRS, UMTS or wireless LAN to www.locr.com. It then automatically assigns the photos appropriate descriptions from Wikipedia.

While on their travels, users can view other's photos and access information about their current location, turning the mobile phone into an interactive travel guide. Microsoft mobility specialist Jason Langridge says: "With the ready supply of smarter, GPS-enabled devices come new possibilities to deliver services relating specifically to the location customers find themselves in and relevant to what they are doing at the time. For consumers this could mean finding the right bank in a visited city, navigating on unfamiliar roads, avoiding dangerous foreign situations such as unregistered taxis, local language translation, or even simply posting pictures of their holiday in real-time to friends and family. For business, there's also the ability to interact with colleagues or locate business support services while away from the office."

- Using the mobile phone as a means of marketing to travellers on the move. This uses text messaging as an instant communication response mechanism, offering instant promotions and deals, ideal for a target audience such as travellers already within an airport, in demob-happy travel mode and likely to respond to

such promotions. 'Need a hotel? Or want to book a quick discounted flight to San Francisco? Text us – and we'll send you a link.' In five steps you've made your booking (see Mobile Marketing section).

For organisations looking to enable a new marketing channel, MTT's Samuels suggests there are some key principles they'll need to be aware of. "We are very excited about mobile and it is building a very healthy momentum.

But if you are going to offer an option for mobile users to access your website, you will have to optimise your content firstly for the phone, and secondly by device, because devices differ in their complexity – and their users differ in their expectations.

"If as a user you've got a high-end device, it will frustrate you to get basic WAP-like content. Remember, it is going to be difficult to replicate your PC website content to a mobile on a 1:1 basis. If you don't have a mobile site that is optimised for each mobile device, then you won't appear in Google Mobile – or you'll be hijacked by others who do have properly developed mobile services. Mobi rankings (mtd.mobi/emulator.php) can tell you how good your site is.

"It is perfectly possible to provide an optimised mobile view of the website within four-six weeks. But you'll have to re-use what's on PC websites and slice and dice your data. Shoving it all on to a mobile device is not the best way."

Paul Conroy, sales manager of travel consultancy Hildebrand, who joined from Lastminute.com says the availability of video facilities on mobile phones and users' familiarity with YouTube will see video on mobiles increase.

"This could work very well. People have a mindset that they will send images and videos of destinations to their friends by text. Holiday companies such as Mark Warner, which has much to say about the activities in its holidays, can invite would-be holidaymakers to view a video, especially if those customers have signed up to receive contact.

"On one of the recent talent shows, the power of a YouTube video of an opera singer singing *Nessun Dorma* helped ITV more than double the number of viewers for the show. Finding a way of harnessing that video power on a mobile is something that travel companies should aspire to. Travel firms are very experienced at adding value, offering deals such as a free city tour, an extra night in a hotel, or a flight upgrade to premium economy."

Another benefit of mobile phone campaigns is their measurability, says Conroy. "You can track how many people call in as a direct comparison to a campaign. This measurability of mobile marketing solutions is very powerful for travel companies and can help build a return on investment."

As for the future, the advent of so-called Near Field Communications holds out interesting developments for mobile devices, with embedded contactless payment cards. Already Orange is working with SNCF in a trial in which subscribing passengers test a prototype contactless phone integrating NFC technology in the SIM card. The card will provide access to various services, including transport ticketing, payment of purchases, timetable information and car park access.

Mobile benefits

For the consumer:

- Ability to make bookings and service travel arrangements on the move, during a trip away from home and office or when they just have time to kill.
- Virtually everyone carries a mobile – and a PC or laptop may not be to hand or available. Consumers are already used to self-booking via regular PC websites.

For the travel supplier and intermediary:

- Harnesses a compelling new direct distribution channel and offers a new way to reach and interact with customers, while complementing existing channels of distribution.
- Fills otherwise unsold inventory at the last minute.
- Attracts premium on-the-day (walk-in type) business.
- Higher response rates from ads and promotions when the public can respond immediately to a proposition by mobile.
- Meets the service requirements of your customers when they are 'mobile'.
- Notifies your customers of unexpected events (e.g. flight cancellations, itinerary changes) and enables them to modify their bookings 24x7, and provides an edge over your competitors' traditional distribution.

Mobile based marketing – How to engage your travellers with marketing to mobile phones

Wayne Helmore, chief executive of Marketing2Mobiles, says: "We live in a multi-channel marketing world where print and e-mail are no longer sufficient and continue to produce poor response levels. Your marketing message gets seen but your campaign gets lost in the sea of 3,000 marketing messages we receive daily.

