



Midwest Business Travel Association

Orbitz ...or,
The Reality of E-Commerce
in Corporate Travel
Purchasing

Richard Eastman
President
The Eastman Group, Inc.

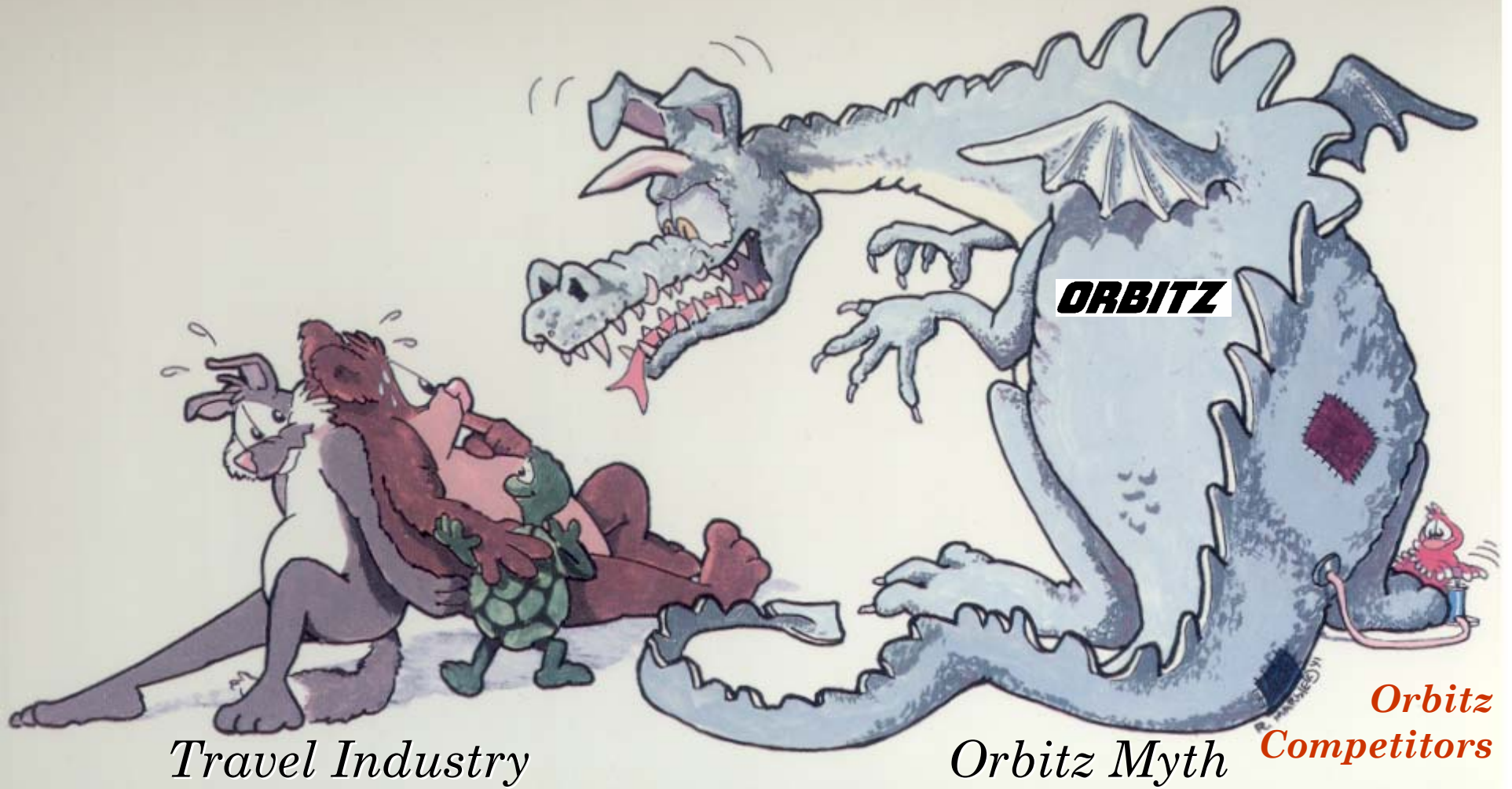
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“...and the topic we are exploring is Orbitz (formally T2). This is a topic that when poled at our last meeting in May leaped off the page with all the "Yes we need to know more on this product". Of the 80 surveys we received back from the audience 79 were interested in learning about Orbitz.”

Natalie Konowal
Midwest BTA

The Orbitz "Myth" ...



