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Online Travel Bargain

By yatin patel

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Are holiday bargains for true or have catches hidden?

REMEMBER YOUR LAST CONVERSATION WITH THAT family relative who couldn't talk enough of how much they saved on their last holiday package deal? Or that colleague bragging about his \$59 round-trip flight to Las Vegas and his stay in a 5-star hotel at \$89 a night? Have you found yourself staring wistfully (and suspiciously) at a \$399 package deal for two for Hawaii?

Just because your email seems flooded at times with seemingly impossibly priced travel offers, and you find Internet search engines are flooded with 1000's of sites selling internet travel besides big hotel brands and branded distribution sites don't discount them all.

Who can you count on?

Just four or five years ago, when you looked for travel discounts you could choose between a travel agent, the airline offices and the hotels themselves, and maybe, if you were lucky, some travel guru down the street. Today, there's a massive range of things you can do online, and a lot of them can save significant amounts of money.

The reality is:

- Nine out of 10 online travelers now have some history of shopping for travel online, and nearly 15% of all Americans purchased travel online last year – that's five times the penetration rate of 1998. (PhoCusWright Consumer Travel Trends Survey)· Nearly one-third of online travel buyers say the Internet was responsible for their travel purchases last year.
- In 1998, six million consumers bought travel online in the U.S. Jump ahead to 2002 when 30 million Americans purchased travel online in the last year. Half of them only buy their travel online. (PhoCusWright Consumer Travel Trends Survey)
- Online travel bookings exceeded \$23 billion in 2001, and are expected to reach \$63 billion by 2005.

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· Internet bookings in the first three quarters of 2002 accounted for over 23% of rooms sold in New York, and over 15% in Los Angeles, Chicago, and San Francisco. Anecdotally, for some properties, hotel managers are reporting Internet bookings ranging from 30% to 50% of all room nights in 2002. (Smith Travel Research and TravelClick)

What does this mean?

This means that online distribution channel is extremely successful in reaching buyers and buyers are finding it more confirmable to shop online. They are seeing a broader range of travel options and variety of products and packages. And its more likely that consumer wants to control that transaction through access to more competitive pricing. Pricing is becoming key factor to determine the sale.

Key factors: Why travelers prefer to book online

- Competitive Price
- Ability to compare product and Prices
- Ability to plan last minute
- Availability of Range of options

Online travel shoppers are not very loyal on where they shop—65 percent of online travelers do not view themselves as brand-loyal. As much as they love to shop online and spend their time researching what suits their needs, they are not loyal to the companies from which they buy.

The above scenario indicated that the travel suppliers have no choice but to participate in this online distribution channel. The suppliers are realizing that the traditional channels like GDS (Global Distribution System)/travel agent and call center/reservation office is somewhat inefficient and expensive, especially when the economy is weak. Ignoring online distribution channel and concentrating only on traditional distribution channels will result in lower occupancy, and higher distribution and operational costs for travel suppliers. As online channels become more popular among suppliers their participation is increasing.

How Pricing and Distribution Become Key

9/11 caused a dramatic shift in how consumers booked their travel. The instability caused a large drop in demand for airlines, hotels and car rentals leading to ever-lower prices. This low demand factor forced travel suppliers to introduce unprecedented discounts. Travel suppliers struggled to sell seats, rooms, car rentals to a significantly shrunk leisure and business travel market. Every air seat, room and auto not booked cost their companies money. Better to sell dirt cheap than not to sell at all. But how to get the word out?

Smart, proactive suppliers adopted the Wal-Mart business model—sell low and distribute inexpensively and efficiently. But how?

The Internet allowed them to reach consumers, sell inventory outstrip their less progressive competition. Those suppliers who had no clear Internet strategy or understanding of how the Web and

online distribution works suffered.

Discount hotel sites attract millions of buyers with their special rates leading to stratospheric sales through these channels. They thrive on hoteliers selling their distressed inventory at a fraction of their normal rates. Occupancy is the lowest its been in years, hoteliers continue to work with leading online retailers to move inventory at lower price.

