



Travel agents embrace online booking

The online travel booking business has burgeoned in the past two years and now faces a fresh challenge from underdog website **holidaycity.com**.
Gill South reports.

SINGAPORE-BASED TRAVEL website **holidaycity.com** is planning an onslaught on the New Zealand travel market. Its chief executive, Lee Lai Huat, based in Singapore, aims to win more customers by eschewing booking and cancellation fees, as well as the time limit on when you book.

Lai Huat said he expected the online travel market here to expand by 30 per cent as people became more adventurous about booking online. "We are getting a lot of first-time users," he said.

Holidaycity.com is increasing the number of hotel partners from 7000 to 12,000. "What we want to do is bring local hotels to the international market."

The competition from both travel agencies and pure online websites will be stiff in what has quickly become a mature market. "We are the underdogs," Lai Huat said.

The online travel booking business has burgeoned worldwide and in New Zealand in the past few years. Travellers here have unprecedented choice from booking websites such as **lastminute.com**, **wotif.com**, **airnewzealand.co.nz** and **zuji.co.nz**

The financial broking houses

underplay the internet competition, although Goldman Sachs JBWere has noted a 30 per cent reduction in travel agent share of the total travel market resulting from direct supplier sales or other sales avenues. Travel agencies all have their own websites so they are not necessarily losing revenue.

"The internet is simply another direct sales channel, albeit an easier one to establish, and does not ease consumer "trust" or independence issues," said Matt Henry, analyst at Goldman Sachs JBWere on Gullivers Travel Group.

"To date... the internet channels have been utilised for simple, low-margin products... with customers preferring live service for multifaceted, high margin bookings."

The big three travel agencies in New Zealand say online booking is now part of their multi-channel offer. Gullivers Pacific launched **zuji.co.nz**, linked to the American **travelocity.com**, in October 2004. House of Travel launched **houseof-travel.co.nz** the same year and Flight Centre has an online booking service for domestic deals and is planning an international service. Jeremy van de Klundert, general manager of Flight Centre, calls the travel websites "just another shop".

"It's very hard for the small players coming in just with an online presence. It is very hard to build up that trust with people," said John McGuinness, Flight Centre communications manager.

Kathy O'Connor, head of investor relations and new ventures at Gullivers Travel Group said its **zuji.co.nz** website was a necessary adjunct. The group also has **www.holidayshoppe.com** and **unitedtravel.co.nz**

"It is ideal if you have a short trip planned to Sydney but not if you are going to Africa," she said.

Travel agencies are enjoying a buoyant market, with people travelling for experiences and they are not

necessarily price sensitive. Gullivers has had a run of bookings for the Chelsea Flower Show, for instance, said O'Connor. "It's a great time to be in business. Thomas Cook in the UK has had its most profitable time ever."

House of Travel said it was the only major agency with a full online service. "Travel internet is a significant part of the future travel," said House of Travel retail director, Brent Thomas.

"We can either sit here and say no, or embrace it and use it as part of our selling tools. We firmly believe in embracing it."

The business from **houseof-travel.co.nz** now accounts for 20 per cent of the agency's turnover. And of this online business, 80 per cent of the customers were new to the House of Travel group, said Thomas.

"Our outlets have also grown at 20 per cent," he said.

