

# From Niche to Mainstream:

How Online Distribution Channels are  
Driving Adventure Travel Growth

Adventure Travel World Summit

October 2007





# Agenda

- “Mainstream” Travel Distribution
- What It Means To You
- Case Studies
- Key Takeaways
- Q&A



## Meet the Panel

- **Valyn Perini, Executive Director, OpenTravel Alliance**
- Experience in travel distribution in hotels, cruise lines, National Park Service, software developers and consulting
- Tireless supporter of coherent and consistent distribution standards in travel to improve margins for suppliers and distributors, and to create a better traveler experience



# About the OpenTravel Alliance

- Self-funded, non-profit trade association
- Founded in 1998 by the major airlines, hotels, car rental companies, distributors and technology companies
- Creates open messaging specifications in XML to solve distribution business problems
- Members include cruise, travel agents (on-line and off), distributors, technology/solutions providers, hotels, airlines, railways, and car rental companies



## Meet the Panel

- **Dick Schulte, CEO Adventure Central**
- Entrepreneurial leader with over 20 years of experience
- Has led multiple telco and software start-ups to success, including Voyant Technologies, and recently Adventure Central
- Active outdoor and adventure travel enthusiast—inspired by the physical and inspirational beauty of the Rockies via heliskiing, cycling, hiking, whitewater sports and cross-training



## About Adventure Central

- Founded in 2003, based in Denver, CO, Home of the Future World Champion Colorado Rockies
- Leading provider of services that enable adventure and experiential tour operators to run their businesses more profitably and reach more customers through new distribution channels.



## Meet the Panel

- **Michael Culhane**
- SA born Economist - “Wildlife as Resource” interest
- Early Econometric Models for Botswana
- Gametrackers Botswana
- Fly-In Safari Concept
- Need to create new distribution models in prime markets
- GTB Sale
- Electronic Distribution - GDS “plumbing” (Telco’s)



## About Adventure Link

- First true GDS for Adventure Travel Industry
- Launch November 14, 2007
- over 1,000 operators with over 25,000 trips
- Intuitive UI – Search and save relevance
- Pull content from operator sites or via extranet
- Distribute via OTA's, traditional agents, affiliates, directly
- Expert Travel Agent fulfillment – VoIP
- Performance based



## Objective - Get Comfortable with Mainstream!

- More and more customers are searching for the kind of experience you provide - Going “mainstream” means getting your product in places they are likely to look for it.
- It does not mean taking anything away from what makes your product great today.



# Travel Distribution Options

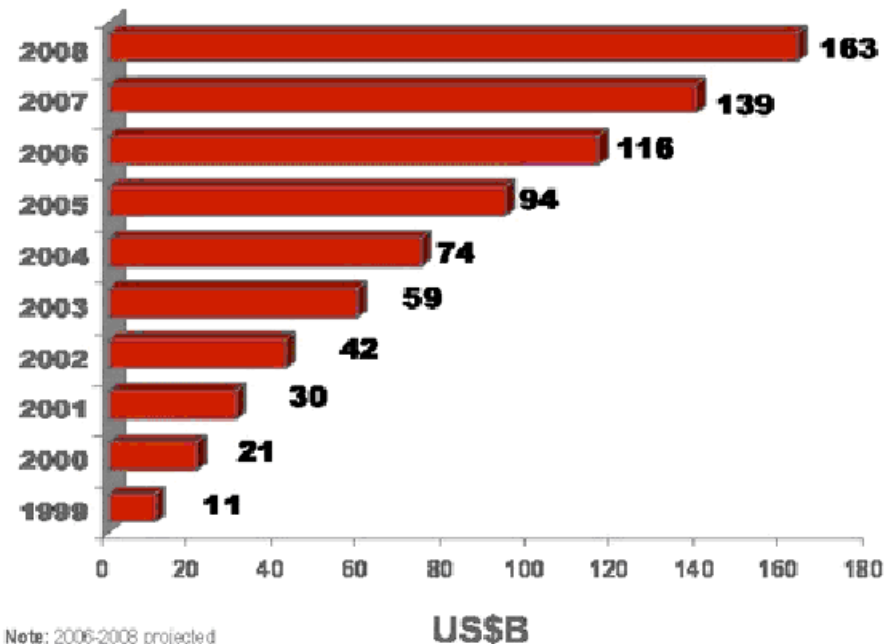
- Consumer Direct
  - Advertising – Traditional and online – including directories
  - Affiliate Marketing - Offline and online
  - Walk in business – Call center, Word of mouth
- Travel Trade
  - Wholesale - US based, Foreign based
  - Retail - agencies, local, consortia, networks
  - OTA's

