

Phocuswright Releases 2008 Travel Industry Trends

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Mobile, Metasearch Top PhoCusWright Analyst Predictions

Each January, PhoCusWright analysts assess the global travel marketplace to produce a list of predictions about anticipated changes in market dynamics, technology innovation and traveler behavior worldwide. The most frequently cited trends this year: travel metasearch and the development of mobile travel applications.

The traditional walled garden that has long plagued the telecommunications industry is finally being penetrated, which will make application development highly appealing. And as global travel companies expand into Europe and Asia, mobile is likely to become an increasingly important differentiator. Mobile ad spend is expected to skyrocket in the coming years—a phenomenon that many travelers will welcome. The PhoCusWright Travel 2.0 Consumer Technology Survey indicates that 30% of travelers would like to receive special offers about local restaurants and activities via their mobile devices during their trips. This interest is expected to grow as more appealing, media-rich offerings become available.

Travel metasearch looks promising in 2008 due to the twin forces of consolidation and innovation. New entrants such as Farecast and the planned merger of Kayak and Sidestep are likely to provide the increased press and consolidated consumer power that metasearch needs to go mainstream. As more consumers become aware of and start using travel search engines, the overall efficiency of the travel market will increase. The end result for travel suppliers will be continued pricing pressure on airfares and hotel rates.

Other 2008 trends include:

Continued Consolidation: Likely travel industry consolidation targets include areas where multiple service providers offer undifferentiated services and where growth is stagnating, emerging markets where successful travel startups are likely to be gobbled up by larger fish (read: India), and niche sectors that require mergers in order to reach critical mass.

Travel Companies Get Social: The travel marketing potential of social networks makes their commercialization inevitable. Initiatives like Google's OpenSocial will help to drive growth, providing incentive for travel companies to develop applications.

Media-Based Pricing Shakes Things Up: Online travel agencies will adapt their business strategies to capitalize on all their search traffic. In late 2007, Expedia took a bold first step, announcing a new pricing model that blends transaction pricing with media pricing. Other online travel agencies will be watching Expedia's business model experimentation closely—a second online travel agency could be making a similar move in the coming year.

On-Plane Wireless Communication: It will take a few years until all flights have wireless connectivity, but the efforts of Aircell in equipping airlines with in-flight Wi-Fi will produce a major uptick in usage, with American Airlines and Virgin America, among others, coming on board in 2008.

Older Travelers Lured Online: Better travel applications will target the 50+ generation to encourage online bookings among this demographic, and will be geared toward attracting those who previously tended to shop, but not book, online. This trend will be particularly impactful in Europe, where older travelers have been reluctant to embrace online travel.

This 2008 Trends article, "In With the Old, In With the New", is one of many publications available to PhoCusWright's Global Edition subscribers. The Global Edition is a syndicated research service featuring an efficient feed of business and competitive intelligence for the corporate and leisure travel, tourism and hospitality marketplace.

About PhoCusWright Inc.

PhoCusWright is the travel industry research authority on the evolving dynamics that influence how travelers, suppliers and intermediaries connect. Independent, rigorous and unbiased, PhoCusWright enables companies to make smart, profitable decisions.

PhoCusWright provides global marketplace intelligence, offering an array of qualitative and quantitative research through subscription services, individual reports and sponsored assignments. Areas of emphasis include consumer travel planning behavior as well as industry segmentation, sizing, forecasting, trends and analysis. Clients represent all facets of the industry value chain from around the world.

The company is headquartered in Connecticut, USA, with offices in New York, Duesseldorf and Mumbai.

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