



North American Online Travel Report 2009

- Online Travel Agent Focus -



EyeforTravel Research
7-9 Fashion Street
London
E1 6PX
UK

For queries contact:
amy@eyefortravel.com
www.eyefortravelresearch.com

EyeforTravel Ltd, April 2009

Table of Contents

	List of Figures	4
	Methodology	7
	Executive Summary	11
	Chapter 1: North American Travel Market Analysis	15
	North American Travel Market Overview	15
	US vs. Canada Travel Market Analysis	35
	US Travel Market Analysis	43
	Canadian Travel Market Analysis	52
	Chapter 2: North American Online Travel Agent Market Analysis	61
	North American Online Travel Agent Market Overview	61
	US Online Travel Agent Market Analysis	67
	Canadian Online Travel Agent Market Analysis	78

List of Figures

Figure 1.1:	North America Total Volume of Travel, 2002-2012F	15
Figure 1.2:	North America Volume of Travel - Domestic vs. Outbound (%), 2002-2012F	15
Figure 1.3:	North America Volume of Domestic Travel, 2002-2012F	16
Figure 1.4:	North America Volume of Outbound Travel, 2002-2012F	16
Figure 1.5:	North America Travel Market Gross Value, 2002-2012F	17
Figure 1.6:	Spend per Trip in US\$ (North America), 2002-2012F	17
Figure 1.7:	North American Travel Market - Sector Breakdown (US\$), 2002-2012F	18
Figure 1.8:	North American Travel Market - Sector Breakdown (%), 2008	18
Figure 1.9:	North American Travel Market - Sector Breakdown (%), 2002-2012F	19
Figure 1.10:	North American Travel Market - Y-o-Y Growth by Sector, 2002-2012F	20
Figure 1.11:	North American Travel Market - CAGR by Sector, 2002-2007 and 2008-2012F	20
Figure 1.12:	Online Penetration of the North American Travel Market, 2002-2012F	21
Figure 1.13:	Value of North American Travel Market - Online vs. Offline, 2002-2012F	22
Figure 1.14:	Sector Breakdown of North American Online Travel Market (%), 2008	23
Figure 1.15:	Sector Breakdown of North American Online Travel Market (%), 2002-2012F	23
Figure 1.16:	North American Online Travel Market - CAGR by Sector, 2002-2007 and 2008-2012F	24
Figure 1.17:	Online/Offline Distribution Values - North American Airline Market, 2002-2012F	25
Figure 1.18:	Online/Offline Distribution Values - North American Hotel Market, 2002-2012F	25
Figure 1.19:	Online/Offline Distribution Values - North American Car Rental Market, 2002-2012	25
Figure 1.20:	Online/Offline Distribution Values - North American Bus Market, 2002-2012F	26
Figure 1.21:	Online/Offline Distribution Values - North American Cruise Market, 2002-2012F	26
Figure 1.22:	Online/Offline Distribution Values - North American Railway Market, 2002-2012F	26
Figure 1.23:	Online/Offline Distribution Values - North American Package Market, 2002-2012F	27
Figure 1.24:	Value of the North American Travel Market - Domestic vs. Outbound, 2002-2012F	27
Figure 1.25:	North American Travel Market - Domestic vs. Outbound (%), 2008	28
Figure 1.26:	North American Travel Market - Domestic vs. Outbound (%), 2002-2012F	28
Figure 1.27:	North American Travel Market - Y-o-Y Growth Domestic vs. Outbound (%), 2002-2012F	29
Figure 1.28:	Spend per Trip (North America Averages) - Domestic vs. Outbound, 2002-2012F	29
Figure 1.29:	North American Online Travel Market - Domestic vs. Outbound (%), 2002-2012F	30
Figure 1.30:	North American Online Travel Market - Domestic vs. Outbound (%), 2008	31
Figure 1.31:	Value of the North American Online Travel Market - Domestic vs. Outbound, 2002-2012F	31
Figure 1.32:	North American Online Travel Market - Y-o-Y Growth Domestic vs. Outbound (%), 2002-2012F	31
Figure 1.33:	North American Domestic Online Travel Market - Sector Breakdown (%), 2002-2012F	32
Figure 1.34:	North American Domestic Online Travel Market - Sector Breakdown (%), 2008	33
Figure 1.35:	North American Domestic Online Travel Market - Sector Breakdown Values (US\$), 2002-2012F	33
Figure 1.36:	North American Outbound Online Travel Market - Sector Breakdown (%), 2002-2012F	34
Figure 1.37:	North American Outbound Online Travel Market - Sector Breakdown (%), 2008	34
Figure 1.38:	North American Outbound Online Travel Market Value - Sector Breakdown (US\$), 2002-2012F	34
Figure 1.39:	US vs. Canada Total Volume of Travel, 2002-2012F	35
Figure 1.40:	US vs. Canada Total Volume of Travel (%), 2002-2012F	35
Figure 1.41:	US Volume of Domestic Trips, 2002-2012F	36
Figure 1.42:	US Volume of Outbound Trips, 2002-2012F	37
Figure 1.43:	Canada Volume of Domestic Trips, 2002-2012F	37
Figure 1.44:	Canada Volume of Outbound Trips, 2002-2012F	37
Figure 1.45:	Value of the North American Travel Market - US vs. Canada, 2002-2012F	38
Figure 1.46:	North American Travel Market - US vs. Canada (%), 2002-2012F	39
Figure 1.47:	Average Spend per Person per Trip - US and Canada, 2002-2012F	39
Figure 1.48:	North American Online Travel Market - US vs. Canada (%), 2002-2012F	40
Figure 1.49:	Value of the North American Online Travel Market, US vs. Canada, 2002-2012F	40
Figure 1.50:	Online Penetration Comparison of the US and Canadian Gross Travel Markets, 2002-2012F	41
Figure 1.51:	Online Penetration of the US Gross Travel Market, 2002-2012F	42

