Evolving distribution

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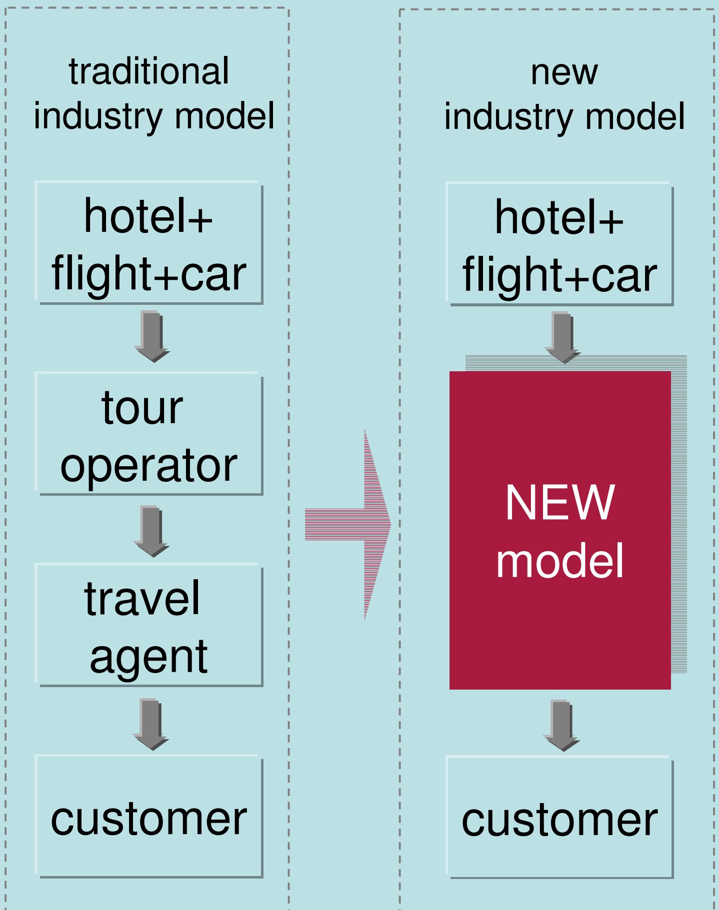
Benidorm forum
2007

Background

- Traditional DP model changing
- New entrants/ evolving technology
- DP vs HD(holidays dynamically)
- Margins and Commoditisation
- Ppc, brand and Seo- paid, brand, natural
- Impact by sector