"So, all of us are grappling with the problem of finding a new marketing edge where at last you can stand out from the crowd. Marketing to a travelling audience using a mobile phone offers the potential for your travel business to engage, inform and get response rates as high as 66%.

"By sending an engaging message with full colour details and information to a traveller's mobile phone, your message has an excellent chance of being read, especially – and importantly – if the user has opted in to receive a service.

"The user simply texts a keyword reference to a short code placed on adverts, websites and shop window ads.

"They then receive instant full colour details to their mobile phone, while you instantly receive an e-mail for sales data capture and follow-ups. This short code offers the additional benefit of making all of your current marketing work harder and delivering much-improved results.

"The mobile phone channel is an opportunity for travel specialists to target the device that many hold to be dearer to them than their PC. If you do not want to be left behind by the competition, now is your tipping point for implementing a mobile phone-led campaign."

(c) David Bicknell, 2007

Source: <http://marketing2tourism.wordpress.com/2007/12/31/mobile-and-travel-the-whole-world-in-their-hands/>

Appendix Thirteen – Online travel sites extend reach into unknown territory

By Tim Bradshaw

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Lost travellers in need of a bit of local knowledge will soon be able to receive restaurant tips and theatre show times through Lastminute.com, which identifies the user's location by their WiFi access point. It is one of the innovations the travel site has come up with through Lastminute Labs, the new department it hopes will help rediscover the travel site's inner start-up.

Next month marks 10 years since Lastminute's launch. Its arrival helped to transform the travel industry so that making online reservations for flights, hotels and restaurants has become the norm.

But, while the travel industry was one of the first sectors to embrace the opportunities of the internet, it has not been quick to innovate, according to Saul Klein, the founder of Seedcamp, a London group that offers advice and funding to technology start-ups.

Alongside Lastminute.com, a clutch of new sites is hoping to fill the innovation gap. Entrip plots blog posts, photos and videos on to a Google map for planning, booking and recording holidays. Social travel guide Tripwolf aggregates content from its backer, Mairdumont, a travel publisher, as well as from Wikipedia and YouTube, which is then packaged into a printable or mobile phone guide. Zoombu promises to help plan an entire journey from doorstep to destination, sorted by price, duration or carbon footprint.

Another site is Dopplr, which was launched last year. It encourages social networking among travellers. "All the interesting stuff in travel online now is travel with people in it," says Matt Biddulph, co-founder and chief technology officer of Dopplr.

By collating its users' travel intentions, Dopplr hopes to connect far-flung friends who may be flying to the same location at the same time. "The site is for those who travel a lot professionally but don't have a first-class lounge pass or a personal secretary," he says.

Dopplr also compiles data on users' personal travel habits, from their carbon footprint to the communal, such as a quarterly list of popular destinations (London was the most-visited city for European, African and Asian travellers at the last count; New York topped the American list).

Dopplr has some prominent backers, including Tom Glocer, chief executive of Thomson Reuters; Reid Hoffman, founder of LinkedIn; and Tyler Brûlé, FT columnist and founder of magazines Wallpaper and Monocle. And it hopes to attract corporate travel managers who want to save money by co-ordinating meetings and reducing unnecessary flights. The travel social networking site has already proved extremely popular with employees from Nokia, IBM and Sun Microsystems.

It makes money on bookings through partner sites. Marketing will also play a role in driving revenues. Rather than employing intrusive banner advertisements, Dopplr hopes its users will be prepared to share their data with advertisers in return for special offers. The next phase of development aims to broaden Dopplr's appeal, for instance to people who like to be hosts and see who is visiting their city.

Like Dopplr, Lastminute is also hoping to foster community among travellers through its Facebook tool which brings together theatregoers to secure group discounts.

The Lab's team is encouraged to experiment though they concede that not every idea works. "We've had some cracking failures," says Marko Balabanovic, head of the Labs, who is surrounded by boxes of mobile phones, vintage electronics and novelty gadgets with names such as Nabaztag and the Chumby.

Such misses include a service that told customers where people from similar neighbourhoods were holidaying - inducing Big Brother fears among focus groups.

"If everything we tried succeeded, it would be a sign we weren't pushing creativity far enough," says Mr Balabanovic.

"You have to let people have enough freedom to come up with something because you don't know what comes at the end of it."

Source: The Financial Times Limited 2008



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