Preparing your travel business to meet traveler trends in 2020

Webinar
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PhoCusWright
Preparing Your Travel Business to Meet Traveler Trends in 2020

Mary Pat Sullivan
Leisure Travel Analyst
PhoCusWright Inc.
This was the image of a travel agent
Yesterday’s travel agent

Order taker

General purpose

Air was the asset

Change-averse

Transactional
Today’s travel advisor

Consultative

Expertise, relationships, service are the assets

Specialized

Adaptive

Traveler Advocate
Today, however, agents come in so many shapes and sizes, with a multitude of business models. This creates a significant business challenge for suppliers trying to reach and embrace them, and a challenge for the industry to define them accurately.
They have many different names for their profession – another important distinction when addressing this market.

- Consultant
- Specialist
- Luxry Concierge
- Owner
- Dream Broker
- Concierge
- Advisor
- Consultant
- Specialist
- Luxry Concierge
- Owner
- Dream Broker
- Concierge
- Advisor
Travel Agents Serve Special Segments

Source: PhoCusWright’s Travel Agency Distribution Landscape 2009-2013
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Travel Agents Serve a Special Segment

- Older
- Spend more (big ticket, vacation travel)
- More complex travel
- More international travel

Source: PhoCusWright Inc.
Trip Spend and Complexity by Point of Sale

Source: PhoCusWright Inc.
Travel Agency Market Share of Gross Bookings by Segment, 2013

- **Air**: 40%
- **Hotel**: 10%
- **Car Rental**: 30%
- **Cruise**: 60%
- **Tour**: 70%
- **Rail**: 0%

Source: PhoCusWright’s Travel Agency Distribution Landscape 2009-2013
U.S. travelers: 50% are 45 or older

Leisure agent clients: 70% are 45 or older

Mean U.S. leisure trip spend, with mean household size of 2.4: $1,031

70% of leisure agents: per-person trip spend is >$1000

Source: PhoCusWright’s Travel Agency Distribution Landscape 2009-2013
Customer Demographics May Be Evolving

- Majority of agency customers are:
  - 30-45
  - Seem to be children of existing clients for many
  - 55 and older

- Most popular travel types include:
  - Honeymoons, destination weddings
  - Multi-generational trips
  - Celebration travel

“They know us from their parents. They don’t know where they want to go. Destination recommendations can truly come from our travel counselors.”

“We have so many smaller groups, putting together trips based on a celebration. Milestone anniversary. 50th anniversary. Close friends all traveling together.”

Source: Focus groups conducted by PhoCusWright, 2013
Return of Corporate Spillover to Leisure

• As leisure lead for a major agency organization, executive attends most corporate client presentations, just as an additional service his agency can provide.
  • Many of the top people among corporate clients become leisure clients.

• Another major agency cited one corporate customer, as an example, which now offers every employee who has been with them for 10 years a certain number of days off, or a $10K trip wherever they want to go. The trip, of course, is booked through their corporate agency’s leisure team.

Source: Focus groups conducted by PhoCusWright, 2013
Where Are New Clients Coming From?

- Clientele among the 30-45 age group appears to be growing fastest for most respondents, due to the following:
  - Internet is overwhelming customers and driving them to an expert to sort the selections and provide guidance.
  - Destination weddings and other forms of group travel leading first-time users to a travel agent and creating a new customer base.
  - Short weekends and celebration travel.
- Agents in all markets are reporting a growing customer base.

“I think people are going back to agents. I have never been busier in my 38 years in the business than I am now.”

Source: PhoCusWright Inc.
Group Travel Bookings Are Big Business

Leisure Group Travel as a Share of Total Revenue

Home-Based Agents: 28%
Leisure Agency: 20%

Question: What percentage of your leisure gross bookings are leisure group travel? (A group is defined as at least 10 people traveling on the same trip.)
Base: Retail storefront, Leisure (N=432); Home-Based agents (N=469)
Source: PhoCusWright’s Travel Agency Distribution Landscape 2009-2013
Why Travelers Book Offline?
Reasons for Booking Offline: Service, Service, Service

Question: Why did you book some or all of your travel offline? Please select all that apply.

