Consumer Attitudes and Use of the Internet and Traditional Travel Agents

A Research Report Prepared for the

National Commission to Ensure Consumer Information and Choice in the Airline Industry

Prepared by
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CONSUMER ATTITUDES AND USE OF THE INTERNET AND TRADITIONAL TRAVEL AGENTS

1. INTRODUCTION

This report was prepared at the request of the National Commission to examine their actual usage of these channels. The report is based on existing literature, surveys and the hearing record of the Commission.

The sources examined to determine if they contained information relevant to this study are shown in Attachment 1. The actual sources used are cited under each major heading. Because of the rapid change in travel distribution, as much emphasis as possible has been put on obtaining current data.

Extensive quotes have been taken from some of the surveys and articles they are shown in *italics.* Almost all bold headings will have a source documented below that section indicating where the information came from.

Many different surveys are examined in this study. Each has its own definitions of its sample population (i.e. online travelers, leisure travelers, etc) and were conducted at different times. As a result, there are some significant differences in characteristics reported between one survey and another. However, when these are looked at over time the general information and the trends are all pointing in the same direction.

2. EXECUTIVE SUMMARY

The Internet has changed the way travel products are promoted and distributed by suppliers. The Internet has already become a significant force in travel distribution. It appears that the Internet will continue to attract an increasing share of the market for travel planning and reservations into the near future.

Travel has been the major service purchased on the web and now accounts for more than 40% of the sales volume on the Internet.

The use of PCs has become commonplace for most adults and will be more common among children as they reach adulthood. The use of the Internet will also continue with almost all PC users becoming Internet users.

There will be a continued, but moderating, increase in the use of the Internet for researching and booking travel over the next several years.

Several factors suggest the Internet will become more important for researching and booking travel:

- Improved connectivity to the net with broadband access that speeds the process and provides better visuals
- Improvements in web sites that make them easier to use

- Improvements in the amount of information available on the web sites and interactivity
- The addition of functionality on airline sites such as advance check-in, the printing of boarding passes and flight status checks which make the use of electronic access to information more of an entrenched habit
- Continued upgrading of PC and net skills particularly amongst the young
- The perception that better prices are available on the Internet
- The development of new products and services to go after the currently unmanaged business travel component of the market
- The development of intelligent profiling software designed to anticipate the wants of individuals based on their preferences and travel history
- This will be combined with broad expert knowledge to provide highly targeted web based offers
- More people are flying on low fare airlines that only use web bookings.

3. THE TRAVEL MARKET

Size

In July 2001, there were 207 million adults in America. Of these:

- 139 million were travelers.[1] (67% of adults)
- 130 million were pleasure travelers (63% of adults)
- 36 million were business travelers (17% of adults)
- 58 million were frequent travelers who made five or more trips in the past year (28% of adults)
- 110 million were Internet users (53% of adults)
- 95 million of these travelers were users of the Internet- they are defined as online travelers (46 % of adults and 68% of travelers)
- 65 million had used the Internet for travel planning (31% of adults, 47% of travelers)
- 31 million of them had used the Internet to make travel reservations (15% of adults, 22% of travelers.)

Source: TIA. Traveler's Use of the Internet, 2001 Edition

In dollar terms, the entire US travel market was estimated by PhoCusWright to be $209 billion in 2001. Of this 56%, ($118 billion) was spent on leisure and unmanaged business travel. Leisure travel is expected to grow at almost twice the rate of business travel through 2004.

Travel agencies are the dominant mode by which travelers make reservations. More than six out of every ten dollars from leisure bookings are completed

[1] The US domestic travel market is defined as person trips by the Travel Industry Association of America (TIA), the organization that tracks travel in the country. A person-trip is one person traveling 50 mile (one-way) or more away from home and/or overnight. A trip is one or more persons from the same household traveling together. Commuting trips of more than 50 miles are excluded.

through a travel agent, 53.5% was completed by brick and mortar agents and 6.8% was done by online agents such as Expedia. Online sales at supplier web sites accounted for 9% of the total.

Air accounts for the largest part of total bookings at 41%, hotels have 33%, car rental 11%, tours 8% and cruises 7% of the market. Tours and cruises are expected to be the fastest growing segment over the next couple of years.

