



Fiona Walsh

Taking off and flying high

From under-the-cosh travel agents to rejuvenated airlines, it is consumers who make or break travel companies in today's modern world. Fiona Walsh looks at how businesses have used technology to respond to this challenge.

In 1841, a teetotal cabinet maker and Baptist minister organised a rail excursion at a shilling a head from Leicester to Loughborough, where a temperance rally was being held.

He didn't know it at the time, but the 32-year-old Thomas Cook had just lit the touch-paper on a travel revolution. Although Cook's historic first trip was not for profit, he still swiftly saw the money-making potential of organised travel. And so the modern travel industry was born.

Just as technology was at the heart of that transformation, it is also at the heart of the one enveloping us today. For not only has the internet turned the world into a global online village, it has put the power firmly into the hands of consumers, who can now surf the web to compare prices and packages. Consumers can use self-booking sites such as Expedia and Lastminute.com, or they can use the "metasearch" sites such as Kayak, Travelguru and Cheapflights, which offer price comparisons.

Meanwhile, the airlines have responded with their own sites, such as BA.com and, of course, there's still the traditional travel agent, which still survives albeit in dwindling numbers.

Preparing for battle

"The demise of the travel agent has been overblown," counters Iain Robinson, chairman of Reed & Mackay (R&M), the City's leading business travel management company. "They are still here but their challenge now is to prove they add value."

R&M provides travel management services to some of the City's leading law firms and insurance and financial services companies. It offers a "high touch" service and has invested heavily in IT. It has also boosted its online capability, not as a replacement for the high-quality personal service for which it has become known, but to enable it to provide clients with a faster, cheaper service.

ISIS Equity Partners took a stake in R&M in November 2005, even though the highly competitive travel industry is not necessarily an obvious target for private equity investment, admits ISIS director Andy Gregory.

But the R&M model was "compelling", he says. "It's a small company but it's a real high added-value business. It is highly specialised, with a high quality brand and has a real service offering. It stands out from the competition."

Having its own bespoke IT system has brought huge efficiencies for the company. Last year, it was able to handle 20% more transactions as it was operating so efficiently.

Rise of the machine

"Continuing development of the in-house bespoke system enables more automation of the booking process and an improved quality and consistency of service," explains Gregory. "This in turn does a number of things: it increases productivity, which allows highly experienced consultants to focus on adding value; it enables more data, personal to individual travellers, to be stored and used; it personalises service; and it improves the quality of management information provided to clients, thereby helping them to control expenditure and monitor adherence to travel policy."

Robinson adds that the relentless rise of the internet has provided his company with opportunities as well as challenges. "We have had to express ourselves a lot more clearly and think harder and longer about how we add value," he says.

Andy Gregory agrees, adding: "Online development allows R&M to broaden its offering to encompass relatively low value-added travel bookings (which are otherwise booked by their clients' staff via the internet). It enables cost savings for clients, broadens their travel options and increases their control of expenditure and adherence to travel policy."

Industry shake-out

In the past, the IT-intensive travel industry was dominated by the Global Distribution System (GDS), made up of powerful companies such as Galileo, Sabre, Amadeus and Worldspan. They distribute inventory for the hotels and airlines, operating as the first interface between primary product providers and individual consumers.

But industry analysts are predicting a big shakeout in the GDS system as newer challengers such as ITA Software and G2 SwitchWorks challenge the established players.

With lower operating costs and state-of-the-art computer systems, the newcomers have been undercutting the old order and are winning an increasing proportion of business from cash-strapped airlines desperate to push through economies.

Paul Coby is head of IT at BA.com and makes no bones about the parlous state both British Airways and the global airline industry was in just a few years ago: "Post 9/11, we were really on the ropes," he says. "A lot of industry analysts said we were down and out – that the 'no-frills' carriers had eaten us for breakfast and were now about to have us for lunch."

BA.com was a key element in the airline's fight-back against the burgeoning low-cost carriers and wider internet-based competition. "We have used technology to transform the way we sell things," he says.

The newfangled order

"We recognised that we needed to tell everybody what the cheapest fare was," Coby asserts. "We know that people go and look at the price comparison sites but the key thing now is that the lowest price from BA will appear on BA.com. We have worked very hard to substantiate that."

BA lost as much as £300m on its short-haul business in 1999 but made a profit of £7m last year, a turnaround in which BA.com played a key part, says Coby. "Around a quarter of our business is now booked online, compared with 5% five years ago. And our target by March 2008 is for 50% of all bookings to be online."

As well as transforming the way we book travel, technology is also changing the experience itself. Some 28% of BA customers currently check in online or through self-service machines, but the target for the new Terminal Five at Heathrow is to have four out of five passengers check themselves in.

Looking over your shoulder

Despite the many thousands of travel sites that have sprung up in recent years, online travel is certainly no licence to print money. Indeed, one of the best-known sites and the darling of the dotcom boom, Lastminute.com, was heavily loss-making when it was bought by Sabre, the American owner of Travelocity, for just over \$1bn last year.

Nevertheless, further consolidation is still on the cards, as the better-run and

more technologically nimble firms gain a larger slice of the market. A recent report by the research firm PhoCusWright shows the tour operators and traditional airlines are fighting back at the expense of the online travel agencies (the latter have seen their share of the internet booking market fall from 46% in 2002 to 34% in 2005).

Meanwhile, consumers can choose from a raft of new websites offering tailor-made or "dynamic" packages. And right at the cutting edge of this technology is Farecast, an

American website that says it can predict the best time to buy tickets. Launched in June, Farecast evolved from a University of Washington research project and uses data-mining algorithms to search for patterns in airfare data. Its models then predict whether prices will go up or down. What would Thomas Cook have made of it all?

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