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ONLINE TRAVEL BOOKINGS SET TO TAKE-OFF

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LONG-HAUL DESTINATIONS FAVOURED IN JUNE

Intra-Asia travel continued to rise for the third straight month, accounting for 82.6 percent of the bookings recorded on the Abacus system in June, according to figures released today by the region’s leading travel facilitator, Abacus International.

In June, total bookings on the Abacus system took a slight dip (3 per cent) over the previous month but remained steady compared with the same period last year, at 2 per cent more than June 2004.



*NOTE : Total Bookings = FIT + Domestic + Group

Long-haul destinations gained favour amongst Asian travellers this holiday season, with bookings to Europe, South Pacific and the United States in June increasing by 13 per cent, 9 per cent and 1 per cent respectively over the previous month.



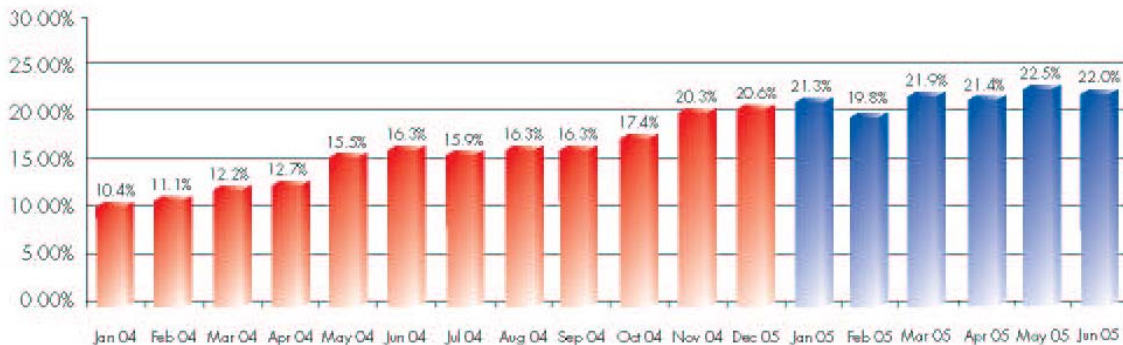
Said Abacus President and CEO Don Birch, "Overall, we are continuing to see solid growth in Asia-Pacific travel with bookings for the first half of 2005 posting a 3 per cent increase over the corresponding period last year. The increase in long-haul destinations can be attributed to the June holiday season, which is traditionally the period when travellers tend to make longer trips."

June FIT bookings posted a year-on-year growth of 4 per cent.

E-ticketing

Electronic ticketing continued to gain in popularity with the first half of the year registering an 86 per cent increase over the same period last year. E-ticketing for the month of June increased by 51 per cent over June 2004, with the Philippines and Thailand recording the highest growth rates at 1,764 per cent and 664 per cent respectively.

Electronic Ticketing: Percentage of Total Tickets Issued



SPECIAL FOCUS – ONLINE TRAVEL PICKS UP SPEED

Some 32.1 million US households are expected to use the Internet to book their vacations this year, spending US\$63.6 billion, says US-based Forrester Research in a recent report. By 2009, Forrester predicts, the number of US households buying vacation packages online will reach 46.4 million, with a total spending of nearly US\$111 million.



Online travel in Asia-Pacific is also picking up speed, and not just in traditional markets such as Japan and Australia. Research consultancy marketSHARE estimates that the online travel market in the region will grow to US\$16 billion in 2006, from US\$8 billion in 2003. The consultancy also estimates that by the end of the year, more than 29 per cent of bookings in the region will be made online, compared with just 3.5 per cent in 2002.

It's a trend that Abacus International has noticed in its own booking figures from Abacus travel agents who have gone online – by May, the company had already reached its target for online segment bookings for this year, double that achieved in 2004. Taiwan and Hong Kong were the biggest contributors with travel agents in Korea beginning to jump on the bandwagon, says the company.

“These figures are very encouraging and are by no means the peak, suggesting that there is still immense growth potential in online travel” said Abacus President and CEO Don Birch.

Combination of factors contributing to growth in online travel

The growth in online travel, while recent, has been on the cards for some time. An online travel survey conducted by online travel company ZUJI in 2003 found that 49 per cent of the 3,253 respondents in Singapore were already using the Internet to purchase their air tickets and make hotel reservations.

Not surprisingly, a major factor behind this growth is simply greater Internet connectivity. With Internet penetration levels continuing to rise steadily throughout the Asia Pacific region, the result is more Internet-savvy travellers.

