

Room for manoeuvre

Ahead of the Travel Technology Initiative's joint forum with ETOA on June 3, Paul Richer (below), senior partner at Genesys, looks at the growing importance of distribution technology

Manny Fontenla-Novoa has just purchased the assets of recently demised aggregator

On Holiday Group Accommodation.

He stated that one of the main reasons for the purchase "was the data". However, I disagree - the most important bit is the technology.

Superlative technology will enable an aggregator to transact high volumes of business with maximum efficiency. On Holiday Group Accommodation's announcement concerning putting the business into administration stated: "OHG has had lengthy discussions with most of the major bed banks... to try to persuade one of them to take over the client account and the £19 million of forward bookings carrying £600,000 of profit."

Now, £600,000 on £19 million is 3.1% profit; you would certainly need some highly efficient technology to make a business out of such a small percentage margin. I believe On Holiday Group Accommodation must have this - and Fontenla-Novoa is actually buying some really good technology, along with his data.

Getting distribution right is such a critical subject. It all used to be so simple. If you were a tour operator you

could sell via travel agents or you could sell direct - advertising in newspapers or sending direct mail.

If you were a hotel, you hadn't much hope of reaching your target market. This was because your market place might be Northern Europe, US or the whole world. The only hotels who could afford to spread an advertising budget that wide were the major hotel chains. If your hotel was not part of a major brand then you relied on tour operators to contract your rooms. The bigger the tour operator, the more aggressive their rates negotiation and there wasn't much you could do about it.

If you were an airline, you were booked via travel agents, perhaps on one of the GDSs. You would try your hardest to get your best corporate traveller customers to book with you by offering frequent flyer cards and you would come up with the most convoluted fare structures to squeeze a little more income out of every seat sold.

Cruise lines had loyal customers that would tend to book through travel agents but would come back to you time and time again as they climbed the

tiers of your loyalty scheme.

Distribution life was good. You knew where you stood.

Make or break

Since those early days, distribution has changed dramatically. It is arguably the most complex area of travel and, critically, an area that can make or break a travel business. Certainly, you need the right product at the right price, but if it is not being distributed and sold through the right channels, you are going to be in trouble.

The big change is that the internet allows everyone to be your competitor. Airlines are dynamic packaging and competing with tour operators. Agents have tour operations. Hotels are selling direct, via agents, via channel managers, via tour operators.

Then there is the new genre of travel business - the aggregators. These may be bed banks such as JACTravel or flight aggregators like Skyscanner. They offer a breadth of product that is immediately attractive to other intermediaries further down the distribution chain. The best have slick technology allowing them to indulge in what I call the butterfly model.

Imagine the outline of a butterfly. The wing on one side is

the many suppliers providing product. The wing on the other side is the many sellers of the products. The butterfly's body is the aggregator business, electronically connecting the many suppliers and sellers. This is a common internet business model. In a perfect world, the aggregator's technology would automate all business processes with the absolute minimum of staff.

For our forum on June 3, our speakers are set to further shed light on the distribution debate.

Mario Bodini, president and chief commercial officer of JACTravel, will talk about how bed banks can play a vital role in distribution, allowing operators and agents to get access to a breadth of hotel product that they otherwise simply could not reach, while providing hotels with additional sales channels.

JACTravel has been in business long enough to forge excellent relationships with hotels, so gaining access to very good rates. Couple this with its focus on excellent technology and you have a winning formula.

Meanwhile, Colin Lewis, director of marketing at bmi regional, will talk about how he has built his airline's distribution on a limited budget.

Getting distribution right is a big subject. Even in the most efficient businesses, there is still opportunity for improvement.

All eyes will now be upon Fontenla-Novoa; will technology prove to be the magic ingredient in the intensely competitive bed bank sector.

