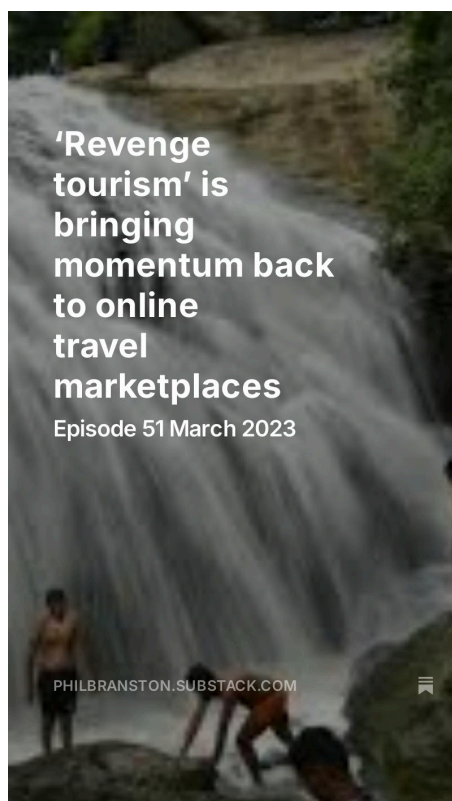




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‘Revenge tourism’ is bringing momentum back to online travel marketplaces

Returning demand for travel brought high growth in the online channel at the end of 2022, and ‘revenge tourism’ is projected to stimulate further outsized growth in 2023

Online marketplaces have levelled the playing field for independent travel providers and alternative travel experiences, which are becoming more popular

Online penetration is low in travel, particularly so in specialist segments like cruises - but new innovators are breaking down the complexities of online fulfilment

‘Meta search’ and cross-segment travel ‘super apps’ are a key cross-sell but are also bringing more competition from online travel search and sales intermediaries

*In this **Aggregators**, I look at the travel vertical of online marketplaces, which is exhibiting some strong post-pandemic rebound characteristics, and some enduring benefits for independent travel merchants using marketplaces for customer acquisition.*

Some of the best growth numbers in e-commerce are currently being posted by online travel marketplaces. In 2022 Q4, *Expedia* booking values grew 17% year on year (after 28% in Q3), and those of *Booking.com* grew 44% year on year. *Google* reported that its strongest advertising revenue performance in the fourth quarter, was, along with retail, in the travel industry. *The Economist* rated 'revenge tourism' one of its key 2023 trends, bringing 30% annual growth in bookings sales. It's a big investment theme for investors too (see *Tiger Brokers*' predictions for 2023). The definitive sign of confidence in the step up in activity is, for me, the \$6 billion spent on marketing in 2022 by *Booking.com* - a remarkable 35% of revenue.

Online travel marketplaces are helping consumers offset inflation. The choice, trust and convenience of 'online travel agents' translated, over 2022, into average cost savings to the US consumer of \$8 per night in hotels, guesthouses, B&Bs and other independent accommodation (source: *Oxford Economics*).

Online marketplaces have benefited small independent travel businesses, alternative experiences, and rural destinations. Alternative accommodation room nights in 2022 grew 56% from 2021, and they accounted for about 30% of *Booking.com* total room nights for the year. *TripAdvisor* experiences business *Viator* generated bookings in 2022 Q4 that were almost double the prior year level, in an online experiences market projected to grow at a 15% annual rate over the coming three years.

Marketplaces enabling access to broader travel options has worked well for the underlying merchants. From the *Oxford Economics* study, 70% of guests using 'online travel agents' came from outside the typical sources of guests. International travel offerings, for example, are three times more represented in online travel bookings compared with the whole market. 40% of direct bookings (direct to the travel offering rather than through a marketplace), are as a result of the travel operator having first been found on online travel agent sites. This is called the 'billboard effect', and would be coveted by merchants on, say, takeaway delivery platforms like *Just Eat*, who desire to be able to capture repeat business without paying commission for remarketing through the marketplace.

As China lifts its restrictions on international travel, I think it's likely that 'revenge tourism' will now boost segments with more long-distance travel (flights, cruises), more than 'nearshore' travel.

Yet online penetration remains low by comparison with, say, takeaway food. Online 21% of US hotel rooms in 2022, according to the *Oxford Economics* study, were booked via 'online travel agents'.

'Meta search', with *Google* as the principal exponent, is taking market share. In meta search, listings of hotels and other services contain, for the same hotel, placements by marketplaces alongside direct links to the providing merchant. So a consumer can see different prices on offer for the same booking, and can complete the purchase in the home domain of the preferred channel.

What of 'super apps' in travel? Crossing verticals into restaurant bookings did not create much sales upside for *Booking.com* after it acquired *Open Table*...but expanding the offering within travel has worked better. After *Booking.com*'s expansion into flights, 20% of its flight bookers are new to the platform. *Expedia* reported higher growth in air travel than the rest in 2022 Q4.

Cruises and tours could be the ultimate ancillary revenue for online travel platforms. Double-digit annual growth is expected from now (according to *Cruise Market Watch* and others). But the booking process and experience is not conducive to online fulfilment. Online bookings account for just 20% of overall cruise revenue, split evenly between direct cruise line websites and intermediary marketplace websites. The European leader, *Dreamlines*, still has hardly any online contribution, because the process of putting together a cruise package from its component parts is so disjointed. However, the proportion of online selling and fulfilment is projected to rise over the next five years, and a handful of startups like *Cruisebound* have raised (moderate) money to tackle the barriers to online order fulfilment.

In the next **Aggregators** I will look at the latest trends in online food delivery profitability, as impacted by key costs such as insurance, fee caps and corporate headcount.