Table 1

TRAVEL AGENT PARTICIPATION IN THE LEISURE/UNMANAGED TRAVEL MARKET 2001 (Online and Offline Agents)			
Channel	**Market Size** (Billions)	**Offline Agent Share**	**Online Agent Share**
Air	$23.9	50 %	13%
Hotel	12.1	27	5
Car	6.0	57	10
Vacations/Tours	14.8	86	1
Cruise	14.3	94	1
Source: PhoCusWright. Travel market analysis 2002-2004			

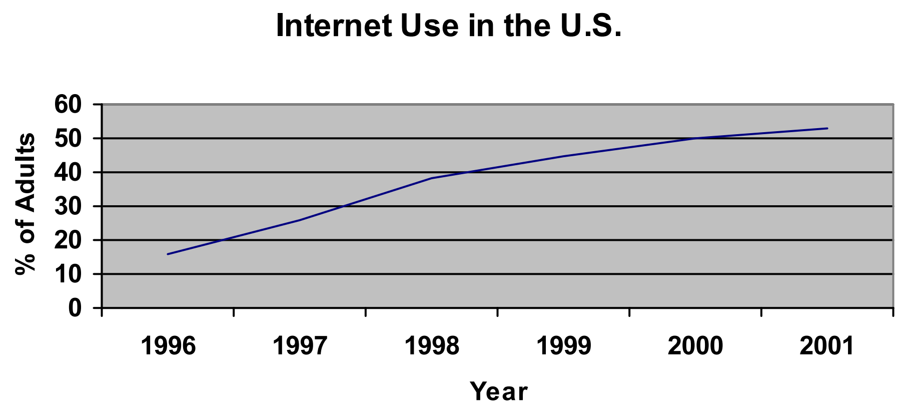
There has been steady but slowing growth in the use of the Internet. The TIA estimates that 53% of adults used the Internet in 2001.[2] The trend in Internet usage is shown in Table 2. This table shows a 116% growth in use since 1997. The growth in 2001 was 6% indicating that there has been, as would be expected after such explosive growth, a moderation in the growth rate of new users. Even with the current economic slowdown and the aftermath of 9/11, continued increases in the percent of adults using the Internet for the next several years should be expected.

Sales of travel services, the largest e-commerce category, grew 32 percent in July 2002 versus the same month last year, reaching a level of $2.9 billion. This is almost half of total online sales. The top listed sites were Expedia, United, Travelocity and Orbitz. Total online consumer sales (excluding auctions) in July 2002 were $6.0 billion, up 26 percent versus the same month last year. Non-travel sales grew 20 percent, to $3.1 billion.

Source: ComScore press release August 19,

[2] A Harris study done in 2002 puts the figure at 66%.

Table 2



Source: TIA Traveler's Use of the Internet, 2001 Edition

Purpose of travel

Most domestic trips, 77%, are made for personal reasons – vacations, visiting friends and relatives, shopping, sightseeing and other leisure related reasons. Most of the leisure trips are made by personal automobile.

Table 3

TOTAL DOMESTIC U.S. PERSON TRIPS, 2001	1017.8 Million
Purpose of Trip	
Leisure Travel (Pleasure, Personal)	77%
Business Convention	13%
Combined business/pleasure	4%
Other	3%
Mode of Travel	
Auto, truck, RV	74%
Airplane	17%
Bus	2%
Train/ship/other	4%
Rental car (Primary mode)	3%
Source: Travel Industry Association of America: Travelscope	

The majority of leisure travel (58%) is typically booked at least three weeks in advance of the departure date. Only 26% is booked less than a week in advance.

The outlook for travel is positive. The country's population is growing and it will continue to grow, particularly in the 45-64 age group, which is the period in life when heavy traveling occurs.

4. USE OF THE INTERNET

The Internet is used primarily for communication, 95% of users use the email capability. Research is the next most popular activity with three fourths of users indicating they research products and services and two thirds said they get travel information. As shown in the table below 42% of users claim they have bought travel or made a reservation on the net.

Table 4

THINGS PEOPLE DO WHEN ONLINE

Activity	Percent of those with Internet Access
Send email	95%
Search to answer a question	80
Look for info on hobby	80
Search for a map or driving directions	79
Research a product or service	75
Get news	60
Get travel information	66
Buy a product	56
Buy or make a reservation for travel	42

Source : Pew Internet & American Life Project Surveys – October - December 2001- Abstracted

In a Harris Poll taken this past April, almost three fourths of adults now say they use a personal computer. Two thirds of adults say they are online. As shown in Table 4 the percentage of people who have access to the Internet at home is 55% of the adult population. This table shows the rapid growth in Internet use at work and at home.

In 1995, 17 million adult Americans were online. This figure has increased each year and it is estimated that 137 million adults were connected to the Internet in February of 2002.

Table 5

PERCENT OF ADULTS IN MARCH 2002 WHO				
	Use PC	**Are Online**	**Online At Home**	**Online At Work**
2002	74%	66%	55%	30%
2001	72	64	53	27
2000	69	57	45	24
1999	63	56	46	NA
1998	63	35	22	22
1997	61	30	16	18
1996	54	19	16	16
1995	50	9	NA	NA
Source: Harrisinteractive.com/harris_poll/index.asp?PID295				

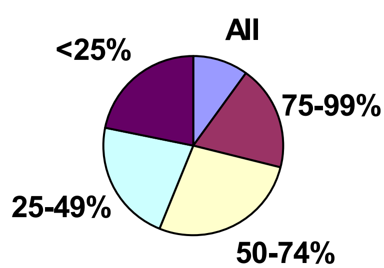
The percentage of adults who are online expanded quickly in the late 1990s and has now tapered off. While the percentage of adults who use the Internet will continue to increase for several more years, the increases will be relatively small. Other Harris research shows that the people who use the net are more likely to be well educated and well paid. Less than a third of people over sixty-five are online. This suggests that the majority of people who will use the net for travel research and bookings already have the capability to do so.

