

Five Predictions About The Future of The Long Tail in Travel - By Bob Offutt, Senior Technology Analyst, PhoCusWright Inc.

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The Long Tail is a positive force, holding great promise for travel, tourism and hospitality. Yet, it also has the potential to become a major market disruptor in travel distribution.



There are already warning signs that the democratization of travel content is enabling new competitors and value equations at the expense of the Head, the traditional air/car/hotel/cruise channel. With air travel becoming a commodity, metasearch enabling airlines to compete effectively with travel agencies (both brick-and-mortar and online), and the airlines squeezing the distribution channel financially (e.g., with full content deals, surcharge threats, elimination of commissions), the old value equation is at risk. It is time for something new.

Philip Wolf, president and CEO of PhoCusWright, in his article 'The Long Tail and Travel', outlined the following five tenets for realizing the power of the Internet in travel distribution:

The little guy's (product, channel, site, business) influence is significant

The sum of the niches is embraced

The 80/20 rule is debunked ('law of the vital few')

The size of your reputation matters more than the size of your marketing budget

Distressed, 'out of print' or discontinued product now has value

Now, PhoCusWright offers five predictions about the future of the Long Tail in the travel distribution industry:

1) The Long Tail era will drive a new economy.

GLOBAL CONTENT WILL BE EASY TO PUT INTO THE SUPPLY CHAIN.

Historically, the travel distribution channel was the domain of large suppliers. Reservations systems were complex and unwieldy, requiring significant investments in hardware, software and connectivity. It took days or weeks of training to learn to use the green screen suppliers employed 15 years ago to place their information in a GDS. Today, making content available globally is accomplished with a Web site and a simple editor. Large airlines still use intermediaries (the OAG and Airline Tariff Publishing Company) to distribute their fares and rules, but the smaller ones, who rely heavily on the Web for distribution, use their own Web sites and metasearch to attract customers. It is the large airlines' desire to retain complexity in their pricing, sustaining the complicated and expensive process that they continue to use.

PRACTICAL, LOW COST RESERVATION/CONFIRMATION SYSTEMS WILL EXPAND BOOKABLE CONTENT.

There are low cost and shareware packages that provide the capability for a small travel supplier to accept and confirm reservations online. With the low cost of hardware, it only takes a small investment to put a simple reservation system online. We are seeing a proliferation of these systems from parking reservations to dining, bed and breakfast (B&B) reservations, preshipped luggage, weather, traffic, flight information and event tickets.

MECHANISMS WILL BE IN PLACE FOR THE COLLECTION AND DISBURSEMENT OF FUNDS.

In the past, funds collection and credit card clearance were huge barriers for commerce sites, but with players like Paypal and Google Checkout, this is much less an issue.

MEDIA AND "NEW" COMMERCE SITES THAT WILL BOTH HAVE A PLACE IN THE LONG TAIL WORLD.

The travel distribution industry has struggled for years trying to figure out how to monetize non-commerce activity. For commerce, it had always been the booking fee, the incentive, the commission, the override and more recently, the service fee. Other information like flight arrival and departure details or weather at a destination was thrown in for free as a cost of doing business. Now with the advent of media sites that are supported via some form of advertising model, sites with content such as weather, traffic, flight statistics and even seat configurations can be economically sustained. While quality individual sites are in place, the value is in the aggregation.

THE LONG TAIL WILL FOLLOW INTERNET PENETRATION.

The Internet is a global phenomena. Yes, but... the Long Tail can only be sustained where the infrastructure exists to support it. This is different for different types of content. For example, for an individual to take advantage of the Long Tail in the music distribution industry, all that is required is an Internet capable MP3 player and access to a single music aggregation site. A person in India can easily download music from iTunes to his MP3 player. However, if the same person wants to plan a trip in India and to make reservations, each supplier (or intermediary), for example, requires reservations software, Internet presence, the ability to collect payments charged against a credit card. In addition, the traveler needs facilities to print an itinerary. In many developing countries, telecommunications and facilities infrastructure is not capable of supporting this. Thus, the provisioning of the Long Tail in travel will follow the development of the necessary supporting infrastructure.

2) The Long Tail facilitators - content provisioners, software suppliers and ASPs - are in pivotal positions.

The commercialization of the Long Tail presents major opportunities for facilitators. While there are existing software packages, as needs mature, there will be opportunities for more complex capability and custom development.

Many businesses will not want to compete directly on the Internet and instead would prefer to have an intermediary to handle the details. Viator, which has content from over 500 destinations worldwide, has been extremely successful at this, while Gullivers Travel Associates works with over 35,000 ground product suppliers globally. On the reverse side, points of sale may not want to deal with thousands of suppliers and would prefer to deal with an aggregator. Smaller points of sale may not want the overhead of their own technology and would prefer to outsource this to a third party. This strategy appears to be working quite well in the dynamic packaging area. There is also a significant opportunity to target specialty markets such as road trips, the vacation - drive market, still the largest single leisure segment in the U.S.

Enabling, supporting and developing the travel Long Tail represents a great opportunity for a new generation of aggregators, software developers and application service providers.

3) Technology and standards will evolve.

The glue that held the traditional travel distribution industry together was standard data formats for intercommunication. To enable the new era of Internet-based distribution, these were updated in XML (extensible markup language) by the Open Travel Alliance. Unfortunately, the bulk of the activity was focused on the Air/Car/Hotel/Cruise industry and the majority of the developed standards (with a few exceptions) focused on sustaining the Head, not enabling the Long Tail. Even the Head suffered because these standards were complex, often required significant technology investment to implement and were often employed inconsistently. This would suggest there is little hope for developing true standards in 'the Tail.' Yet key Long Tail players such as Rearden Commerce, are already forging ahead, establishing defacto standards for suppliers. Aggregators such as Viator, Gullivers Travel Associates (now owned by TravelPort) and Rearden mask the complexity and provide an easy-to-use interface to points of sale. As the Long Tail expands, standards will develop, giving it even more momentum. This is critical if the Long Tail benefits are to be fully realized.

4) The democratization of supply will open up new marketing and packaging opportunities.

The lack of data and interconnect standards provides an opportunity for a new breed of market dominators. GDSs have dominated the travel distribution marketplace for the past 25 years. Their major airline-sponsored software and hardware systems have virtually controlled the distribution channel. Now with economic pressures from airlines, legacy technology and loss of air bookings to supplier-direct channels, the GDSs are struggling to sustain their economic position with the Head content. In the meantime, online travel agencies and travel management companies (TMCs) are developing or implementing new platforms that aggregate content from multiple sources, only one of which is the GDS. These companies have the potential to be the new intermediaries, drawing on a rich supply of Long Tail content, either directly or through aggregators such as Viator, Gullivers and Rearden.

This is the next wave of travel distribution but not the last. As Long Tail sales grow, then it will move to the Head and a new Long Tail will emerge.

5) The success of the Long Tail in travel is directly proportional to the quality of search - making metasearch, geographically-oriented search and vertical search key enablers.

To utilize content in the Long Tail, you need to be able to get to it. Search engines are the 'railroads' of Long Tail content. You have to be able to find it. Today's search engines generally provide too much detail to be useful. Searching for 'B&B in Napa Valley' yields 270,000 results in Google, while Yahoo! does a little better with only 94,000. There are a few embryonic efforts to provide vertical search, but these are relatively shallow and only seem to hit major destinations. Going forward, effective search will be the greatest opportunity for/impediment to the success of the Long Tail in travel.

Come join us at [The PhoCusWright Conference](#) in Orlando (November 12-15) where we will explore search and many other topics that are relevant to the movers and shakers of the Long Tail era.

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