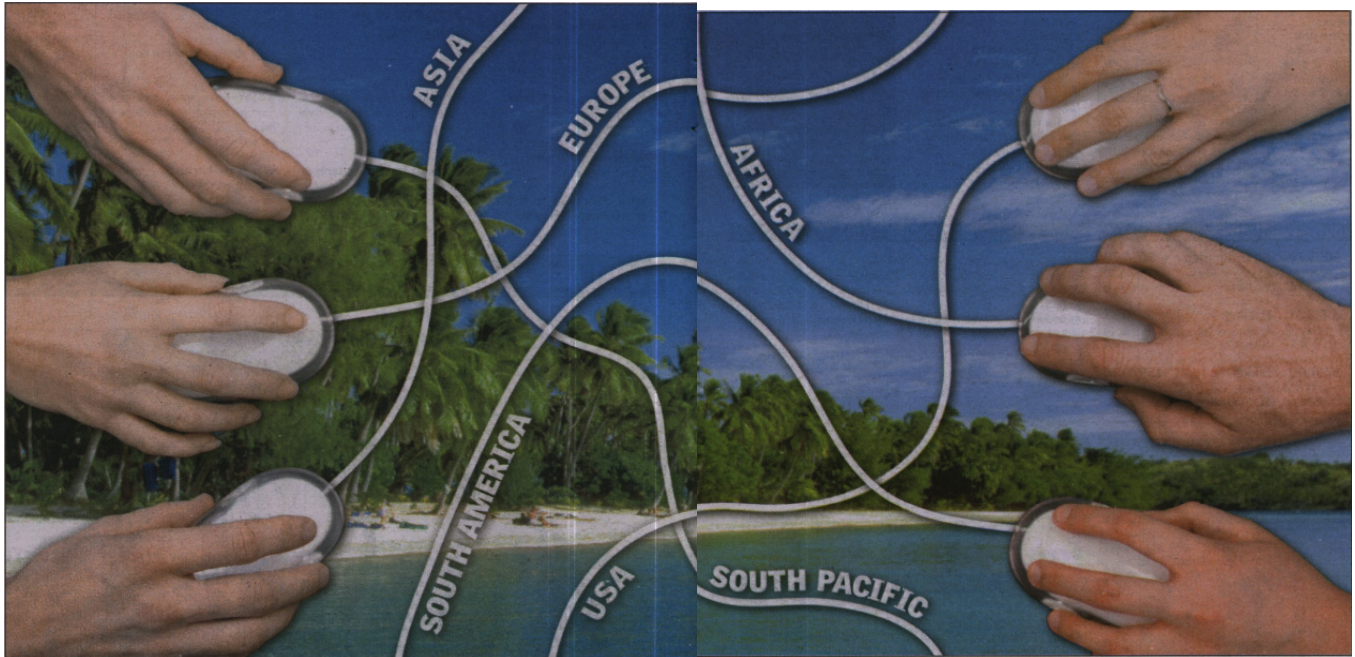
"Our recommendation is to still have a conversation with a consultant."

What travel agencies offered was unbiased advice, he said. "The travel agency of the future must embrace that and continue to present unbiased advice."

Agencies maintain there is little or no price differential between online stores and bricks and mortar outlets. Big companies such as Flight Centre and Gullivers certainly have good buying power from hotels and airlines. Flight Centre is asking consumers to bring in an online quote and the travel agent will beat it.

The long-established relationship agencies have had with hotel chains has remained healthy despite the hoteliers spreading their net wider. Some online sites claim they charge a smaller commission from hotels than the agencies but Craig Bonnor, business development director at the Auckland Hilton, denied this.

"It is identical. We pay 10 per cent commission to travel agencies. We are not terribly negotiable on that. Most



MARKET SHARE: The online travel booking business has burgeoned not only in New Zealand, but worldwide

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BRENT THOMAS *House of Travel retail director*

hotels have their own booking websites too and they offer the same rates as the travel websites,” he said.

People used to think that they got the best deal online, but this was not the case, said Bonnor. And customers were beginning to realise this.

Bonnor is non-committal about whether the Hilton’s business has improved since online booking although he is complimentary about the addition of website travel.

“It’s another marketing tool for us. Websites have been a great innovation. Websites like Trade Me have helped build that confidence to book hotel rooms.

“It has essentially provided the consumer with more choice.”

He did not see their arrival as hurting travel agency business.

“The travel agents continue to be

successful in handling the corporates.”

Hotel chains have been the bread and butter of successful online website wotif.com, which specialises in accommodation booking.

The 6-year-old business has come from nowhere to being a major player in the travel business with its clear, easy-to-navigate website.

It took 36 per cent of all the online accommodation sales in Australia and 24 per cent of the New Zealand market, said Tania Witheford, a former travel agent and New Zealand manager. She said Wotif has 360,000 customers who booked online in New Zealand.

Founder Graeme Wood is listing 42 per cent of the company on the Australian stock market next week in an offer price which will value the





company at around \$380 million. It may well end up listing in New Zealand as well, said Witheford. The business it has won so far was "just the tip of the iceberg" said the New Zealand manager.

While websites such as wotif.com continue to grow, travel agencies are making money from an old-fashioned service that involves

travel agents going to people's homes to help design their trips, in the same way that mortgage brokers do.

House of Travel has mobile managers and as Thomas puts it: "If you get into someone's living room, you've got the sale."

This extra service has been sparked by a demand for more complicated, ambitious trips. Those book-

ing are often semi-retired baby boomers who have the time to plan.

"New Zealanders are going further afield, to Vietnam, the Trans-Mongolian railway, huge varied experiences," said Flight Centre's McGuinness. "It is very important to point out that travel is emotive. There's a lot of emotion rolled up in the dreaming, planning, living it." "