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**Travel bytes**

Sunday, July 9, 2006

*"The only reason people book early is if they're absolutely determined to stay in that hotel and it's three months out."*

The recent sharemarket float of the accommodation website, Wotif.com, confirmed what many have suspected – the online travel market is flourishing. Growth in the industry is now about 30 percent, racing ahead of more traditional hotel booking methods. However, not everyone believes big profits are a long-term certainty. Karen Tso discovers whether online booking has room to move.

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**KAREN TSO:** The tech boom and bust left many investors gun shy about investing in the Internet, but the on-line sector has set about proving it's a viable industry. The difference this time round, consumers are leading the way and investors are following.

**GRAEME WOOD, chief executive, Wotif.com:** It's live inventory on our website, the hoteliers are out there all the time changing rates and changing allotments to meet the market so it's a live market for hotel rooms and consumers seem to like that idea.

**TSO:** The on-line accommodation market accounts for less than 10 percent of the nine billion dollar travel market in Australia, but investors expect it to more than double in a few years time, becoming a two billion dollar industry. Wotif.com is one of the largest players, capturing a third of the market with its cheap last minute accommodation deals. It also recently wowed investors, listing on the share-market, at a 66 percent premium. Founder and chief executive, Graeme Wood, is more than \$40 million richer from the experience.

**WOOD:** We had first mover advantage, we came up with some very innovative ideas we were first to market with them, that give us the jump on all of our competitors, it really took the hotels by surprise too.

**TSO:** Flight Centre was among those caught out but it closing the gap with two on-line sites.

**GRAHAM TURNER, executive chairman, Flight Centre:** We have similar sites and not quite the same range but we soon and we have similar sorts or technology, so there's nothing much they've got special, except they were first movers and good luck to them.

**TSO:** Other competitors have also flooded the market, Telstra's directory business Sensis recently launched gostay.com and an Asian based rival **HolidayCity**, which sees

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**LEE LAI HUAT, chief executive, HolidayCity:** Australians are definitely the top users of on-line reservation industry from our data we receive 26,000 room nights in 2005 alone; in 2006 we would expect 30 percent growth.

**TSO:** The company says on-line accommodation is a different ball game to traditional travel bookings, players need to know how to target customers purely through the Internet.

You're based in Kuala Lumpur, how do you target consumers in Australia?

**HUAT:** We have a strong on-line presence and I'm just going to show you how we reach out to our customers.. lets say you look for hotel, it's called Star City Hotel Sydney, quick search, and as you can see, I mean, we are number three.

**TSO:** Holiday City's business model is different to Wotif's. Travellers can book months in advance and enjoy the flexibility of cancelling or changing their bookings without a penalty. Doesn't that create some uncertainty for you in terms of cancellations?

**HUAT:** I guess that's part of the business, I mean, what we're really gearing for is in terms of enhancing the customer experience.

**WOOD:** The only reason people book early is if they're absolutely determined to stay in that hotel and it's three months out but what happens they have a look at the rate they paid, three months out, then they come on to Wotif and have a look at it three days out and they get very upset typically.

**TSO:** But its not just these innovators that see value on-line, traditional travel agencies such as Flight Centre have been plugging away at the Internet for ten years.

**TURNER:** People are doing a lot more research on the web, bookings they do a lot of simple stuff there but a lot of it's the same sort of bookings they used to do through call centres.

**TSO:** And the hotels themselves are spending up on their own websites.

**SEAN HUNT, vice-president, Starwood Australia Pacific:** Year on year Starwood has experienced here in Asia Pacific 30% growth through the on-line reservation systems which is out-performing other channels for us.

**TSO:** The Sheraton is investing millions (of dollars) upgrading its websites, including a new system to enable guests to report back on their experiences. It's light years away from the old toll-free phone bookings.

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**HUNT:** You think back to the history of Sheraton in 1970 we were the first hotel chain to launch the 1-800 number, we've come a long way since then.

**TSO:** The on-line accommodation market can be broken down into last minute bookings, usually 28 days out, attracting profit margins of 10 percent on average, and wholesale fares, booked up to a year in advance but with bigger margins of up to 20 percent.

**HUNT:** We can open and close rates on our websites to ensure the best rates are available at every hour of the day 24/7.

**TSO:** Just like IT companies of the past there are fears, once again, that there's too much hype about profits, perhaps the most worrying sigh is from US giant Expedia, it's latest quarterly profit slumped fifty percent after it spent up on marketing to stay ahead of the competition. And Flight Centre's Graeme Turner believes the ambitions of local on-line sites will be grounded by the same problem - too many players vying for a slice of the profits.

**TURNER:** If you look at the Australian market, there's still a long way to go for on-line travel agencies, but my belief is that it is going to be one of those things that's quite hard to make serious profits out of.

**TSO:** And the signs are there, the Sheraton website offers better rates for its own room than those available on Wotif and [HolidayCity](#).

**HUNT:** We have a best rate guarantee in place which guarantees that any customer booking any Starwood Hotel, anywhere in the world, gets the best available rate and if they find a rate which is lower on say a third party website, we'll honour it by giving them a discount, a 10 percent discount off the best rate they find.

**TSO:** Do you find there's a situation emerging now though that people check what you're offering on-line then ring the hotel direct and say well I can get this rate on-line, what can you do for me?

**HUAT:** Yes it is true that you can get a good deal on-line and would advise to book on-line, but, of course, on the other hand that are customers, or there are hotels that would accept the bookings directly from the customers.

**TSO:** But, Wotif points out that individual hotel websites don't allow travellers to compare the best rates across all hotels. The next battleground for these accommodation sites will be over the range of domestic and international hotels, on offer. While Flight Centre says the passport to its success lies in travel to multi-destinations planning which can be complicated over the Internet but investors will be having their own reservations.

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