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If I Were Paul Blackney...

A commentary on the consolidation in the online corporate managed travel space

| by Max Starkov

On July 30th Amadeus announced the acquisition of e-Travel, Inc., a leading supplier of corporate travel technology solutions, from Oracle Corporation. The same day Galileo International, Inc. (NYSE: GLC) announced it had agreed to acquire Highwire, Inc., a start-up developer of corporate Internet travel tools and technology. The timing of these announcements, both at the National Business Travel Association (NBTA) convention in Atlanta, was not coincidental and aimed to achieve maximum publicity and send a strong message. These acquisitions follow Sabre's \$757 million purchase of GetThere, Inc. back in 2000 and reflect the growing importance of online self-booking corporate travel solutions. Worldspan now remains the only Global Distribution System (GDS) that hasn't acquired a major technology player in this space.

If I were Paul Blackney, Worldspan's President and CEO, I would consider the only viable option today, which is the acquisition of a corporate managed travel technology provider with the most promising technology for the long term. Here is why.

The economic downturn is forcing corporations to better control T&E expenses and to mandate self-booking systems. Business travel ranks among the top three corporate expenses. Booking travel in a self-serve mode trims down travel management fees and leads to significant savings. This year more than ever corporations are introducing stricter travel policies and require employees to use the corporate self-booking system. According to a recent survey by GetThere, Inc., 27% of their clients already use a mandate and 45% plan to have one in place this year. Jupiter Media Metrix expects \$6.1 billion of online corporate travel bookings in 2001.

Corporations see the benefits of online booking. Their efforts to cut costs will drive more than \$30.6 billion in corporate managed travel online bookings in 2006 (Jupiter). Gateway Inc. achieved a remarkable 98% usage of their Intranet-based self-booking engine, provided by e-Travel (acquired by Amadeus). Honeywell managed a 72% adoption rate of their GetThere (Sabre) system within 8 months and saved millions of U.S. dollars in fees and lower Web-only fares. Seattle-based Highwire Inc. (acquired by Galileo), a rising star in the corporate self-booking systems, this year inked deals with some of the largest business travel accounts in the country, Microsoft and Deloitte & Touche.

What is Worldspan to do in this situation? Here are several things the company must consider:

First, Worldspan already has an online booking product, the TripManager, which has more than 1,000 corporate licensees. The company just unveiled an enhanced version of the TripManager that promises a complete booking (air, car, hotel) in less than four minutes and has, among a number of improvements, a new graphical user interface designed for simplicity and efficiency. It is expected to significantly bolster adoption rates for corporate users.

Second, Worldspan, like the other GDSs, has a confused perception of its core competency. Is it a technology company? Is it a marketing company? Or is it a combination of the two? Historically, the GDSs have never had clarity on the subject. Defining a company's core competency is extremely important for making sound strategic decisions that will impact its long-term survivability. Worldspan has three business lines: travel supplier services, e-commerce and travel distribution. While in the mainframe computer world Worldspan may still be considered a technology company, I believe that Worldspan's core competency in today's Web-enabled world is the marketing of travel inventory reservation services and solutions. Hence the need to acquire a true cutting-edge technology leader in this space becomes more evident.

Didn't Sabre have the same dilemma? Last year Sabre acquired GetThere, Inc. and then practically abandoned its own online booking product (BTS), which gave us some food for thought, indeed.

Third, there are not that many online corporate booking technology providers left out there. Worldspan already has partnerships with or holds equity stakes in some of them. Datalex, TRX and XOL, whose XML-enabled middleware platforms promise the next-generation of self-booking technology, and Frankfurt-based I:FAO are worth mentioning.

- Datalex, Inc., a public company (Nasdaq: DLEX; ISE: DLE), based in Dublin, Ireland. Headcount: 470. Worldspan is an equity investor in Datalex and has a five-year strategic alliance with this company aimed to strengthen and promote each other's products and services as preferred solutions, and also for joint developments. Datalex is a leading provider of eBusiness infrastructure and solutions for the global airline and travel industry. Its proprietary technologies include the BookIt! Suite of Internet booking tools, BookSmart middleware booking technology and the ARIVA CRM suite.

Datalex' entry into the online corporate managed travel market came only recently with the acquisition of a 50% stake in Yatra Corporation. The Yatra online booking technology recently attracted its first significant corporate client, Siemens-Canada. Of particular interest is Datalex' group inventory management software for air and tour sectors, and its new BookIt! MATRIX, a powerful, extensible and scalable middleware technology that provides connectivity between back-end host and front-end client applications as well as legacy system connectivity.

- TRX, Inc., a privately held company in Atlanta. Headcount:1,000. Worldspan has had an ongoing client-vendor relationship with TRX for several years now. TRX's online booking tool, ResAssist is compatible with all four GDSs and is used by hundreds of corporate customers. Recently TQ3 Maritz Travel signed a deal to distribute ResAssist to its clients. TRX has a robust suite of proprietary technologies, offering all essential transaction processing functions for major travel suppliers and online travel services (CoRRre, EnCoRRre, Navigator, Message Partner, etc). Last year for example TRX provided automated transaction support for 7 million corporate travel transactions and fulfilled one out of every four leisure tickets purchased online. TRX's new XML Distribution System (XDS) coming later this year promises an integrated booking system utilizing multiple inventory feeds: GDSs, travel websites, direct interface to suppliers' CRS and other reservation providers.
- XTRA On-Line (XOL), a privately held company, based in Dallas. Headcount: 20. Worldspan owns 25% equity stake in XOL and a seat on the company's Board. At one point Paul Blackney served as company's Chairman. Recently XOL sold its main corporate booking product, the PowerTrip, and its Dallas Operations Center, to Frankfurt-based I:FAO, to focus on new technologies. One of them, MyTrip travel planning engine generates highly personalized travel itineraries, directly from personal information management calendars, such as Microsoft Outlook and Lotus Notes. The other one, XML/TS, a next-generation XML-based middleware that enables the integration of multiple systems and data exchange, deserves attention.
- I:FAO AG, a publicly listed company (Neuer Markt, Frankfurt Stock Exchange). Headcount: 165. i:FAO already dominates the corporate-side travel procurement market in Europe with cytric, the market leading Internet software for booking and management of business travel. More than 650 companies use the citric travel management system. It is available in 14 languages, uses all currencies and interfaces with all major GDSs. The acquisition of XOL's PowerTrip corporate booking product was meant to boost significantly the market position of I:FAO North America. Another product is quixdata, which allows customers to consolidate all travel information on their business travel activities in one database.

Actually, Worldspan has only two options: a) do nothing and continue pushing its TripManager product, trying to compete both as a technology provider and a marketer, and b) do an in-depth analysis of the online corporate managed travel space and acquire a technology player with the broadest portfolio of solutions and the most promising technology platform.

If I were Paul Blackney, I would know what to do.

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