



North American Online Travel Report 2009

- Package Focus -



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Methodology

Geographic coverage

“North America” relates to the US and Canada. Travel expenditure by foreign travellers i.e. consumers who reside outside the North American region or the specific country market review (US or Canada) is not part of the market figures. The data relates to the expenditure of the resident consumers.

Total (gross) travel market

The Total travel market is defined as the total expenditure by North American residents while travelling within the North American region or the specific country market review (US or Canada) on travel products including non-package products (air, rail, car, hotel, bus, cruise) and package (refers to traditional packages) products plus expenditure on travel outside the North American region or the specific country market review (US or Canada). It represents expenditure in both B2C (leisure/unmanaged business travellers) and B2B (managed business travel) segments.

The total Travel market is the sum of expenditure on products from the following travel sectors:

- Airline
- Hotel
- Car Rental
- Rail
- Cruise
- Bus
- Package

The Package sector represents traditional package tours (pre arranged packages) rather than ‘dynamic packages’ (a combination of individual products compiled by the consumer and included in the individual sectors).

The Total travel market is categorised into domestic and outbound travel markets.

Domestic travel market: expenditure by North American resident consumers within their country of residence.

Outbound travel market: spending by North American residents while travelling abroad (outside of their country of residence).

Total online travel market

The online travel market is defined as the value of online transactions by leisure and unmanaged business travellers for Travel within the North American region or the specific country market review (US or Canada) plus outside the North American region or the specific country market review (US or Canada). It represents online spending in B2C segment only. Computation of online markets for each sector is based on the online penetration of the gross market for that sector.

The Distribution within the online travel market is divided into Direct and Indirect distribution.

Indirect: Expenditure via an Online Travel Agent (OTA)

Direct: Expenditure direct to a supplier website

Online travel market in different travel sectors

The value of the online travel market (B2C sales) in the individual travel sectors represents online transactions by leisure and unmanaged business travellers. Online penetration rates have been applied to gross bookings (package + non-package) in the respective sectors to derive the total value of online bookings. The value of online bookings is further divided in to supplier websites (direct channel) and third-party OTA websites (indirect channel).

Travel sectors

It should be noted that the value of each Travel sector refers to expenditure by the resident consumers on the Travel products. This means that market valuations do not only refer to the productivity of the suppliers of the region but will also include expenditure by consumers on products sold by non-North American suppliers. We have therefore excluded any inbound consumer contributions to the markets and included the value of outbound travel expenditure with suppliers and intermediaries outside the region as well.

Notes:

Airline sector: The total Airline market includes travel by traditional airlines (flagship) and Low Cost Carriers (LCCs). International routes calculated include expenditure with non-North American carriers.

Bus sector: The Bus sector includes long haul Bus travel of two key segments: intercity schedules services and charter services.

Rail sector: Value of the rail sector considers expenditure by North American residents on intercity rail products.

Package sector: This includes both group and independent Package tour products. They include pre-packaged trip including transport and accommodation.

Research methodology

The EyeforTravel model calculates Travel markets using a demand side, bottom up approach. The methodology has been used to ensure accuracy for both domestic and outbound segments which enables the inclusion of expenditure by the relevant residents in the figures only i.e. foreign travel spend is not counted and therefore will not lead to global double counting. A combination of multiple secondary official data sources relevant to the travel market as a whole and specific sectors combined with primary research findings have been used to complete the model and reach final market valuations. Figures were also validated using supply side data from both primary and secondary research. Forecasts have been based on econometric modelling.

Key differentiators

- EyeforTravel considers travel markets to be the value of expenditure by residents on travel and accommodation while travelling domestically or abroad.

EyeforTravel values the travel market from demand side. The demand side approach ensures that the value of travel market is complete in nature and does not omit travel expenditure with foreign suppliers, especially during an outbound trip i.e. represents the total value of that market under review. This methodology is favoured by EyeforTravel over the supply-side approach because the calculations do not limit the market values to the domestic suppliers only.

- The domestic and outbound travel markets are divided into package and non-package segments, which encompass various travel sectors including air, rail, car rental, cruise, bus and also accommodation. All individual travel sector data excludes the expenditure that is part of a Package, which is then represented within the Package sector data i.e. the data will not be double counted.

- EyeforTravel include historical and forecasted market size estimations for the long-haul bus travel markets for the US and Canada, a sector not often included by all travel research firms.

- Online market represents B2C bookings only

EyeforTravel defines the online market as the value of online payments made by leisure / unmanaged business travellers either via supplier websites or via third-party websites. This represents the value of the B2C (business-to-consumer) online travel market. EyeforTravel represents the value of the online market as a % of non-package segment bookings which indicates B2C online penetration on non-package segment values.

- Application of econometric and multiplicative models for forecasting

Econometric models have been constructed to forecast domestic, inbound and outbound tourist volumes. The results of these models were back tested with suitable forecast accuracy,

with a mean absolute error of less than 1%. The tourist volumes form the key input for the multiplicative market sizing model that computes travel market size using the sum of the parts approach. The combined scenario based forecasting takes in to account the ongoing economic crisis in North America and also consider other upcoming events in the region.

- Inputs from extensive primary research

Extensive primary research was conducted with industry participants and experts to fill the data gaps and to validate forecast assumptions and results. We conducted over 80 interviews with different travel industry participants and experts in the relevant travel segments in the US and Canada.

Exchange rate

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
USD to CAD Exchange Rate	0.64	0.77	0.83	0.86	0.86	1.00	0.95	0.88	0.91	0.91	0.91

Source: Bloomberg