# Travel Distribution: Online vs Offline


PhoCusWright

MARKET RESEARCH • INDUSTRY INTELLIGENCE

## U.S. Online Travel Soars – 1999-2008 (US\$B)



**2007: First year that more travel will be bought online than off**



# Leisure Travel—Searching and Booking Now Routine

- 83% of US leisure travelers are now online
- 79% of US leisure travelers have been buying online for over 5 years--six percentage points above US average
- US leisure bookers bought more than \$74.4 billion of leisure travel online in 2006—will exceed \$111B by 2010
- Percent of leisure travel budget spent online in 2006—60%, to grow to 70% by 2009
- Where they booked in 2006:
  - OTA's—41%
  - Direct suppliers—30%
  - Travel-specific sites—19%
  - Other—10%

Base: US online leisure travelers

Source: Forrester's Consumer Technographics® North American Benchmark Studies 2004-2006 & Leisure Travel Data Overview for North America March 2006

FORRESTER®



## AC 2007 Online Statistics: How and When Travelers Are Booking

- 15% of bookings online via operator website and online distribution
- Of those, 23% of bookings take place after hours (7pm to 7 am)
- 29% of online bookings take place on weekends
- Look-to-book ratio of 3.5% via operator's websites

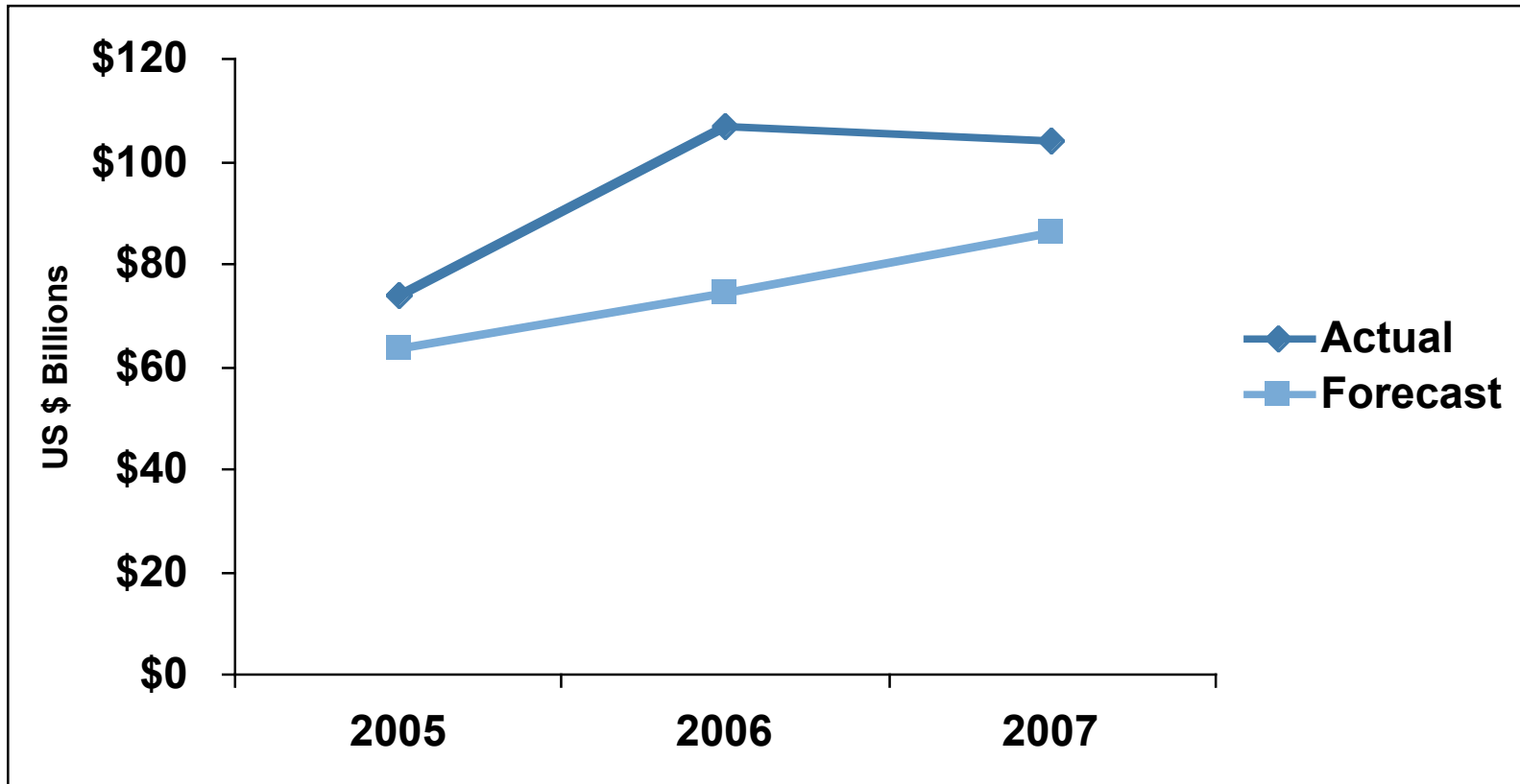


# Who Are These Bookers?

- Extremely well-educated
  - 54% are college grads in 2007, up from 46% in 2005
- Very high income
  - Household income USD75K in 2005, USD90K in 2007
- Dedicated travelers
  - More trips: 4.5 per year in 2005, 5.6 in 2007
  - Higher annual travel spending: USD3,400 in 2005, USD5,200 in 2007

Source: Forrester Research, Inc.

# Online Spending is Above Forecast



Source: Forrester Research, Inc.



# A Look at the Cruise Industry

- In North America alone, more than 31 million travelers will choose cruising from 2006 to 2009
- Most used booking channel is still a local phone number BUT
  - Usage of direct call declined 8% from 2002 to 2006
  - Use of email or website increased 27% from 2002 to 2006