Portion of Planning Done Online

Of the 65 million people the TIA identifies as online travel planners, only 10% did all their planning on line, 22% did less than 25% of their planning online.

Table 6

Portion of Travel Planning Done Through the Internet



Source: TIA Travelers' Use of the Internet 2001

Travel Agents Use of the Internet

An ASTA study in 2001 found that 94% of travel agents had a connection to the Internet. Of the 6% who did not, two-thirds indicated they would have a connection within a year. This would indicate that at least 98% of travel agents have access to the Internet today. They get that access through a variety of sources:

- 37% through a national provider such as Earthlink, Prodigy
- 22% through a local provider
- 13% through DSL or cable
- 27% through their GDS

Roughly half of the agents use a dial-up connection to gain access to the net. Eighty percent of the agents indicated that they had access to the Internet at home, a much higher percentage than found in general or among online travelers. Three fourths of agents said that all their agents had Internet access.

Both owners and front line agents spend an average of more than a eight hours a week online.

Agents used the net for research of many of the same subject areas as consumers. The amount of time they spent on specific types of sites varied.

Table 7

TOPICS RESEARCHED ON LINE BY ASTA AGENCIES	
Destinations	98%
Weather	83
Industry info	81
Suppliers	71
Business info	29
Other	3
Source: ASTA. The 2001 Agency Automation Report	

Agent Booking Through Supplier Web Site

Travel agents are heavy users of the Internet. They are using it for a variety of activities as indicated by the following quotes from their industry survey.

> *"Today's travel suppliers, including cruise lines, airlines, tour operators, hotels and various independent online agencies, are providing fast and user-friendly web based reservations systems accessible to consumers and (sometimes exclusively) travel agents. While the mechanics for online booking of any kind of travel products are available, adoption of the*

Internet booking practices by the travel agency community is still in the elementary stage."

"Over half of ASTA agencies (51.6%) report they have booked directly on suppliers 'web sites without using their GDS or calling the supplier in question."

"Despite the increase in the number of agencies booking on supplier sites, the percentage of online bookings compared to overall agency bookings remains fairly small."

Source: ASTA. The 2001 Agency Automation Report

More than half of agents indicated that they booked less than 2% of all their bookings online. Two percent of agencies said they booked more than 40% of their reservations online. We believe that these heavy users are specialty operators who work with tours and cruises. The types of bookings they did make online tend to be in areas where the GDS are not as functional as supplier web sites. The travel products booked online by ASTA agents were:

- Tours - 64%
- Hotels - 42%
- Rail – 38%
- Air tickets – 32%
- Cruises – 27%
- Car rental – 23%

We believe the majority of the air tickets booked on the Internet are for the low-cost airlines such as Southwest and JetBlue that encourage web bookings.

"Agents experience relatively few problems with online bookings. Only 21.9% of ASTA agencies that have booked online reported they have encountered some problems when making online reservations. Commonly mentioned problems are:

- *Booking online is time consuming*
- *Unable to make changes to a completed reservation*
- *No support when making a booking*
- *For airline tickets, prices change while making reservations. Fares still available by phone.*
- *Confirmations on web bookings are sometimes a problem*
- *Minimal possibilities of indicating travel preferences*
- *Not performing as advertised*
- *Override commissions are not always correct*
- *Connection problems. Systems are slow, often do not connect.*
- *Prices are normally higher than when booked by phone*
- *Receiving confirmations in a timely fashion'*
- *Credit card verification*
- *Some sites cause problems when trying to book with a client's credit card."*

Source: ASTA, The 2001 Agency Automation Report

Agency Web Site Practices

As indicated from the following excerpt agencies are adopting the Internet but need to do more.

> *"The Internet is becoming an integral part of the retail travel industry. Agencies with a web site account for 59.1 percent of surveyed agencies. This is only slightly up from last year when 51 percent of agencies reported having an agency Web site."*
>
> *"Despite the rising number of consumers with Internet access and the increase in the online travel bookings, Internet sales are not yet a significant source of income for most ASTA agencies. In part, this can be explained by the highly consolidated state of the online market. According to PhoCusWright, the top five players [Travelocity, Expedia, Priceline, Southwest and United] account for almost 60% of online bookings."*
>
> *Source: ASTA, The 2001 Agency Automation Report*

Agency Web Site Leads and Bookings

"Web site presence does help bring in new customers according to 79.4% of ASTA agencies. On average, agencies generated 5 percent of total sales from Web sites leads." However, many travel agents report that their web sites bring in little or no business.

