



Industry Briefing Note

September 2007

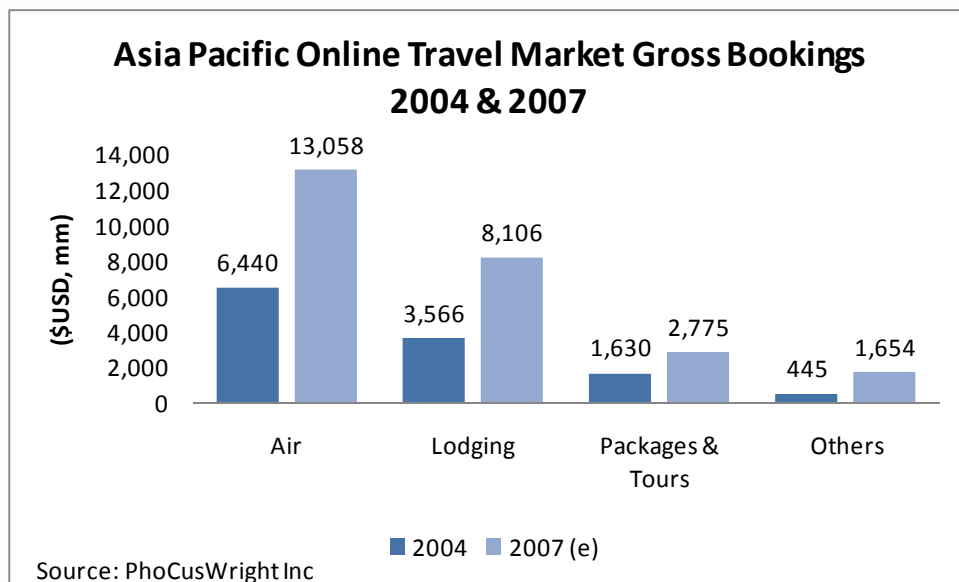
Online Travel Distribution and Advertising Industry

The online travel distribution market is expanding across Asia Pacific at a frenetic pace. This expansion exists for both the distribution and acquisition of travel products and services by consumers over the internet and also in the expansion of the online travel advertising market as dollars move from traditional marketing mediums to online.

This paper gives a brief insight into the expansion of both of the above scenarios.

Online Travel Distribution Market

As indicated in the graph below all segments of the online travel market have expanded between 2004 to 2007 (e). Growth has been in all segments at plus 70%.

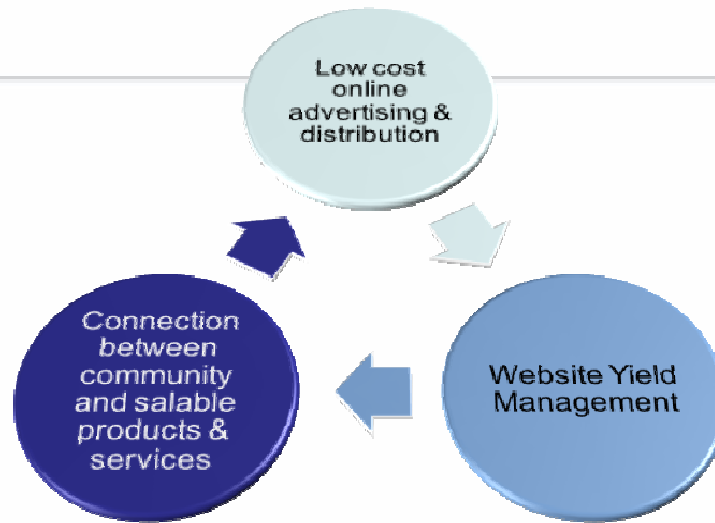


This growth is driven primarily through the following 4 factors:

1. Expansion of the online user population and continued adoption of broadband services around Asia Pacific.
2. The expansion of air routes across Asia and the introduction of low cost carriers and electronic ticketing systems by airlines.
3. The development of online business models and sites by product owners and online travel agents (OTA's). Demand has especially grown around the 'last minute' deal operators.
4. The aggressive development of the online travel advertising market.

Who will gain share within a fast growing market?

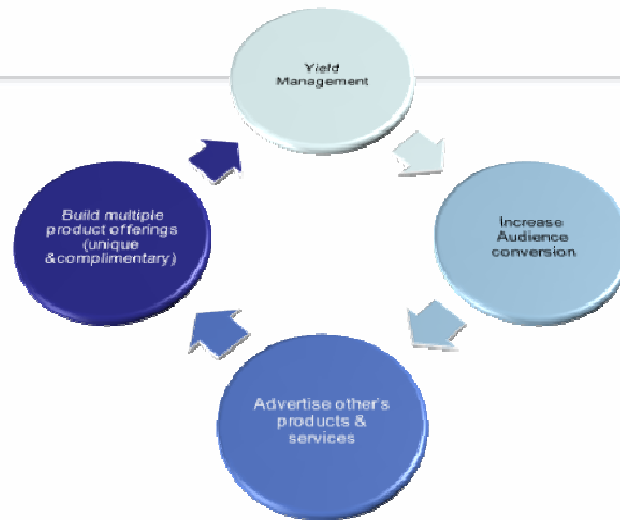
In our view there will be three core aspects online travel distribution organisations will need to focus on in order to gain share in a very fast growing market. The diagram below outlines these.



1. Market share growth will come from building cost efficient, ROI focused online marketing models that meets the businesses cost per sales metrics.
2. Organisations will need to focus more on conversion of visitors into transacting customers and also how they can leverage revenue from audience researching ravel services.
3. Both product originators and OTA's will need to build a brand relationship with online community segments to be one of the destinations of choice that consumers choose to perform transactions or travel research online.

Audience yield management will be of particular importance to market leaders.

Market share leaders will especially have to focus on how they can expand revenues and margins off a slowing growth line in new unique audience to its services. Tactical strategies that these organisations will need to focus on will include but not be limited to components outlined in the low diagram below.



1. Organisations will need to better conversion rates of visitors to their websites for buying products and services. There are a number of strategies that can be engaged to achieve this.
2. Organisations may start to look at monetising their audiences they attract through enabling non competing product & service providers to advertise products across the sites.
3. Organisations will need to expand product offerings to increase average revenue per transaction and drive better net margins for their businesses.

Conclusion

The online travel distribution market has been growing at a phenomenal rate and will continue to do so but for competitors to build and maintain a significant market share of audiences and revenues they will need to employ a number of concurrent strategies. International brands and local players will create a fierce competitive environment where business models continue to evolve and the low cost of entry to market makes competition near on limitless.

Organisations that build capabilities and focus their efforts on building market share of audience and revenues through efficient online channels, complimentary communities and by executing simple booking solutions for its audience have a excellent chance of building a strong business.



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