All Cruise Information Source: CLIA 2006 Cruise Market Profile



# A Look at the Cruise Industry

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## ***Influential Sources for Cruisers***

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Word of mouth	38%
Always wanted to go	38
Destination website	37
Spouse/Travel companion	35
Cruise website	30
Travel magazine	12
Travel agent recommendation	12
Internet advertisement	11
Travel guide	9
Magazine advertisement	8
Television/Radio commercial	5
Direct mail	4

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# A Look at the Cruise Industry

## ***Cruisers' Perception of Best Prices***

Websites and Online Travel Retailers	60%
Direct to Cruise Line	20
Travel Agent	14
Tour Operator	6

- There is an increasing perception that online travel retailers provide the best cruise prices, a 7% jump since 2004.
- Less than one in five cruisers now believe that the best price is through a travel agency.
- More than half believe they get better rates when they book on their own.



# A Look at the Cruise Industry

Norwegian Cruise Line's (NCL) customers have been asking for direct booking capability, and NCL knew it would lose market share if it didn't comply. In 2005, they rebuilt their booking engine and met several objectives:

- Reduced the cost of shopping and booking transactions by **50%** over call center
- Expect to **double** GDS bookings by the end of 2008
- Increased eDistribution of NCL product by **20%** in 2006 over 2005
- Saved internal IT and operational costs by streamlining their technology and connectivity processes
- Did not rebuild their reservation system, only the way it connected with distributors



## GDS = Just Another Channel

- Changing business models after deregulation
- Aggressively entering new markets like Latin America, India and China
- Looking for new supplier partners
  - Helicopter transfers
  - Rail, especially in Europe
  - Cruise
- Powering more online travel agencies and other distributors
- Still bringing in high-revenue business