One third of agencies with web sites, about 20% of all agents, also have some booking capabilities. Most agencies require a customer to submit a request by email, which is then processed. Nine percent of agencies with a web site do have a direct booking engine that a customer can use. Some agencies have a link to another site, which provides them with a commission.

> *"ASTA research found that consumers find travel agent's experience, human interaction and better convenience important reasons for using a travel agent. Flexibility, greater control and better deals are mentioned as advantages of online book. It appears that combining personalized services and flexibility through Internet booking and email communications will be the key to future success. "*
>
> *Source: ASTA, The 2001 Agency Automation Report*

GDS Usage Among Agencies

The web has caused some travel agents to become less dependent on GDSs.

"In the 2001 study results show a decrease in GDS usage among ASTA agencies compared to 2000 study findings. Today, 90 % of ASTA agencies use a GDS, compared to 97% in 2000 and 98% in 1998. This decrease in the percent of agencies with GDS access is, at least in part, attributable to the fast and user-friendly web based reservations systems offered by many travel suppliers enabling agencies to book directly with the supplier. One agent commented, 'We have found that we can obtain lower fares and rates for our clients as it relates to hotel and car rental reservations if we use the online systems. Also, a lot of online booking engines are much simpler to use and require less time than the GDS system we are using.' "

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Source: ASTA, The 2001 Agency Automation Report

Business use of Internet

Runzheimer International provides advice to corporations about travel management. It surveys corporations to find out what they are doing and planning to do. In January 2002, they surveyed 193 corporations about their travel technology. They segment their studies by size of travel budget. Very small companies were spending less than $250,000 annually, medium size between $5 and $10 million, and very-large companies more than $30 million.

Seventy percent of the companies surveyed have an on-site reservations center. In three fourths of the companies, agency employees staff the centers: in the others, company employees perform the travel management task. As would be expected the larger the company the more likely it has an on-site travel center.

Table 8

PERCENT OF ORGANIZATIONS WITH ONSITE TRAVEL CENTERS BY TYPE OF STAFFING (By size of travel budget in millions of dollars)							
	>$.25 VS	$.25-1 S	$1-5 SM	$5-10 M	$10-20 ML	$20-30 L	<$30 VL
On-site Center	33%	50%	66%	83%	77%	75%	75%
Agency operates	50%	50%	79%	85%	67%	92%	84%
Source: Runzheimer. Runzheimer Reports on Travel Management, 1/02							

Table 9 shows the different technologies used in corporations for making reservations, Table 10 shows the same information by size of the travel budget.

Almost 40% of corporations have an automated booking system currently. Two thirds of those who do not say they intend to install one in the near future. At least 44% of the companies and probably more have access to the web for booking either directly or through an online agency.

Table 9

TECHNOLOGY SOLUTIONS USED	
Technology	**Percent**
Automated booking system accessible through an organization Intranet system	39%
Email booking system	35
STP (Satellite Ticket Printers)	32
Online bookings directly through airline web site	22
Online booking directly through a travel agency-sponsored web site e.g. Travelocity, Expedia	22
Voice recognition system	2
Other (phone, fax, non-contract agents, etc)	10
Total exceeds 100% because multiple answers allowed.	
Source: Runzheimer. Runzheimer Reports on Travel Management, 1/02	

As shown in the table below the companies with the largest travel budgets are the ones that tend to have an installed automated booking system.

The companies with the smallest travel budgets use the airline web sites and online travel agents. The number of STPs is surprisingly high considering the amount of e-ticketing that is being done.

Table 10

TECHNOLOGY SOLUTIONS BY TRAVEL BUDGET SIZE (by size of corporate travel budget)	VS	S	SM	M	ML	L	VL
Automated booking system accessible through an organization Intranet system	0%	9%	21%	42%	46%	69%	71%
Email booking system	70	20	28	42	31	31	39
STP (Satellite Ticket Printers)	10	18	23	33	37	25	64
Online bookings directly through airline web site	80	36	18	14	9	31	21
Online booking directly through a travel agency-sponsored web site e.g. Travelocity, Expedia	60	41	21	22	17	19	11
Voice recognition system	0	5	3	0	0	0	0
Other	0	18	21	11	9	6	0
Total exceeds 100% because of multiple answers							
Source: Runzheimer. Runzheimer Reports on Travel Management, 1/02							

This survey also noted other things of interest:

- 62% of the corporations had a net fare agreement with an airline
- 71% of the corporations have an agency agreement in which the airline commissions are returned to the corporation. 18% did not return the commission, 8% had no agreement and the remaining 3% had some other agreement.

Size of the E-Commerce Market

According to ComScore, a firm that measures Internet sales activity of 1.5 million individuals through software installed on their computer, travel is the largest component of US online consumer sales.

The following press release and story indicate how online travel has become entrenched.