MakeMyTrip.com Founder & CEO Deep Kalra notes that India's Internet population is growing by leaps and bounds, “There are currently 33 million active Internet users in India and given the fact that the user-base is growing by over 30 per cent per annum, it is expected to cross 100 million by 2010.”

MakeMyTrip.com, already successful in the US-to-India market, is planning to tap the burgeoning resident Indian market with the launch of its travel portal in India this month. Pointing to the impressive number of tickets sold online (approximately 10,000 daily) on the Indian Railways' website and the recent success of websites like Air Deccan and SpiceJet, Mr Kalra says that the market is ready for buying uncomplicated travel products such as air tickets, hotel rooms, short-haul packages and weekend breaks online.

This is true for Singapore, which has one of the highest Internet penetration levels at 65 per cent according to figures from the Infocomm Development Authority of



Singapore. Online travel company ZUJI recently reported a 200 per cent growth in sales year-on-year for 2004 and fully expects to double its sales volume again this year.

The arrival of low cost carriers (LCCs) in the region can also be linked to contributing to the rise in online travel. Today there are 16 budget carriers in the region, an amazing figure considering the first, AirAsia, only began operations in 2001.

In line with their strategy of maximising revenue and minimising operating costs, LCCs adopt an online-centric sales model, eliminating the need for the more traditional physical "customer-facing" set-up.

ZUJI notes that this sales model, together with the media hype associated with their entry, drew many new customers who had never tried booking online before to the Internet, resulting in a flood of new online travellers.

As their low ticket prices fulfil pent-up demand from the low-income traveller, more travellers have become familiar with the LCC's modus operandi, thereby displaying increasing confidence in and propensity for online booking.

A side effect of this familiarity with online booking is online price comparison. As marketSHARE notes, searching for information online is becoming a basic social trend throughout the region, leading to a constant search for the best prices. ZUJI, for example, has seen its bookings increase for both low cost carriers and traditional carrier airlines, as more travellers trawl the Internet for the lowest ticket fares.

Said Ms Ellone Chan, Director of Singapore's first one-stop travel portal P2P Travel Exchange Pte Ltd, "When we first set up operations three and a half years ago, there weren't many options available to Singaporeans wanting to research and book online. P2P Travel Exchange is now the first local online travel agent to offer real-time flight booking capabilities, which has been very welcomed by local travellers. We've since seen our customer base increase more than twofold, suggesting that Singaporeans are really embracing the online travel experience."

The online traveller – hard to pin down

But while the Internet is highly regarded as an information store, "look, not book" continues to be the typical traveller's attitude towards online travel agencies. PhoCusWright's latest Consumer Travel Trends Survey shows that nearly half of US online travel shoppers looked at online travel agencies, but ultimately purchased direct from an airline, with three in 10 purchasing direct from a hotel or car rental company.



The choice of channel, says PhoCusWright, depends on the consumer's travel buying considerations, with consumers selecting the purchase channel for leisure travel based on unique or qualifying characteristics of their trip. So where price is the top-most consideration, online travel agencies win out as they offer the lowest prices. But on the flip side, supplier sites triumph when travellers require customer service or want the flexibility to change their travel plans.

Furthermore, online travellers are a difficult group to pin down and therefore cater to, say industry experts. Prior to the arrival of LCCs, online travellers were typically young, between the ages of 25 and 34, had high incomes with no major commitments such as children, which enabled them to easily get away.

Today, however, ZUJI says that demographic is being broadened by new users, including lower-income singles and small families who book budget air travel and hotel stays.

About the only thing you can pin down is their travel preference. According to ZUJI, online travellers tend to go for "intense travel" vacations, preferring to visit one city for a short break rather than to city- or hotel-hop. Some 64 per cent of ZUJI's bookings in the first half of 2005 were for trips of one week or less in duration. This is reaffirmed by Abacus which notes that online bookings tend to be for short holidays, rather than the "big holiday" of the year.

Regardless of its relatively small size, it's a market that travel agencies can't afford to ignore, says Abacus, and the company is already stepping up its efforts to help traditional agencies get into the online travel business.

Just last month, Abacus launched WebConnect, a technology that enables travel agents to connect their websites to Abacus' content and functionalities, to create their own customised look and feel on a website that provides online travellers with real-time access to search and make bookings for air, hotel and car content as well as travel insurance and package holidays.