New travel provider



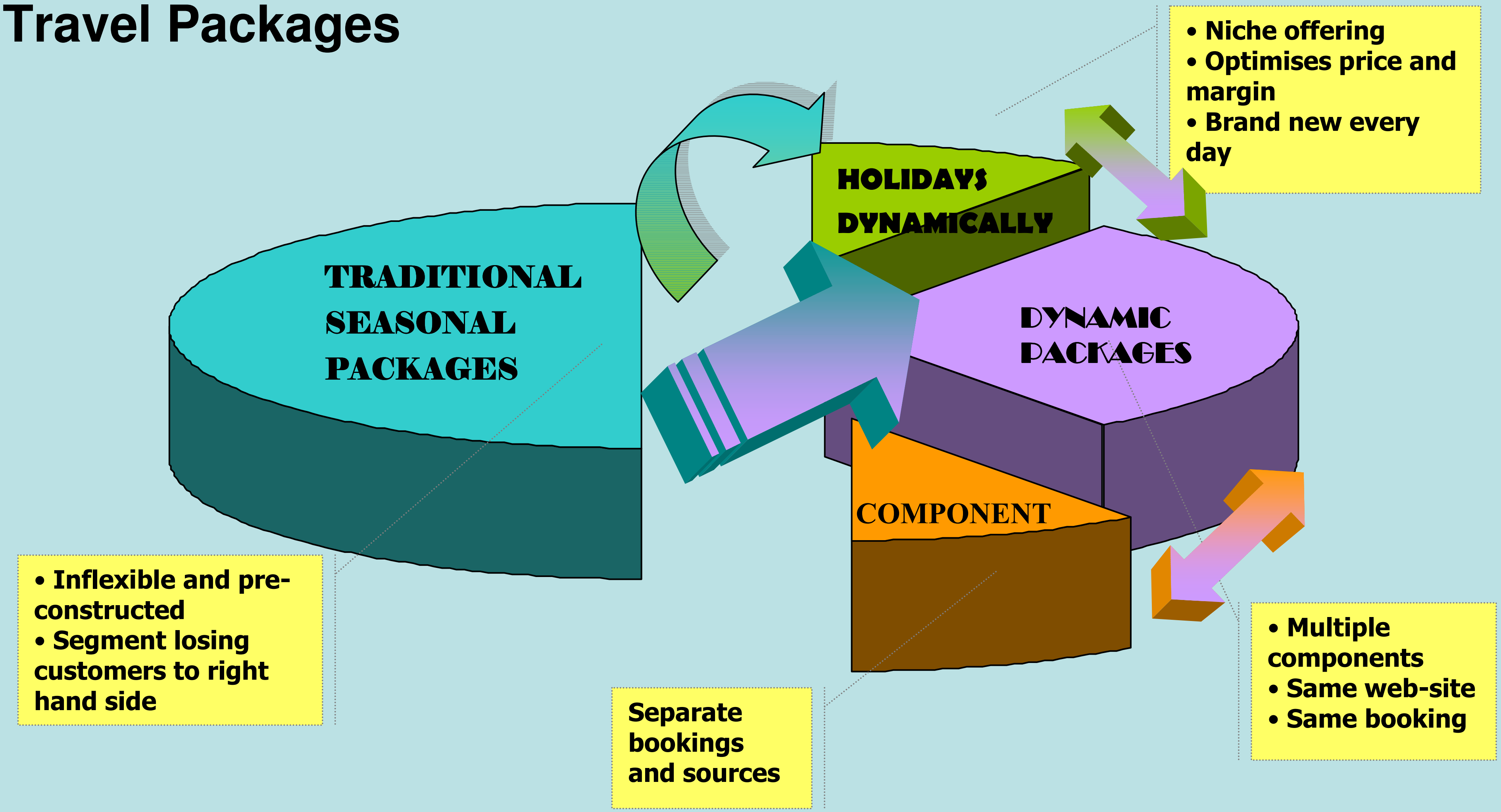
The winners will:

- ✓ **Be the lowest cost producers**
- ✓ **Be able to hold margin**
- ✓ **Offer the lowest prices**
- ✓ **Have widest distribution**
- ✓ **Have the best brands**
- ✓ **Be the easiest to use**
- ✓ **Have own stock**