Base: U.S. travelers (2013 N=1,560)
Note: Totals may not add to 100% due to rounding.
Source: PhoCusWright’s U.S. Consumer Travel Report Sixth Edition

- I didn't trust the information I saw online
- The travel provider/agency did not have online booking
- I didn't trust that the booking would go through
- I wanted to use a particular travel agent/agency
- I did not want to submit my credit card online
- I didn't have Internet access at the time
- I didn't book in advance
- I get better service if something goes wrong
- I can get better deals when I call/visit
- I had questions not answered by the website
- I wanted personal service

International and big spenders much more likely to use travel agencies
Service, Expertise, Relationships Drive Consumers to Agents; Agents Say Product Price Much Less Important

Question: What is the main reason your clients book with you? Select only one.
Base: Retail Storefront, Leisure (N=432); Retail Storefront, Corporate (N=72); Home-Based Agents (N=469)
Source: PhoCusWright’s Travel Agency Distribution Landscape 2009-2013
What Drives Today’s Travel Agent?

- Agents are focused on being consultants and advisors
- They will turn away business that doesn’t fit them or is not profitable
- They tend to do big trips, and may not do all travel for all of their clients
Average ARC Transaction Value by Channel, 2010

- **TMCs**: $638
- **Other agencies**: $593
- **OTAs**: $391

Source: PhoCusWright’s Travel Agency Distribution Landscape 2009-2013 and ARC
Big Differences in Product Mix by Agency Type

Question: Please indicate how much of each product category your agency books as a percentage of your gross sales volume
Base: Retail Storefront, Leisure (N=432); Retail Storefront, Corporate (N=72); Home-Based Agents (N=469)
Source: PhoCusWright’s Travel Agency Distribution Landscape 2009-2013
And What Will Happen to Those Preferred Supplier Relationships?

Preferred Suppliers

- Airline*
- Hotel
- Car rental
- Cruise line
- Tour operator

- Organize the Long Tail
- Provide a powerful communication platform

- Downward pressure on commissions
- Agency rationalization

- Elevate commission levels for the Long Tail
- Real debate about their ability to drive market share

Note: *Airlines (especially international carriers) continue to pay some compensation, based upon volume, as well as through consolidators. Source: PhoCusWright Inc.
Shopping Habits Continue to Change
### Number of Websites Used During Shopping Phase, by Agreement With Travel Planning Statement

<table>
<thead>
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<th>Websites Used</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
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<tr>
<td>1-2 websites</td>
<td>11%</td>
<td>20%</td>
<td>69%</td>
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<tr>
<td>3-4 websites</td>
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<tr>
<td>5+ websites</td>
<td>2%</td>
<td>3%</td>
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</tr>
</tbody>
</table>

"I enjoy the process of planning my vacations."

"When planning travel, I always check multiple websites to make sure I am getting a good deal."

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Question: When planning leisure travel, how many websites do you typically visit when...

Base: Online travel planners (2011 N=1,861)
Source: PhoCusWright’s U.S. Consumer Travel Report Fourth Edition
Websites Used for Shopping

- Online travel agency websites (i.e., Expedia)
- General search engines (i.e., Google)
- Traveler review websites (i.e., TripAdvisor)
- Travel search engines (i.e., Kayak)
- Travel provider websites (i.e., United, Marriott)
- Deals newsletters/websites (i.e., Travelzoo)
- Destination websites (i.e., VisitNewYork.com)
- Online social networks (i.e., Facebook)
- Travel guide websites (i.e., Lonely Planet)
- Magazine/newspaper websites (i.e., Travel+Leisure)
- Home/apartment rental websites/apps (i.e., Airbnb)

Questions: What type(s) of websites do you typically use when comparing and choosing leisure travel products? Select all that apply.
Which of the following, if any, have you done in the past 12 months? Traveled by airplane.
Base: U.S. travelers who used websites to compare and choose leisure travel products (2010 N=2,008; 2011 N=1,587; 2012 N=2,041; 2013 N=1,485)
Source: PhoCusWright’s U.S. Consumer Travel Report Sixth Edition