*"**Reston, VA - April 16, 2002** - comScore Networks has released the results of the first complete review of consumer e-commerce for the first quarter of 2002, reporting that sales at U.S. Web sites set a new record of more than $17 billion for the quarter. This level represents an increase of 48% versus one year ago and 8% versus the fourth quarter of 2001.*

Excluding Travel, online sales totaled $10.1 billion, reflecting 30 percent growth over the first quarter of 2001 and a decline of 7% versus the holiday-driven fourth quarter of 2001.

Table 1: Online Consumer Sales at U.S. Sites (excluding Auctions)

($ millions)	Q1 2002	Q1 2002 % Change vs. Year Ago Q1 2001	Q1 2002 % Change vs. Prior Qtr Q4 2001
Total	$17,049	48%	8%
Non-Travel	$10,072	30%	-7%
Travel	$6,977	87%	39%

TRAVEL RECLAIMS ONLINE GROWTH LEADERSHIP
After more than three challenging months last fall and winter, the online travel sector enjoyed an almost immediate resurgence at the start of January 2002. Consumers spent nearly $7 billion at domestic Travel sites in Q1 2002, an impressive increase of 87% versus the same period in 2001 and 39% above Q4 2001. Travel accounted for 41% of total consumer e-commerce sales, a share exceeded only by the 43% level that the sector had achieved in Q3 2001.

"Throughout the holiday season, many consumers suspended their travel plans - and in turn saved their travel dollars," explained comScore vice president Dan Hess. "Now that many of those same consumers are taking to the skies again, travel providers and service agencies are benefiting from those newly reopened wallets."

Previous comScore analysis has found that many holidays are followed by a short-term online sales lift as postponed consumer demand is met. However, comScore reported that average daily Travel sales in each month of the post-holiday first quarter exceeded those of the prior month. "We saw a new average daily record set every month," noted Hess.

Table 2: Online Consumer Travel Sales at U.S. Sites (excluding Auctions)"

	Online Travel Sales ($Millions) Full Month	Online Travel Sales ($Millions) Average Daily
January 2002	$ 2,322	$ 74.9
February 2002	$ 2,149	$ 76.8
March 2002	$ 2,505	$ 80.8

Source: comScore Press Release

The following article from Travel Weekly emphasizes the growth in online booking.

> *"**While GDS bookings are declining in the U.S., online travel is sizzling**"*
>
> *Despite the effects of Sept. 11 and a slumping economy, travel sites in the U.S. booked $14.8 billion in sales in the first six months of 2002, a 71% increase compared with the first half of 2001, according to ComScore Networks, an Internet research firm.*
>
> *The figure represents the sale of leisure and unmanaged business travel on virtually all U.S. travel sites, including online agencies and suppliers' own sites but excluding auction sites like Priceline.com.*
>
> *"Aggregators and online agencies are continuing to be overall leaders in their share of the business," said Daniel Hess, ComScore's vice president. "We're continuing to see innovative promotions and package deals."*
>
> *During the first six months of this year, according to ComScore, the share of online sales by product type remained relatively unchanged, but the sale of packages and other miscellaneous products -- totaling $552 million -- jumped 141%.*
>
> *Hess said ComScore, whose research clients include Microsoft, Starwood, Orbitz and the New York Times, believes travel sales will continue to shift online but at a less spectacular pace than at present.*
>
> *Online travel, meanwhile, continues to be the hottest retail category.*
>
> *In the second quarter of 2002, according to ComScore, online travel in the U.S. grew 46%, to $7.8 billion, compared with the second quarter of 2001.*
>
> *By comparison, nontravel sales on retail sites rose 28% in the quarter, to $9.7 billion. ''*
>
> *Source: Travel Weekly August 26, 2002*

As further indication that this growth is continuing Delta Air Lines reported that its online sales at Delta.com had reached a billion dollars by the end of August, a 30% increase over last year at the same time. Delta.com sales now account for 12% of all sales and e-ticketing is used for almost 80% of all passengers.

5. TRAVEL INFORMATION

Sources of information

Online travel planners use many different types of sites in order to get information for their trip.

Table 11

TOP INFORMATION SOURCES (LEISURE TRAVEL) FOR ONLINE AIR TRAVELERS[3]			
Source of info	**1999**	**2000**	**2001**
Travel agent	48%	56%	55%
Toll-free number	45	62	65
Online/WWW	57	66	93
Corporate travel department	4	5	30
Airline schedules/timetables	27	31	41
Email notification	23	29	48
Friends/relatives	25	22	34

Source: 2001 Travel Weekly Consumer Survey

The companion survey of the general population, which was done only in 2000 shows, that 31% of adults used travel agents, as contrasted with the 56% of online users. The large difference can be attributed to the fact that many people in the general population do not travel at all and when they do they rely much more heavily on the advice of friends and relatives.