The \$6.3 billion in online hotel sales (2002) with are split roughly evenly between discount agency sites and hotel Web sites. PhoCusWright projects that around 75% of discount agency hotel site sales are via the merchant model, where the agency typically takes a 20–30% "margin" on the hotel net rate (instead of the usual 10% commission). This approach has helped profits at Expedia and Hotels.com, who have roughly 60% of online discount agency hotel sales. Travelocity and Orbitz are instituting the same successful approach. Other notable players thriving in this arena are Hotwire.com, <http://www.hotels-and-discounts.com> , Lodging.com and Travelweb.com.

What is the Future?

Online travel growth will continue to grow in 2003–2005, but it will slow down year by year compared to the record gains see so far. However millions of travelers haven't yet made their first purchase so the market is not near saturation. Technological improvements will soon make it possible to more easily dynamically package vacation deals including air, hotel and car leading to even lower prices but higher average sales. So growth is projected to come from customers buying more, higher-ticketed products online.

The growth of the online distribution channel will prove beneficial to the end user when the supplier finds it easier and more cost-effective to distribute their inventory there than over the traditional distribution channels. As technology becomes mature in the online distribution sector, it will become more effective and user friendly for the Buyers and thus will attract more Suppliers. Due to its low cost of distribution and emerging ability to package and cross sell inventory, prices will be attractive for years to come, until this channel eventually becomes a commodity.

By Yatin Patel

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None

About Online Travel Auctions

By Frank Johnson

If you've never bid on airfare through an online travel auction site (websites such as SkyAuction and even Ebay), there are a few things you need to be mindful of. You can't just jump into an auction and expect to get a killer deal on a discount flight to Cancun. Each travel auction is set up differently and

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has different bidding requirements. That's why before you ever place a bid on a travel auction you need to do the following.

Research All Travel Auctions

Most online travel auctions run independently of each other. Each one has its own auction set up, bidding requirements, and terms and conditions. This means that not all online travel auctions are the same. Some require membership fees while others allow you to sign up for free but have restrictions on how you bid. It's important to get as much information as you can about the travel auctions you find online. Read through all the information provided on each website (including "terms and conditions") and get a feel for how you bid on airfare through each travel auction. You don't want to sign up for a membership on a travel auction website until you have a clear idea and understanding of the bidding process. If you don't, you could end up getting locked into a pretty sticky situation.

Browse Current Auctions

After you've read through each travel auction's user information and bidding guidelines, the next step is NOT to sign up. You need to first check out a few auctions currently underway on the site. This will give you an opportunity to check out what different travel tickets are going for. You may find that the auctions have very high opening bid amounts or only offer expensive package deals that are out of your price range. Always check out the bid amounts before you even think about signing up with a travel auction site. It will save you time, effort, and money.

Compare Travel Auctions against Other Online Travel Deals

Browsing current auctions and bid amounts will give you something to compare other online airfare deals against. Travel auctions aren't the only source for discount flights. Travel consolidators and other travel-related websites also offer great wholesale and discount rates on airfare to many popular destinations. You may even find a deal on airfare that the travel auctions just can't beat. That's why it's very important for you to check out existing auction bids and compare them to other bargain travel deals you find online. It could save you a significant chunk of change in the end.

Take Warning!

Some travel auctions won't tell you the exact airline, flight, or seat location connected to the tickets you're bidding on until AFTER you've won the auction. And once you've won the auction, in many cases you're locked in and stuck with whatever airline and flight times the tickets offer. So before you bid on any airline tickets, check to see if the auction discloses ALL information about the flight. If it doesn't and you bid, you're taking a gamble on when you're leaving, how many layovers you'll have, and what airline you'll be flying.

When you book your travel plans with cFares, you know everything about the flight upfront. Don't book your flight in the dark. Become a cFares member and find the exact itinerary you need at an affordable price.

Travel auctions are definitely a viable source for discount airfare; however, they aren't for everyone. Before you hit the online travel auctions, do your research and see if they'll actually help you save on your travel plans.

cFares is the first choice thousands of knowledgeable travelers are using right now to save hundreds of dollars on low airfares. For more information on

and cheap

airfare, visit



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