

Distribution in the Long Tail

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Definition

For our purposes, travel inventory in the long tail...

- Is NOT:
 - Branded hotels
 - Airlines
 - Car rental
 - Major cruise lines
- IS:
 - Tours and activities
 - Vacation rentals
 - Rail
 - Parking
 - Golf
 - Timeshares



Why Should We Care?

- Tours and activities market estimated at \$55 billion (outbound from North and South America and Europe)
- US vacation/holiday/villa rentals market estimated at \$18 billion
- VC funding of these distributors is growing
- Segment-specific technology providers and distributors are popping up



Our Panelists

- Stephen Joyce, CEO, Rezgo
- Ted Miller, COO, Instant Software
- Aaron Nissen, Director e-Strategies, TravelAlberta



Herding Cats

The Challenge of Enabling Tour & Activity Operators

Stephen Joyce
CEO, Rezgo.com

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DOCTOR FUN

| Oct 2002



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The daydreams of cat herders

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State of the Union

20% Destination tour & activity suppliers who accept bookings through on-line channel.

5% Suppliers who distribute product through resellers.

* Internal market research

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State of the Union

47% Average seasonal capacity of SME tour operators.

\$200 Average booking value based on two guests.

* Internal market research

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State of the Union

\$27.6 Billion

Value of non-distributed capacity from SME operators in U.S. & Canada.

* Internal market research

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The Opportunity

There are hundreds of thousands of destination activity & tour operators globally who do not sell on-line or distribute their products electronically. This inventory is valued in the Billions of dollars.

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The Opportunity

These in-destination products are predominantly:

- Scheduled tours
- Fixed availability (i.e. 15 seats in a van)
- General admission attractions
- Open availability

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The Supplier Challenge

- Small Businesses
- Single Owner/Operator
- No formal business background
- Little or no best practices
- Little or no cash/capital for technology

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SME operators would rather be out on the mountain than behind a desk.

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What suppliers said

- Their products are unique or too specialized.
- Their accounting is unique.
- Their relationships are unique.
- Their businesses are too complex for a system.
- They don't need any more bookings.

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What we interpreted

- They don't have a standard for structuring products.
- They don't have a standard system for accounting.
- They sell to & through whoever they can.
- They don't have the tools to understand their business.
- They can't handle more bookings.

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The Distribution Challenge

Small businesses individually hold very little inventory and are too volatile for a distributor to create one-on-one relationships. Distributors need economies of scale.

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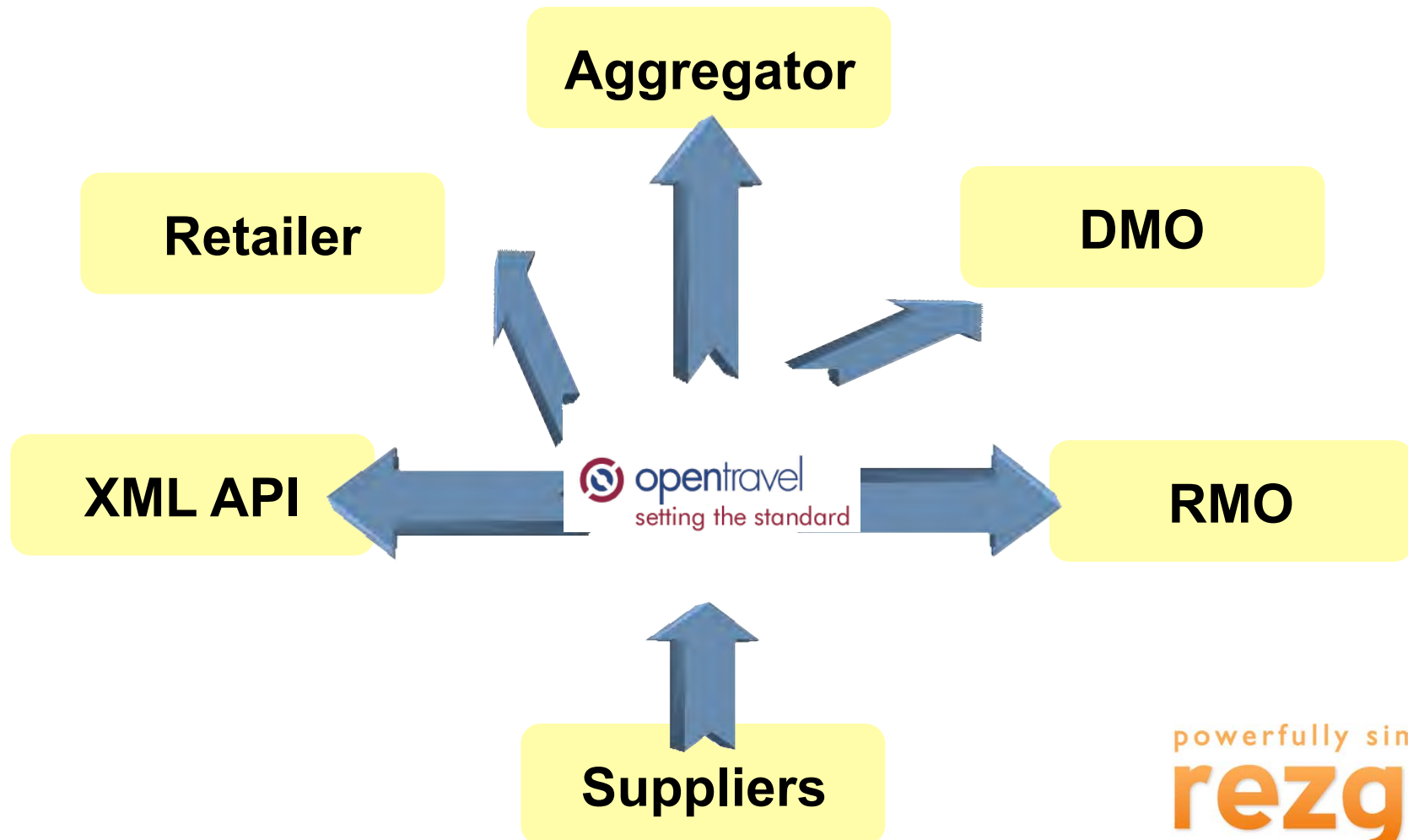
The Distribution Challenge