Online Sources

Travel planners often use more than one website to plan their trips. As shown in the table below many different types of sites are being used. There is a shift in the type of sites being used. Improvements and greater awareness of supplier and online agency sites have increased their use. The airline-owned Orbitz web site was not in existence when the data shown below was collected. Since it has acquired a large share of bookings the share of online agencies used can be expected to increase over time.

[3] An online air traveler is one who travels for business or leisure and has a valid email address.

Table 12

TYPES OF INTERNET SITES USED FOR TRAVEL PLANNING (Among 64.5 million Online Travelers who used the Internet to make travel plans)		
	2000	2001
Search engine sites	77%	69%
Company sites	63	67
Online agency sites	52	63
Destination sites	63	63
Special interest sites	30	23
Travel guide sites	14	17
Newspaper/magazine sites	16	12
Community sites	15	7
Source: TIA, Travelers' Use of the Internet, 2001 Edition		

In a survey released in May 2002 Southwest Airlines' SWA.com continued to dominate airline Web site business, according to a rating compiled by Jupiter Media Metrix. American Airlines' site, AA.com, was the second-most-used site among the nation's 10 largest airlines. In third place was JetBlue Airways' JetBlue.com, while Delta Air Lines' Delta.com and United Airlines' United.com ranked fourth and fifth, respectively.

Contrasting Lookers versus Bookers

Forrester Research takes a different approach in examining how customer's research and book travel.

> "*Despite the industry's slowdown, Web travel has accelerated in the past year. Bookers continue to be upscale, frequent travelers, but their behavior on the net has changed. (Bookers are leisure travelers who have purchased leisure travel online in the past year. Lookers are leisure travelers who have researched leisure travel online but who have not bought. All other travelers include those consumers who have neither researched nor bought travel via the Web, whether or not they have Internet access.) They know where to go, so they have cut their reliance on portals and media sites, heading straight to sites run by suppliers and Web agencies like JetBlue and Orbitz, respectively.*

Bookers buy more trips in more categories than they did before – and they are doing it more quickly after coming online. How do travel companies snag their share of Web booking dollars? Reach Booker and Lookers through their friends and family by offer referral bonuses – and convince Lookers that you can give them the best prices without compromising privacy or security."

In 2001 Bookers tended to choose travel suppliers directly (76%) or online agencies (56%). About 25% used consolidators, and 20% web portals; 10% used a traditional agency.

Lookers tended to call travel suppliers (40%) while 25% visited a branch location. About 23% booked their travel offline.

About 75% of the Bookers booked air travel online, they booked 55% of their lodging and 37% of their car rentals. This heavily traveled segment of the market is familiar with the Internet and likely will increase their usage of it. Air travel is largely booked online by these people. Other services are likely to follow.

There is a big difference in the amount of trust Bookers and Lookers place in their sources of information. Both trust friends and family above all other sources, 78% of Lookers trust this source while 70% of Bookers do. Both groups trust brick and mortar agents the same about 64%. Bookers trust online agents, rating then at 65% while Lookers give them only 38%. Lookers are much more suspect of travel supplier websites as well rating them as only 38% trustworthy while Bookers rate them at 64%. This suggests there is a lot of room for online sources to build up confidence and trust. It does not offer offline agents any significant opportunity to seize a positive advantage.

There are major differences in the satisfaction level of Lookers and Bookers with researching online. Lookers are only 45% satisfied while Bookers are 78%, More importantly only three percent of Bookers are unsatisfied while 13% of the Lookers are.

Lookers concerns are primarily about security and protecting personal information, both are concerns to more than 40% of the group. Other reasons why people do not buy online are: it is easier to buy offline; concerns about reservations processing; whether they are receiving the lowest prices. Both supplier and online agencies are improving and emphasizing their ability to provide security and protect personal information. The latter three concerns are those that most likely would be stated by persons not comfortable with the use of the Internet. These are likely to be overcome over time.

The same survey asked "Which of the following would influence you to look or book more online?" Both Lookers and Bookers rated the same items as being most important, with Lookers generally rating each item other than privacy and credit card arrangements, with a lower significance. While the question was weighted in favor of online responses the reciprocal could be used as how offline agents could increase their bookings. The items listed with the Booker

percentage rating is shown below. (Lookers rated roughly ten points lower in all items than Bookers, other than the differences mentioned below.)

- Lower prices online than offline -68%
- Assurance of lowest price - 67%
- More complete information online - 56%
- Offline travel agents start charging higher fees - 55%
- Greater selection - 54%
- Assurance of unbiased information - 43%
- Better credit card security – 38% for Bookers, 41% for Lookers
- A faster Internet connection – 24%
- Better privacy regulation – 26% Bookers, 32% Lookers
- Easier –to-use-Web sites - 22%
- Payment options other than a credit card – 18%, Lookers 25%.

The list of questions above is a ‘line in the sand’ which can be used by either online or offline agents to define how they best serve the consumer. At this point the online agents have the advantage.