Figure 1.52:	Online Penetration of the Canadian Gross Travel Market, 2002-2012F	42
Figure 1.53:	Value of the US Gross Travel Market, 2002-2012F	43
Figure 1.54:	Value of the US Online Travel Market, 2002-2012F	43
Figure 1.55:	US Travel Market - Domestic vs. Outbound (%), 2002-2012F	44
Figure 1.56:	Value of US Gross Travel Market - Domestic vs. Outbound, 2002-2012F	45
Figure 1.57:	Outbound Travel Destination Trends, 2002-2012F	46
Figure 1.58:	Value of US Online Travel Market - Domestic vs. Outbound, 2002-2012F	46
Figure 1.59:	US Online Travel Market - Domestic vs. Outbound (%), 2002-2012F	47
Figure 1.60:	Online Penetration Comparison of US Domestic and Outbound Travel Markets, 2002-2012F	47
Figure 1.61:	US Travel Market - Sector Breakdown (%), 2002-2012F	48
Figure 1.62:	US Travel Market - Sector Breakdown (%), 2008	49
Figure 1.63:	US Travel Market - Sector Breakdown (US\$), 2002-2012F	49
Figure 1.64:	US Travel Market - Y-o-Y Growth by Sector, 2002-2012F	49
Figure 1.65:	US Online Travel Market - Sector Breakdown (%), 2002-2012F	50
Figure 1.66:	US Online Travel Market - Sector Breakdown (%), 2008	50
Figure 1.67:	US Online Travel Market - Sector Breakdown (US\$), 2002-2012F	51
Figure 1.68:	US Online Travel Market - Y-o-Y Growth by Sector, 2002-2012F	51
Figure 1.69:	Sector Online Penetration, 2002-2012F	51
Figure 1.70:	Value of the Canadian Gross Travel Market, 2002-2012F	52
Figure 1.71:	Canadian Travel Market - Domestic vs. Outbound (%), 2002-2012F	53
Figure 1.72:	Value of the Canadian Travel Market - Domestic vs. Outbound, 2002-2012F	53
Figure 1.73:	Value of the Canadian Online Travel Market, 2002-2012F	54
Figure 1.74:	Canadian Online Travel Market - Domestic vs. Outbound (%), 2002-2012F	55
Figure 1.75:	Online Penetration Comparison of Domestic and Outbound Canadian Travel Market, 2002-2012F	55
Figure 1.76:	Value of the Canadian Online Travel Market – Domestic vs. Outbound, 2002-2012F	56
Figure 1.77:	Canadian Travel Market - Sector Breakdown (%), 2002-2012F	57
Figure 1.78:	Canadian Travel Market - Sector Breakdown (%), 2008	57
Figure 1.79:	Canadian Travel Market - Sector Breakdown (CAD \$), 2002-2012F	58
Figure 1.80:	Canadian Travel Market - Y-o-Y Growth by Sector, 2002-2012F	58
Figure 1.81:	Canadian Online Travel Market - Sector Breakdown (%), 2002-2012F	59
Figure 1.82:	Canadian Online Travel Market - Sector Breakdown (%), 2008	59
Figure 1.83:	Sector Online Penetration, 2002-2012F	60
Figure 1.84:	Canadian Online Travel Market - Y-o-Y Growth by Sector, 2002-2012F	60
Figure 1.85:	Canadian Online Travel Market - Sector Breakdown (CAD \$), 2002-2012F	60
Figure 2.1:	North American Online Travel Market - Direct vs. Indirect Distribution (%), 2002-2012F	61
Figure 2.2:	Value of the North American Online Travel Market - Direct vs. Indirect Distribution, 2002-2012F	61
Figure 2.3:	Value of the North American Online Travel Market Sector Breakdown (US\$ million) - Direct vs. Indirect, 2008	62
Figure 2.4:	North American Online Travel Agent Market - Sector Breakdown (%), 2002-2012F	63
Figure 2.5:	Value of the North American Online Travel Agent Market - Sector Breakdown, 2002-2012F	63
Figure 2.6:	US Online Travel Market - Direct vs. Indirect, 2002-2012F	64
Figure 2.7:	Canadian Online Travel Market - Direct vs. Indirect, 2002-2012F	64
Figure 2.8:	North American Online Airline Market - Direct vs. Indirect as % and value, 2002-2012F	65
Figure 2.9:	North American Online Hotel Market - Direct vs. Indirect as % and value, 2002-2012F	65
Figure 2.10:	North American Online Car Rental Market - Direct vs. Indirect as % and value, 2002-2012F	66
Figure 2.11:	North American Online Bus Market - Direct vs. Indirect as % and value, 2002-2012F	66
Figure 2.12:	North American Online Cruise Market - Direct vs. Indirect as % and value, 2002-2012F	66
Figure 2.13:	North American Online Rail Market - Direct vs. Indirect as % and value, 2002-2012F	67
Figure 2.14:	North American Online Package Market - Direct vs. Indirect as % and value, 2002-2012F	67

