

Travel Commerce - Will the elephant in the room help disintermediate the disintermediaries?

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Will the elephant in the room help disintermediate the disintermediaries? What really is a click farmer? Is the skipper a commoditizer? The answers to such questions were, well, opaque, but clarity ruled the dialog at The PhoCusWright Executive Conference in Orlando, Fla., Nov. 14-15.

For the moment, let it be said that Google does not have a model that aims to take suppliers back out of the direct distribution loop, 'click farmer' is not a blanket characterization of metasearch sites though many still say they commoditize travel, and some nicknames are coined and embraced in good fun.

Are online travel agencies virtual GDSs, and do they commoditize supply? Samuel L. Katz, vice chairman and president of Cendant Corporation's Travel Network Group, asserts the former, and the latter is a concern of Joseph R. Nothwang, president, Vehicle Rental and Leasing, The Americas and Pacific, and executive vice president at The Hertz Corporation. Do hotels get a three-customers-for-the-price-of-two deal from all online travel agencies? Expedia Inc. CEO Dara Khosrowshahi noted the power of consumers' search habits, saying that for every two bookings Expedia sends to hotels, the hotels get a third direct booking free.

'Mature' does not Equal 'Traditional'

Philip Wolf opened the conference with the unambiguous declaration that there is no online travel market. Throughout the event, it became apparent that the old view of an 'online' and 'offline' travel market was obstructed by the consensus view of one travel market with a very significant and maturing online channel.

Online players including Michelle Ann Peluso, president and CEO, Travelocity.com L.P. and executive vice president, Sabre Holdings Corporation, talked of targeting their offerings to offline channel buyers, while venerable players from the pre-Internet world were unequivocal about their forward-looking approaches: in the words of Hubert Joly, worldwide president and CEO, Carlson Wagonlit Travel Inc., 'by all means do not call me traditional.'

Meanwhile, the staid status quo was examined for the opportunities it presents. Jean-Claude Baumgarten, president of the World Travel & Tourism Council, reminded attendees that while China may be the fastest growing market, and infrastructure-building is crucial to handling future demand, the two largest markets are still Europe and the U.S. And new perspective on the continuing and growing impact of Internet distribution of product and information was presented by high end hoteliers, timeshare groups and luxury tour operators, represented by The Leading Hotels of the World Ltd. president and CEO Paul M. McManus, Sunterra Corporation president and CEO Nicholas Benson and Abercrombie & Kent president Michael M. Hannan.

With low cost airline models providing high profile hope for profitability, some airlines see their future in long haul: Continental Airlines Inc. chairman and CEO Larry Kellner made clear that his airline would maximize profit by doing the majority of its flying internationally. And in the face of expiring GDS contracts and looming bids by GNEs (GDS new entrants), AAA president and CEO Robert L. Darbelnet likened the dot-connecting capacity of GDSs to the U.S. interstate highway system, and suggested that players stop complaining and get to work connecting all segments of the industry.

Is the market turning upside down? No, said attendees at the close of the event, the players are growing up.

The Cusp, Part 12

The debate will continue, as attendees weighed methods of monetizing travel -- clicks or the cha-ching of the transaction. Following onstage interviews of Yen Lee, general manager, Travel, Yahoo! Inc., Jane Butler, head of travel, Google Inc. and a presentation by America Online Inc. chairman and CEO Jonathan F. Miller, the conclusions were incomplete.

Travelocity's Peluso, Expedia Inc.'s Khosrowshahi, Cendant's Katz, and priceline.com Inc. president and CEO Jeffery H. Boyd all pressed the unique strengths of online travel agencies and the various price, personalization and content strategies of the top four players in the arena. The 'see-saw' of customer- and supplier-friendliness continued to totter as one after another intermediary presenter stood up and declared both. Meanwhile, search players displayed a powerful interest in serving travel customers with trusted information and powerful investigation tools while declaring the utility of their referral model to uncommoditized suppliers.

Thus, even as the revenue model of these companies shows no signs of imminent change, the probability of the search players staying out of the transaction business and the agency players staying out of the advertising business remains an open question, but not a mystery. In the face of this blurred border between the referral/search sites and the transaction/marketing sites, the cutting edge came up for review: 'we've been on the cusp for about 12 years' was the characterization by Yahoo!'s Lee of the continuing cycle of innovation, challenge and growth that the industry has seen with the explosion of the Internet.

Metasearch received less intense attention than in the past year, even as one big player, Cendant, participates in the searches of SideStep and Yahoo!'s FareChase. Yet metasearch came into focus during an Asia Pacific roundtable featuring ZUJI CEO Scott Blume, Makemytrip.com founder and CEO Deep Kalra, Delano Ross, vice president, global e-commerce at InterContinental Hotels Group, and Fare.Net president Michael H. Thomas.

The Year to Come

Issues of urgent interest remain top of mind at the close of the event: distribution upheaval and content discrimination, leisure-corporate alliances or consolidation, personalization in the battle against commoditization, highlighting value over price, communities building trusted content, marketing the experience, understanding and serving (and thus growing with) international market.. These and, of course, much more will play out over the next year and become fodder for The PhoCusWright Executive Conference 2006 at the Renaissance Hollywood Hotel, Hollywood, Calif., Nov. 14-15, 2006.

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