Less than a majority - 41% of Bookers and 33% of Lookers - have a favorite web site where they go first to research a trip. Bookers who had a favorite site choose it for the following reasons: (Lookers rated sites an average of three points lower.)

- Easy to use – 68%
- Good past experience – 62%
- It allows me to compare prices – 55%
- It has the best prices – 45%
- I have it bookmarked – 43%
- It has all my information -38%

Source: Forrester Research. Travel North America, April 2002

Requested Information

A majority (68%) of online travelers say they consult the Internet to get information on destinations or to check prices or schedules. Using the TIA numbers this translates into 65 million online travel planners.

One factor that will influence which site is being used is the perception of where the best price can be found. One study, shown below, indicates that online travel agents are perceived by users as the source of finding the best price.

Table 13

WHO OFFERS THE BEST PRICE?	
Traditional agents	17%
Suppliers	18%
Online travel agent	44%
Don't know	21%
Source: The Online Travel Market 2001-2002, PhoCusWright	

The interactive traveler interview in the Travel Weekly Consumer Survey has shown a marked increase in the use of the net for gaining travel information of all types. The percent of travelers seeking information has increased dramatically each year. The table below shows the types of information that are requested.

Table 14

TYPES OF TRAVEL INFORMATION MOST FREQUENTLY ACCESSED ONLINE
Percent of Online Air Travelers
When Traveling Primarily for Leisure

	1998	1999	2000	2001
Destination (Net)	81%	76%	83%	97%
Maps of destination	58	56	62	69
Weather	45	42	61	63
Sightseeing attractions at specific destinations	46	42	45	61
Air (Net)	81	83	85	98
Air fares/prices/availability	60	+63	67	83
Air schedules	57	58	64	69
Air fare discounts send via e-mail	44	47	54	52
Low air fare finder with guarantee	35	39	45	42
Frequent flyer information	34	36	42	50
Lodging (Net)	64	64	68	96
Rates/room availability	49	55	56	87
General information	47	46	43	54
Travel tips (Net)	59	59	42	64
Driving Directions	31	33	32	49
Rental Car (Net)	34	41	44	84
Frequent rental program	15	14	15	23
Cruise	13	15	18	35
Packages	28	26	22	43
Source: 2001 Travel Weekly Consumer Survey				

6. TYPICAL BOOKING METHOD

The Travel Weekly Consumer Survey looked at both the general population and of air travelers. Their has been a relative decline in travel in the country for both business and pleasure travelers. There has been a relatively greater decline in the use of travel agents both in the general population and by travelers.

Table 15

INCIDENCE OF TRAVEL AND TRAVEL AGENT USE			
	1998	1999	2001
Incidence of travel	70%	67%	63%
Incidence of pleasure travel	66	64	61
Incidence of travel agent use among travelers	45	45	40
Incidence of travel agent use among the population	30	29	25
Source: 2001 Travel Weekly Consumer Survey			

Among leisure travelers there has been a similar decline in the percent of people using travel agents. There has been a marked increase in those using the Internet, except for travel agent Internet sites.

Table 16

TYPICAL BOOKING METHOD FOR LEISURE TRAVEL		
Booking Method	**2000**	**2001**
Travel agent	36%	32%
Book directly	61	59
Travel club (AAA)	4	5
Corporate/Internet	1	3
Internet (Net)	27	49
Internet travel site (Travelocity, etc.)	11	24
Specific Internet site (Airlines, hotel, etc.)	15	29
Travel agent Internet site	3	2
Other method	6	4
Source: 2001 Travel Weekly Consumer Survey, travelers with an email address		

There remains a segment of the population that wants and appreciates the personal services that a travel agent provides. These people typically spend more than other travelers do. Travel agent users are twice as likely to hold a passport as non-users. Users are also much more likely to take an air trip, (81% did), than non-users, where only one in three made such a trip.

People who have an email address have become familiar and comfortable with booking on the web. In a period of three years bookers have increased from one in four to three of four.

Table 17

ONLINE TRAVEL PURCHASES	
Year	**% of Respondents Making an Online Travel Purchase**
2001	78%
2000	51
1999	37
1998	27
Source: 2001 Travel Weekly Consumer Survey, travelers with an email address	

The following paragraphs are quoted from the Travel Weekly Survey and discuss the change in booking habits on the net and what travel agents need to do to remain competitive.

"The 2,128 "interactive travelers" interviewed by Plog during early March 2001 are all air travelers who have an e-mail address. So, these are sophisticated consumers who not only travel more often than the typical adult, but who are also very computer-savvy. Compared with the U.S. average, the Plog "online air travelers" tend to be somewhat younger (46 vs. 49); considerably more affluent (with a median household income of $85,090, vs. a U.S. average of $39,100), and better-educated (81% are college graduates vs. the national average of 29%). Some 78% of these travelers say they travel by air for business, compared with only 15% of all U.S. adults, and 95% say they fly on leisure trips as well, vs. a national average of only 29%."

