

QUICK TAKE



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Travelocity's New Flight Navigator Soars

New Merchandising Interface Helps Promote Agency From Reseller To Retailer

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EXECUTIVE SUMMARY

Web travel agency Travelocity.com continues its evolution with an enhanced flight shopping interface that better meets Web travelers' desire for information and control and encourages upselling. It will take until Q1 2005 for everything to be launched, but once that happens, the wide-ranging suite of improvements will help Travelocity to favorably distinguish itself from competitors Expedia and Orbitz.

WEB TRAVEL MUST APPEAL TO TRAVELERS' EMOTIONS AND BEHAVIORS

Price, price, price — as residents of the Wal-Mart nation, travel companies must accept the fact that having a good price, which speaks to the logical side of travelers' brains, is the starting point of their conversations with travelers. Still, emotional aspects of Web travel planning and buying deserve the same level of attention because:

- **Web travelers have an enormous thirst for control.** According to Forrester's Consumer Technographics® August 2004 North American Travel Online Study, nine out of 10 leisure air Bookers say that it's important to them to have control over their travel planning. Thus far, travel companies have addressed this need through site navigation and functionality like flexible date searches and various availability sort options. But control also means using information like inventory-specific availability to guide a purchase decision — an area where airline shopping currently lands short.
- **The lack of differentiation allows price to dominate buying decisions.** Eighty-seven percent of US online leisure airline ticket Bookers like to shop around before making a purchase — a function of America's price-focused society and airlines' failure to differentiate themselves in travelers' minds. Lacking additional information to make a more informed decision, travelers reduce buying airline tickets online to two dimensions, fare or schedule, even though a carrier may offer equipment, features, or amenities that could increase its appeal to travelers.
- **Passengers are willing to trade up.** Contrary to popular belief, not every airline passenger focuses just on the fare. In fact, airline travelers are more willing than the typical traveler to part with their hard-earned cash, provided they know there's a valid reason to do so. While just 42% of online US leisure travelers say that travel is something they're willing to splurge on, among all leisure travelers, it's 50%. And although only one in three online leisure travelers say they'll pay more for better travel products or service, for leisure air Bookers this rises to 39% — and among business travelers, it's nearly 49%.

TRAVELOCITY'S NEW STRATEGY SUPPORTS ITS DESIRE FOR DIFFERENTIATION

For more than two years, Travelocity.com has been overhauling its business processes, technologies, and marketing, capped by a new logo and site design that were launched earlier this year. Even so, Travelocity continues to trail No. 1 agency Expedia. How will it get ahead? To get more insight into Travelocity's plans, Forrester spoke with Michelle Peluso, Travelocity's president and CEO, who highlighted two of the company's key strategies:

- **Be a retailer, not a reseller.** A Web travel pioneer, Travelocity was launched to sell airline tickets, hotel rooms, and other similar travel services. That worked in 1996, but unlike Expedia, Travelocity failed to embrace a more far-reaching strategy as Web travel matured, and it was late to the game with a merchant-model hotel product, dynamic packaging, and destination services.¹ Times have changed. Travelocity has all of these capabilities now and thus is shifting its business strategy from being a travel agency to behaving more like a supplier-friendly travel store that helps its users understand basic and subtle differences among the numerous products it sells.
- **Create a multifaceted experience.** Travelocity has embraced the mix of emotion and logic involved with travel by forming partnerships with firms like NetFlix, iTunes, and Snapfish, whose products, although not necessarily directly travel-related, envelop the travel experience. For example, Travelocity will help get Las Vegas-bound customers in the mood with free NetFlix rentals, complete with suggestions of Vegas-themed movies, and with free music downloads from iTunes — no doubt featuring Elvis' "Viva Las Vegas." When they get home, customers will get an invitation from Snapfish to upload their pictures and print off a few for free.

New Air Interface Gives Flyers What They Want And Airlines What They Need

Tracey Weber, Travelocity's VP for Air and Car, gave Forrester a sneak preview of the company's new flight shopping interface, dubbed Flight Navigator. Travelocity will roll out Flight Navigator through Q1 2005. The new interface and functionality will first appear on Travelocity's leisure sites in the US and Canada. Rollout to Travelocity Business and its European and joint venture sites will follow in subsequent quarters. Flight Navigator is a comprehensive merchandising-based interface that Forrester believes is a winner because it lets users see:

- **When low-fare seats are limited in number.** In the offline environment, human travel agents can see how many seats are available to sell by inventory class and can advise their clients to act quickly if inventory is limited. Ironically, Travelocity's predecessor, Easy Sabre, provided this years ago, but none of the Web travel agencies offer it today. Travelocity's new interface features a "limited seat" alert that will display adjacent to

flights with three or fewer seats in a discount inventory bucket. Travelocity will also allow users to preview a flight's empty seats before booking — something that's already done on airline sites like AA.com. Armed with these types of data points, a user will be better informed about the best purchase to make.

- **Offers, features, or amenities associated with a particular flight.** Content may be king in Web travel, but its crown is missing a few jewels. While both Web travel agency and airline sites offer a lot of content, it's mostly been the obvious stuff — carriers, prices, and seat maps. Travelocity's Flight Navigator features a comprehensive interface that can highlight three of eight different types of promotional offers or product feature listings, such as coupon redemptions, dynamic package offers, premium cabin class, or onboard services or amenities. As a result, a carrier could gain market share in a hotly contested city-pair, and, by creating an awareness among its users of the differences among airlines' products and services, Travelocity should be able to help airlines accomplish the miraculous — upselling a passenger. Airlines should expect that, after an initial testing process, they'll eventually have to pay to list offers or features in Flight Navigator, similar to how packaged goods marketers pay for premium merchandising exposure like aisle end-cap displays.
- **Flexible data and airport search.** While some of Travelocity's improvements will help it leapfrog its competitors, its flexible date and airport searches will help it play catch-up with Expedia and Orbitz. Its airport search lets users select up to three departure and three arrival airports, but the geographic spread it offers presents interesting alternatives. For example, Dallas/Fort Worth airport alternatives include the obvious — Dallas Love Field — and the non-obvious — Waco. Travelocity's flexible date search presents results in a grid that lets users scroll the departure and arrival dates forward and backward to find a fare they like. Orbitz's flexible date search is currently limited to one day before and after the dates the user enters. The calendar Expedia uses is more flexible than that of Orbitz but isn't as convenient as the new Travelocity design.

ENDNOTES

- ¹ Expedia overtook Travelocity's spot as the top online travel agency in Q4 2001. Travelocity launched its own merchant-model hotel product on October 22, 2002. Prior to this, the company had relied on Hotels.com to provide the merchant inventory. See the February 6, 2002, Brief "Web Travel Agencies Set To Become Marketmakers" and the October 24, 2002, Brief "New Travelocity Hotel Product Rejuvenates A Leader."