# GDS = Just Another Channel

- Building new technologies and non-traditional partnerships
  - Amadeus - building a cruise booking engine
  - Worldspan - bought by Travelport, focusing on airline hosting and bringing Gullivers Travels onto the Worldspan platform
  - Sabre - more sophisticated airline sales tools (selling by seat type, not just class)
  - Sabre - bought a web design company, E-site Marketing
  - Amadeus and Sabre creating joint venture in Europe to provide automated payment processing to agents and suppliers
  - All are looking for non-traditional content (images, audio and video) to keep up with traveler demands



## What It Means To You

- Do You need a new Business Model?
  - Differentiated pricing
  - The Genius of Net Rates
  - Are you looking “abroad”?
  - When the large customer comes calling will you be ready?
  - Is this customer “Action” or “Reaction”?
  - How do you tell if the large customer is an Equine Beast made in Troy?



# What It Means To You

- Can you work with your competitors to grow your destination/speciality?
- Taking the “High Road” - competition
- The Discipline of Social Networking



# Case Study #1:

## What Multi Channel Electronic Distribution Can Do For You

- Whitewater operator based in Colorado
- \$3M in annual revenues
- Offers both single and multi-day trips
- Now open for business 24/7 online
- Access to 10x more unique and qualified travelers
- 2007 Season Results:
  - 24% of bookings revenue online via website and online distribution
  - Enable hotel concierge desks to book direct online
  - 12% growth in overall business



## Case Study #2:

### What Multi Channel Electronic Distribution Can Do For You

- Multi-activity “soft adventure” operator based in San Francisco, CA
- \$2.5 M in annual revenues
- Offers both single and multi-day trips
- Now open for business 24/7 online
- Access to 10x more unique and qualified travelers
- 2007 YTD Results:
  - 15% of bookings revenue via website and online distribution
  - Almost 9000 seats sold online
  - 10% growth in overall business



## Case Study #3:

### What Multi Channel Electronic Distribution Can Do For You

- Inbound FIT/Group operator with operating divisions in 17 countries
- No longer “locked” into 15 wholesalers (USA)
- Can reach over 4,000 leisure agents (B-B) and their customers (B-C) - keeping B-B business model
- Can position offers and take advantage of special situations in “real time”



# Case Study #4:

## What Multi Channel Electronic Distribution Can Do For You

- Specialist Bike Tour Company
  - Total inventory - 10 Worldwide Departures plus FIT's
  - Trips show up on Destination Searches on OTA's
  - Develop a small specialty network of Agents - beyond the activity level - communicate directly with these
  - Inventory now on 100,000 client facing agent sites
  - Inventory now on 50 - 60 specialist Bike sites
  - Can accept Bookings 24/7 (request basis)
  - One place to post pics/video updates, special offers
  - Video feed to YouTube, BroadbandTV, HDNet



## Questions about Connectivity

- What impact will increased connectivity have on **customers** purchasing travel products - and how will this effect your business?
- Does your business understand how **technological developments** are allowing travel companies to exchange information with greater ease and at reduced costs?
- To what extent will improved interoperability cut your distribution **costs**?
- What questions can you ask potential **partners** about their connectivity process?



# Open Standards are Part of the Answer

- Use same connectivity method trading partner to trading partner
- Speed time to market for new products and new partners
- Lower IT and operational costs
- More agile and responsive business for your customers
- Open = Free!
- Zero-cost model spurs use of standards
- Widespread use generates more implementation and further interest in standards



**Everyone speaks the same language!**



## Tour Project Team Meeting

- Developing standards for tour operators, distributors and technology providers
- Open to all ATWS attendees Sunday 9:00am-10:00am
- Team will present its work so far and solicit input from the adventure travel community
- Garibaldi A (downstairs)



# Key Takeaways

- “Mainstream” means having your content show up where travelers are looking to find it
- Business models need to cater for differential pricing
- Electronic multi-channel distribution is far less expensive per booking than analog methods
- Look for options that do not require a re-organization of core business functions - these can evolve based on experience
- Electronic Distribution allows you to better leverage your core marketing assets
- Allows you to focus on what you do best - delivering that unique experience

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