Figure 2.15:	Value of the US Online Travel Market - Direct vs. Indirect Distribution, 2002-2012F	68
Figure 2.16:	Value of the US Online Travel Market Sector Breakdown (US\$ million) - Direct vs. Indirect, 2008	69
Figure 2.17:	US Online Travel Agent Market Sector Breakdown (%), 2008	69
Figure 2.18:	US Domestic Online Travel Market - Direct vs. Indirect (%), 2002-2012F	71
Figure 2.19:	Value of the US Domestic Online Travel Market - Direct vs. Indirect, 2002-2012F	71
Figure 2.20:	US Outbound Online Travel Market - Direct vs. Indirect (%), 2002-2012F	72
Figure 2.21:	Value of the US Outbound Online Travel Market - Direct vs. Indirect, 2002-2012F	72
Figure 2.22:	Indirect US Online Airline Market - Domestic vs. Outbound (%), 2002-2012F	73
Figure 2.23:	Value of the Indirect US Online Airline Market - Domestic vs. Outbound, 2002-2012F	73
Figure 2.24:	Indirect US Online Hotel Market - Domestic vs. Outbound (%), 2002-2012F	74
Figure 2.25:	Value of the Indirect US Online Hotel Market - Domestic vs. Outbound, 2002-2012F	74
Figure 2.26:	Indirect US Online Car Rental Market - Domestic vs. Outbound (%), 2002-2012F	75
Figure 2.27:	Value of the Indirect US Online Car Rental Market - Domestic vs. Outbound, 2002-2012F	75
Figure 2.28:	Indirect US Online Cruise Market - Domestic vs. Outbound (%), 2002-2012F	76
Figure 2.29:	Value of the Indirect US Online Cruise Market - Domestic vs. Outbound, 2002-2012F	76
Figure 2.30:	Indirect US Online Package Market - Domestic vs. Outbound (%), 2002-2012F	77
Figure 2.31:	Value of the Indirect US Online Package Market - Domestic vs. Outbound, 2002-2012F	77
Figure 2.32:	Value of the Canadian Online Travel Market - Direct vs. Indirect Distribution, 2002-2012F	78
Figure 2.33:	Value of the Canadian Online Travel Market Sector Breakdown (US\$ million) - Direct vs. Indirect, 2008	79
Figure 2.34:	Canadian Online Travel Agent Market Sector Breakdown (%), 2008	79
Figure 2.35:	Canadian Domestic Online Travel Market - Direct vs. Indirect (%), 2002-2012F	81
Figure 2.36:	Canadian Domestic Online Travel Market Y-o-Y Growth, Direct vs. Indirect, 2002-2012F	81
Figure 2.37:	Canadian Outbound Online Travel Market - Direct vs. Indirect (%), 2002-2012F	82
Figure 2.38:	Canadian Domestic Online Travel Market Y-o-Y Growth - Direct vs. Indirect, 2002-2012F	82
Figure 2.39:	Indirect Canadian Online Airline Market - Domestic vs. Outbound (%), 2002-2012F	83
Figure 2.40:	Value of the Indirect Canadian Online Airline Market - Domestic vs. Outbound, 2002-2012F	83
Figure 2.41:	Indirect Canadian Online Hotel Market - Domestic vs. Outbound (%), 2002-2012F	84
Figure 2.42:	Value of the Indirect Canadian Online Hotel Market - Domestic vs. Outbound, 2002-2012F	85
Figure 2.43:	Indirect Canadian Online Car Rental Market - Domestic vs. Outbound (%), 2002-2012F	85
Figure 2.44:	Value of the Indirect Canadian Online Car Rental Market - Domestic vs. Outbound, 2002-2012F	86
Figure 2.45:	Indirect Canadian Online Cruise Market - Domestic vs. Outbound (%), 2002-2012F	87
Figure 2.46:	Value of the Indirect Canadian Online Cruise Market - Domestic vs. Outbound, 2002-2012F	87
Figure 2.47:	Indirect Canadian Online Package Market - Domestic vs. Outbound (%), 2002-2012F	88
Figure 2.48:	Value of the Indirect Canadian Online Package Market - Domestic vs. Outbound, 2002-2012F	88

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