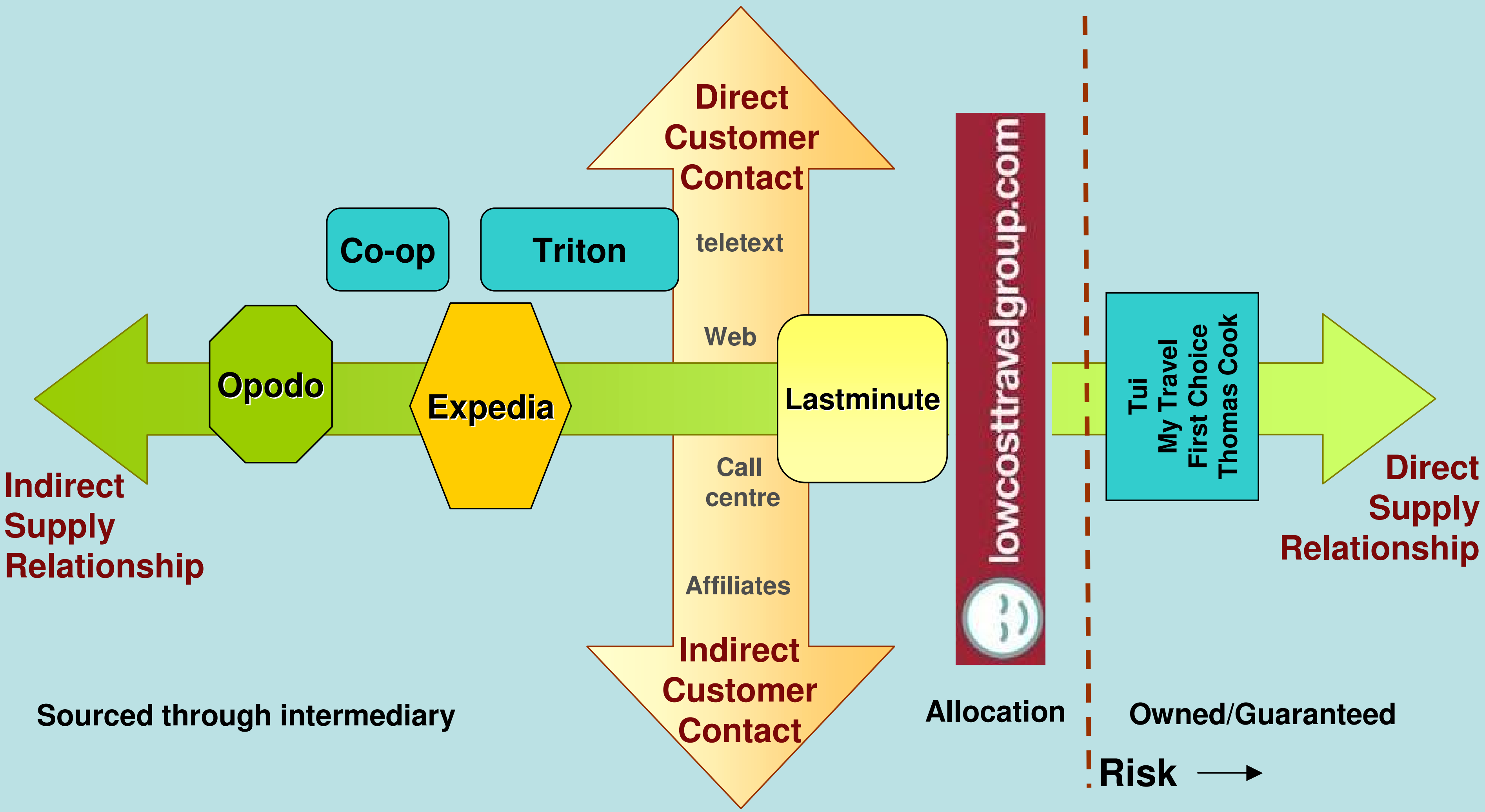
System/Pricing Issues

- DP margin nowhere near Package margin
- Commoditisation driving down prices
- Speed and reliability of technology
- Xml live data versus cache data
- Asset holders manage distribution directly
- Comparative sites pressurise margins

Travel Packages



It is all about access to customers and stock!



Impact on Hotels

- Hotels have wider distribution
- Concern by asset holders as to control of pricing
- Rack rate- wholesale- operator- new model
- Forced flexibility with commitment reductions
- Transparency of rates commoditise hotels
- Net pricing by trade not visible at point of sale
- Asset holders will increasingly control the intermediaries / agents costs versus their own points of sale

Impact on Travel agents

- Closure of traditional agents
- Consortium building own capability
- Struggle to replace package margins
- Power of call centres
- New technologies provides potential incremental margins at POS

Impact on Tour operators

- Brands increasingly compete online
- Consolidation
- Capacity movement to medium/ long haul
- Web based versus Viewdata
- Increase in direct
- Increase in unbonded
- Avoidance of ATOL / TOMS £20pp

Impact on Airlines

- New vertical integration
- Technology is the key distribution and yield management platform
- More focus on sale of hotels, car hire , insurance, seating, extras
- Commoditisation of product
- Growth continues

Impact on Cruise Companies

- Growth market
- Slower on technology versus airlines
- Margins strong for asset holders
- Slower to sell direct
- Commissions discounted by intermediaries
- Product sold as a package or cruise only
- DP online bookable cruising coming

Conclusion-Paulo's Predictions

- Pace of change will accelerate
- Technology will always be too slow
- Telephony will remain crucial
- Asset holders & Customers will win
- Margins will be reduced for intermediaries
- Short haul more than long haul
- Traditional operators will consolidate
- High street Agents will continue to close
- Multiples will become virtual call centres
- Cruise will go online
- Hotels as airlines will increase direct sales