In addition to providing value-added tools and content, Abacus is also working with technology partners to offer a variety of seamless end-to-end solutions. flightsXML Private Limited, a technology solutions provider to the travel industry, is first of such technology partners to use Abacus' toolkit to develop FaresWhiz (XML Edition). FaresWhiz (XML Edition) affords travel agents the added flexibility to develop their own high-volume web booking engine for the real-time fares, flight schedules, seat availability, and tax information through Abacus, whilst allowing full integration with the agency's existing fares and membership databases.

"The idea behind our Internet solutions," says Mr Birch, "is really to empower our travel agent partners to develop an online presence according to their needs and their customer's needs. It's about integrating the offline and online operations to help them



to better manage their business and reach out to a broader customer segment. We know that consumers are increasing shopping across multiple channels, so the modern traveller uses traditional means for one journey and the Internet for another, depending upon need.”

Future trends

But while it is a growing market, Abacus believes that for the next decade at least, there remain obstacles to online travel completely replacing the traditional travel agency cum supplier model.

For one, there is still public apprehension towards the concept of e-booking and e-confirmation. Some Asian cultures still prefer to have things in “black and white” and remain uncomfortable without physical evidence of their travel arrangements.

Online payment is another obstacle – whether it’s with security issues, the lack of a credit card or just a preference for paying in person. Some travellers prefer to make physical payments as that “legitimise” their transactions.

Another major obstacle is the Asian traveller’s preference for package buying. Even though it may be cheaper to book their air tickets and hotel reservations separately, this requires more effort and time, and Asians would rather complete all their travel bookings on one site and in one go.

Says Mr Kalra of MakeMyTrip.com, “In theory, a traveller can go to every airline site to get the best deal on his air ticket. But in India, for example, with seven domestic airlines and counting, it’s going to be impossible for the average time-strapped traveller to keep this up.”

It is more likely that travellers will rely on their travel agency or on a one-stop online reservations portal for recommendations on the best deal for their travel arrangements.

However, these obstacles may be less of an issue as a new generation of travellers take to the skies. Forrester is predicting that the first “web generation” of travellers, young adults aged 18 to 24, will influence massive changes in how travel is distributed, marketed and sold in the future. This is the generation that grew up with computers in their homes and for whom communication means email, short message service (SMS) or internet relay chat (IRC) rather than face-to-face conversations.

For this group, brand loyalty matters less than getting the best deal and long-standing relationships will fall by the wayside in the face of new attractions. According to PhoCusWright, with the online traveller’s buying considerations being dependant on the type of trip and with whom they are travelling, there will be a greater demand for



customised marketing as travel companies seek to offer a wider range of personalised packages.

Already, in the US, travel companies are beginning to invest millions in web site redesigns this year, says Forrester. From navigation improvements to more meaningful enhancements in merchandising, personalisation, complex functionality, new forms of payment and dynamic packaging, the idea is to create a stronger and richer user experience that fulfils more of a traveller's planning and buying needs.

And if you get it right, the online traveller can prove to be a loyal customer, as ZUJI can attest. The company's booking patterns show that almost half of all online bookings and purchases on its web site are made by repeat customers, proving that brand loyalty may not be so elusive after all.

Ms Chan of P2P Travel Exchange agrees, "Our site was designed with the traveller in mind – to make his or her online booking experience fast, simple, convenient and also fun. And we've found that as long as we adhere to this principle when introducing new services or planning upgrades, our customers will keep coming back to us to make their travel bookings."

Concludes Mr Birch, "When it comes down to it, it's still about relationships. Especially in this region where personal recommendation is central to decision-making, the Asian traveller, young or old, wants a source he or she can rely on. Be it offline or online, good advice is good advice."

About Abacus International

Singapore-based Abacus International is the Asia-Pacific's leading travel facilitator with more than 11,000 travel agency locations in 22 markets. With 17 years of experience in fusing international best practices and local expertise with global and local partnerships, Abacus provides travel information and reservations specifically tailored to the Asia-Pacific region.

Abacus International's partners include All Nippon Airways, Cathay Pacific, China Airlines, EVA Airways, Garuda Indonesia, Dragonair, Philippine Airlines, Malaysia Airlines, Royal Brunei Airlines, SilkAir and Singapore Airlines. Abacus is also partially



owned by Sabre, the US-based leader in the electronic distribution of travel and travel related services.

More information on Abacus can be found at www.abacus.com.sg

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