"If this group represents the heart of the traditional travel agency client base, it also represents the segment of the population that is most wholeheartedly embracing the Internet for travel planning and buying purposes. In the 2001 Plog study, fully 78% of the respondents said they have used the Internet not just to research trips, but to buy travel. That's the highest point yet on a dramatic growth curve that was only 27% just three years ago. Perhaps this segment of the population is becoming increasingly comfortable with conducting business online because its members spend so much time there – an average of 27 hours per week, the study found. On the downside, for Internet booking, they also are showing "an increased awareness about the security [or lack thereof] of financial transactions online," the researchers noted, with two-thirds of the respondents expressing serious concerns about it in 2001. Just last year, less than half of the sample did so."

“Still, when they were asked about their overall feelings toward the use of the Internet, an overwhelming 91% agreed that it is "a reliable way of making travel arrangements," and 87% concurred that it is "a cost-effective way of making travel reservations." Most respondents also agreed that the Internet is convenient for travel planning, gives travelers more control over their itinerary, saves time and provides unbiased information. Still, a substantial proportion of these "interactive travelers," 36%, say the Internet "will never be a substitute for other more traditional [booking and information] sources" – such as travel agents. "With a significant percentage of interactive business and leisure travelers now utilizing the Internet more often than traditional sources (travel agents and toll-free numbers) to help select travel services, travel information gathering enters a new paradigm," the researchers said. ‘While there will always be a portion of the traveling population that resists, the Internet is changing how travel-related organizations must conduct business, in order to meet the needs and requirements of their traveling constituencies.’”

7. CONCLUSIONS

The Internet has changed the way travel products are promoted and distributed by suppliers. The Internet has already become a significant force in travel distribution.

The travel market will continue to grow as the population increases and gets older. It is the older segment that travels the most. The ‘baby boomers’ are moving into that age group in the next few years.

The use of the Internet for research and booking travel will continue to increase for the following reasons:

- More people are being encouraged to use it at work and in school, expanding the number of people who are capable of using it
- The price of computers, software and Internet connections is coming down, making home computing and web-surfing more affordable
- The high speed connection makes web-surfing more enjoyable and time efficient
- Web sites are being made easier to use, information-rich and more functional (i.e. boarding passes, upgrades, etc.)
- New software is going to provide intelligent profiling that will fashion travel offers based on prior experience and preferences
- The perception that the lowest prices are available on the Internet.

Travel agents play a significant role in the distribution of travel. While the Internet has made inroads there are still people who want the advice and knowledge of a travel professional to assist them in making their plans. The value they offer will have to be hard to acquire knowledge about destinations, suppliers and alternatives. In order to protect their position they need to use the Internet as a tool to enhance their own image, maintain contact with customers, (primarily by email), and acquire the knowledge they need.

Attachment 1

Information Sources Examined

In order to get the widest and deepest understanding of what has happened regarding the purchase of travel the Internet was searched for commercial, academic and trade press, academic institutions, trade association and government sources of consumer information. The reports and transcript of the Commission's hearings was also examined.

The following sources were identified and examined. Many of them did not have any substantial current information to offer. Some of the commercial sites were not available without payment of substantial fees and were not pursued. The sources used have been noted in each section of the report.

Academics

Professor Kaye Chon - Chair Professor & Head
School of Hotel and Tourism Management
The Hong Kong Polytechnic University
Editor-in-Chief, Journal of Travel & Tourism Marketing
Editor-in-Chief, Journal of Hospitality & Tourism Research
(She is also affiliated with the University of Houston)

Charles Goeldner, Emeriti professor of Marketing and Tourism,
University of Colorado at Boulder

Wesley S. Roehl, Research Director
School of Tourism & Hospitality management
Temple University

Pauline J. Sheldon, Ph.D. - Interim Dean and Professor
School of Travel Industry Management
University of Hawaii

Academic Journals

Annals of Tourism Research
The annual proceedings of the ENTER Conference: Information Technology and Telecommunications in Tourism
Journal of Information Technology and Tourism
Journal of Travel and Tourism Marketing
Journal of Travel Research

Commercial Research Organizations

ComScore Networks, Inc.
Forrester Research, Inc.
Gartner, Inc.
Global Aviation Associates, Ltd.

Harris Interactive, Inc.
Jupitermedia Corporation
PhoCusWright, Inc.
Runzheimer International, Inc.
Yesawich, Pepperdine & Brown

Industry Trade Press
Business Travel News
Travel Agent
Travel Weekly

General Press
Consumer Reports
The Economist Intelligence Unit
The New York Times

Independent Research Organizations
Pew Research Center - The Pew Internet & American Life Project Surveys

Industry Trade Associations
American Society of Travel (ASTA)
Association of Retail Travel Agents (ARTA)
Travel Industry Association of America (TIA)
Travel and Tourism Research Association (TTRA)