If all suppliers are using systems that connect using the standard messaging then it doesn't matter if you connect to 1 or 100 suppliers.

Access is no longer an issue.

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The OpenTravel Challenge

Small businesses don't care about standards, they just want to know that they can sell their products where and when they want.

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3 Keys to Success

- Software vendors need to develop based on the standards
- DMOs need to insist on standards
- Aggregators need to connect using standards

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Role of Rezgo

- Developed 18 messages that are already in use.
- Donated all messages to OpenTravel
- Participating in the Tour Message Workgroup
- Continue to develop new messages which will be donated to OpenTravel
- Goal is to make the messages ubiquitous

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Travel Alberta

Aaron Nissen
Director, e-strategies



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Who we are

- Provincial Marketing Organization
- ~ \$55 Million to generate \$5.7 Billion
- Mission:
 - “To grow tourism revenues with compelling invitations to experience Alberta”



Partners

- Canadian Tourism Commission (NTO)
- Destination Marketing Organizations (DMO)
- Thousands of Operators, Tour providers and MC&IT partners



Collaboration Challenges

- Duplication of efforts (content, technology, campaigns)
- Competing for same resources
- Different technologies
- Point to point integration
- Little content sharing



What we are doing

- Implementation of dynamic Taxonomy (Ontology)
- Opening up our platform (data and technology)
- Roll out OTA data standards for Alberta
- Become OTA contributor
- Other PMO's across Canada are watching our results.



Expected results

- Travel Alberta becomes an aggregator and syndicator of content
- New distribution channels open up
- Less focus on integration and disparate technologies
- Closer partner relationships



Vacation Rental Industry Challenges and Opportunities

Ted Miller, COO

Instant Software





- Instant Software, Inc. was formed in 1996 and is the leading supplier of business management and online solutions for the Vacation Rental industry. Our corporate headquarters are in Basalt, CO.
- Instant Software has sold and installed systems in over 2,200 vacation rental management companies representing more than 250,000 properties - estimated to be about 50% of the total U.S. market for professionally managed properties.



Instant Software, Inc.

- Is a group of enterprise systems designed specifically for the management of individually owned condominiums, chalets, villas and vacation homes.