OTAs and general search dominate shopping, but metasearch is growing.
Devices Used During Travel Life Cycle
(U.S. Travelers Who Are Also Smartphone Owners)

Table: Devices Used During Travel Life Cycle

<table>
<thead>
<tr>
<th>Activity</th>
<th>Desktop</th>
<th>Smartphone</th>
<th>Tablet</th>
<th>Sharing*</th>
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</thead>
<tbody>
<tr>
<td>Destination Selection</td>
<td>82%</td>
<td>35%</td>
<td>22%</td>
<td>57%</td>
</tr>
<tr>
<td>Shopping</td>
<td>82%</td>
<td>34%</td>
<td>21%</td>
<td>41%</td>
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<tr>
<td>Booking</td>
<td>81%</td>
<td>19%</td>
<td>12%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Note: *Updated social network with trip-related post.

Question: Please indicate which of the following travel-related activities you have done online using your desktop/laptop, smartphone or tablet in the past 12 months. Select all that apply for each row.

Base: U.S. online travelers who own smartphones (N=1,658)

Source: PhoCusWright's Traveler Technology Survey 2013
Technology is getting smaller, more mobile and smarter.

Source: PhoCusWright Inc.
Use of Mobile Within the Travel Life Cycle

The dreaming, planning and booking cycles have been extended through mobile technology.

Source: PhoCusWright Inc.
Mobile Booking Projections

Mobile Bookings – Share of Total Travel Market, 2013

- Mobile: 4%

Mobile Bookings – Share of Total Travel Market, 2015

- Mobile: 12%

The pace of mobile bookings is accelerating.

Note: 2013-2015 projected.
Source: PhoCusWright’s U.S. Online Travel Overview Thirteenth Edition
Social Graph

Understanding the Social Graph drives further personalization through unique bundling.

Source: Google
Where Are You in the Social Media Spectrum?

- Do you have a business Facebook page?
- Do you communicate with your customers on a regular basis?
- Are you on Instagram?

Source: PhoCusWright Inc.
The Future Travel Advisor
Adapting Can Mean NEW Business
U.S. Travel Activities
Market 2012:
US$33B

Source: PhoCusWright's When They Get There and Why They Go: In-Destination Activities, 2010
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Why don’t they book in advance?

Don’t think about it
Booking Window for 18.2 Million Land Tours, 2012

Pre-Departure

- > 14 days
- 1-14 days

In-Destination

- In advance
- Same day

Source: PhoCusWright’s When They Get There (and Why They Go): Activities, Attractions, Events and Tours in Europe
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New Entrants in Agent Market

• New companies are vying for traditional travel agent business and adding agents to the mix for ancillary sales, in-destination sales and much more.
• Many of these companies now offer apps or white label website programs that allow agents to be the seller of record and the customer to do the booking online.

• ARC Marketplace
• VIATOR (recently acquired by TripAdvisor)
• Bedsonline
• Shore Trips
• ShoreEx

Source: PhoCusWright Inc.
The DMC as a Resource

- Very important destination resource for luxury market.
  - Growing exponentially in Europe, Asia.
  - DMCs are helping to move business to certain destinations because of their ability to find unique opportunities for travelers.
- Provides ability for agency to be a “human search engine” for customers.
- Provides on-the-ground help for customers while in destination.

“Even in the destinations you think you know they make you a superhero!... I got a call from our DMC in Germany, clients can now have lunch or dinner at the Reichstag in Berlin... Well that is FABULOUS!”

Source: PhoCusWright Inc.
Complexity of Your Sales Will Only Grow

- Importance of being up on the latest technology
- Offering app-based booking and shopping options for your customers
- Having DMC relationships and ancillary service relationships
- More suppliers, more complexity, more to know
The Future Challenge for Today’s Travel Seller

- Are you adapting fast enough?
- Is your business truly ready for the way your customers will shop and buy in 2020?
Thank you!
Q & A
Thank you!

Send your questions and comments to kevin@tnooz.com

Replay and presentation of webinar will be available on www.tnooz.com