PropertyPlus

First Resort

V12.NET

Entech



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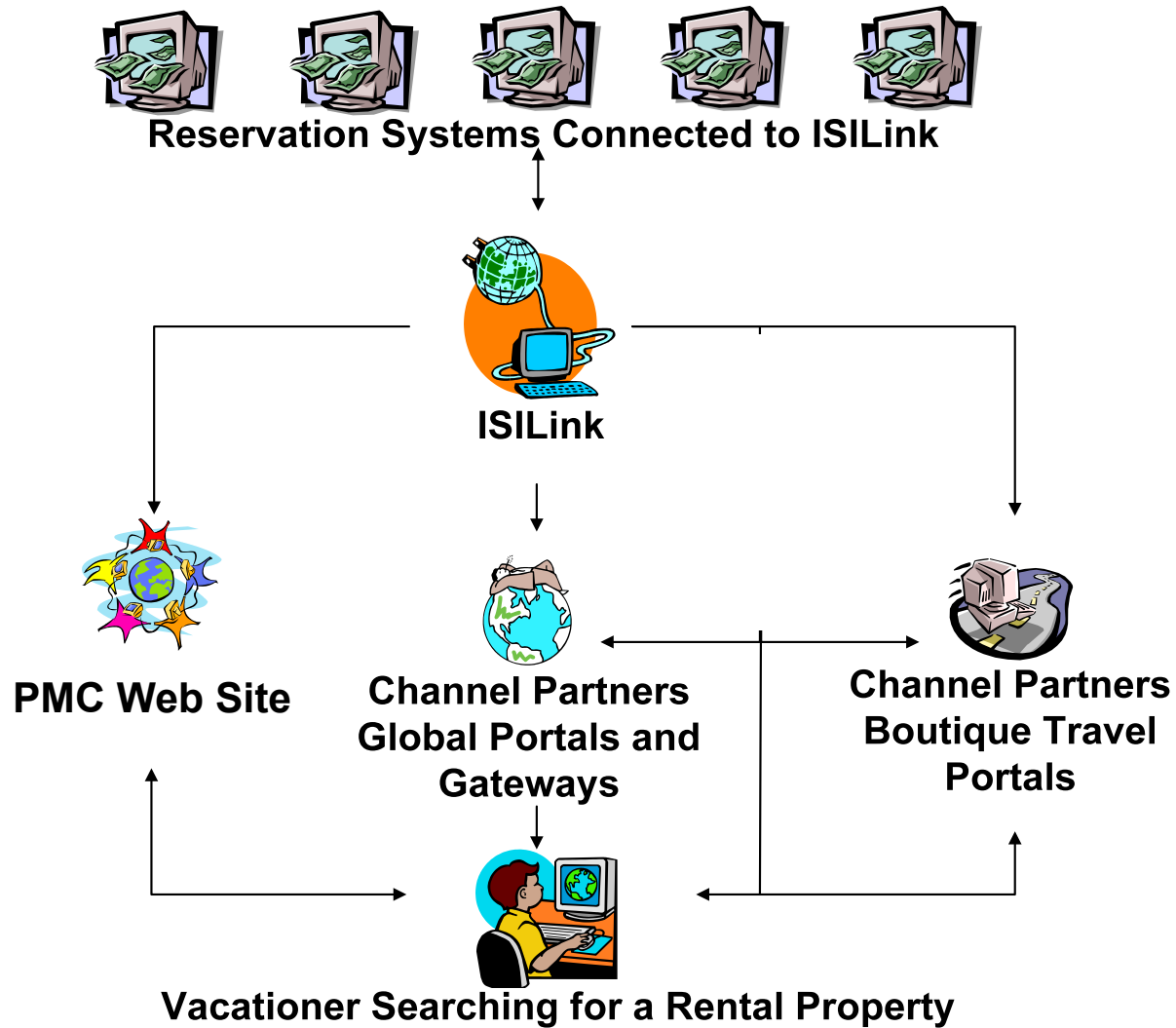


Ease of Distribution



- With one single connection to ISILink, our Channel Partners can access the largest network of vacation rental suppliers.
- ISILink is Instant Software's data "hub" and web distribution system that automatically connects our clients' reservation systems and real-time data to the Internet, so reservations made through your website will seamlessly flow into our clients' business management solutions.





- Each vacation rental management company's database acts as the "authoritative" database and is always checked for last minute confirmation in real time.
- So whether a traveler books through the vacation rental management company's website, a reservationist or Channel Partner, the traveler who pays first gets the booking.

Maximum Distribution = Maximum Opportunity



- U.S. Vacation Rentals estimated to be \$18 billion segment of the travel industry (almost 20% of the \$110 billion hotel industry) – Some research says it may be as much as \$25 billion
- Gaining tremendous momentum as travelers are starting to become more aware of the travel option
- **Two basic property management structures**
 - Rent by Owner (RBO) – Estimated at about \$8 billion in revenue – becoming a formidable threat to PMC's
 - Professionally managed by Property Management Companies (PMC's) Estimated at about \$10 billion in revenue
- **Large, fragmented and relatively unregulated**
 - 5000 PMC's (about 3500 using software) – few strong and recognized brands
 - About 1,000,000 total properties (50/50 split between RBO and PMC's)
- **Average price for Vacation rental is about \$215/night**
- **Average Stay is about 5.5 nights (trending towards shorter stays)**

➤ **Just beginning to penetrate the online travel industry**

- Estimated 2,400 PMC's have their own websites
- 28% of VR bookings are conducted online (vs. 40% for hotels) – some bigger PMC's experience over 50% of their bookings online
- Majority of the online bookings are conducted on the PMC's own website vs. OTA's – estimates range from 75% to 95% on their own websites

➤ **Extreme seasonality and inconsistent inventory supply**

- Occupancy rates average about 30% (hotels average around 60%) but can vary from as high as 100% in peak seasons to 10% in “shoulder” seasons (warm weather locations tend to have higher year-round occupancy rates)
- Typical property is rented 16 weeks out of the year – this does not include the times that the owner stays at the property

INDUSTRY CHALLENGE

- The diversity and complexity of products and operating practices compared to the hotel industry. Every unit is different and many PMC's run their businesses differently.

making a standard software process difficult.



Reaching Consumers

- Vacation Rental Web Sites
 - Very individualized

- Major Vacation Rental Specific Sites
 - HomeAway
 - Trip Advisor via FlipKey

- OTA's
 - Currently little impact



The Long Tail Impact

- Vacation rentals – a very rich travel experience
- Creating new market places
- Reaching and converting hotel guest to vacation rental guest



Open Standards

- Technical ease of two non-technical companies desire to work together.
- Technical defragmentation of an industry
- Bypass hotel centric distribution channels