Face your Fears – They are Never as Bad as They Seem

Robert Marble, © 1986

Jeff Katz
President/CEO

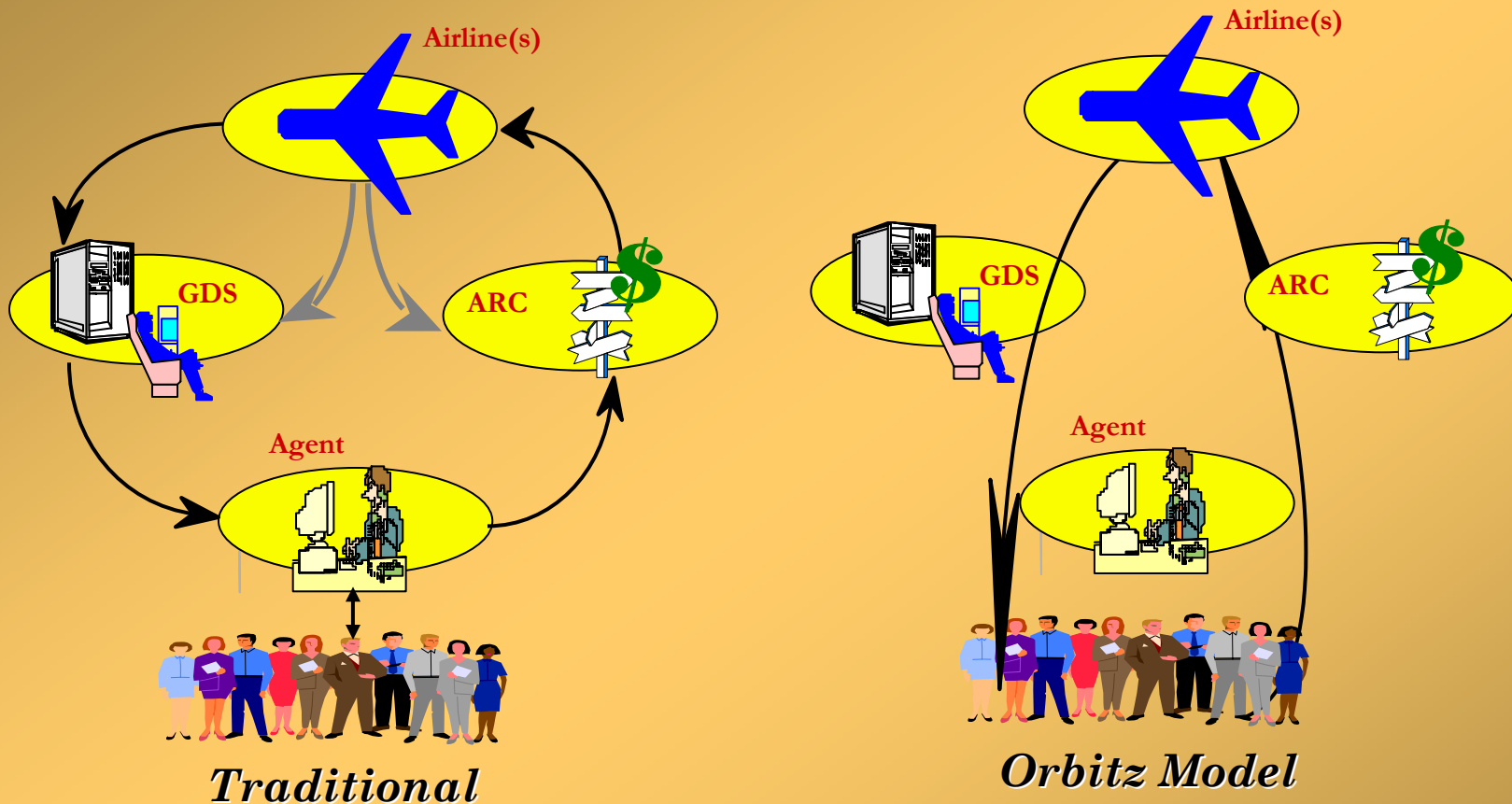


Internet travel is not only real, it is already huge. Next year \$20 B will be sold online (about half through airline web sites). There are two players today as retailers....they own 90% of the “portal eyeballs”. The business is concentrating from 36,000 agents toward two ... or at least two online, and a bunch that are traditional -- but with less business. Orbitz won't change this at all. Orbitz has nothing to do with today's travel agency model. Orbitz has mainly two purposes.

Purpose #1 - prevent the industry from concentrating from many to two ... one controlled by Microsoft (not generally viewed as the most even handed competitor) and the other controlled by SABRE (working all channels, but funded exclusively by [airline] booking fees which have gone up over 1000% since 83). With Orbitz there will at least be three players; and probably others -- but not many more. If Orbitz fails there will be no more, for sure.

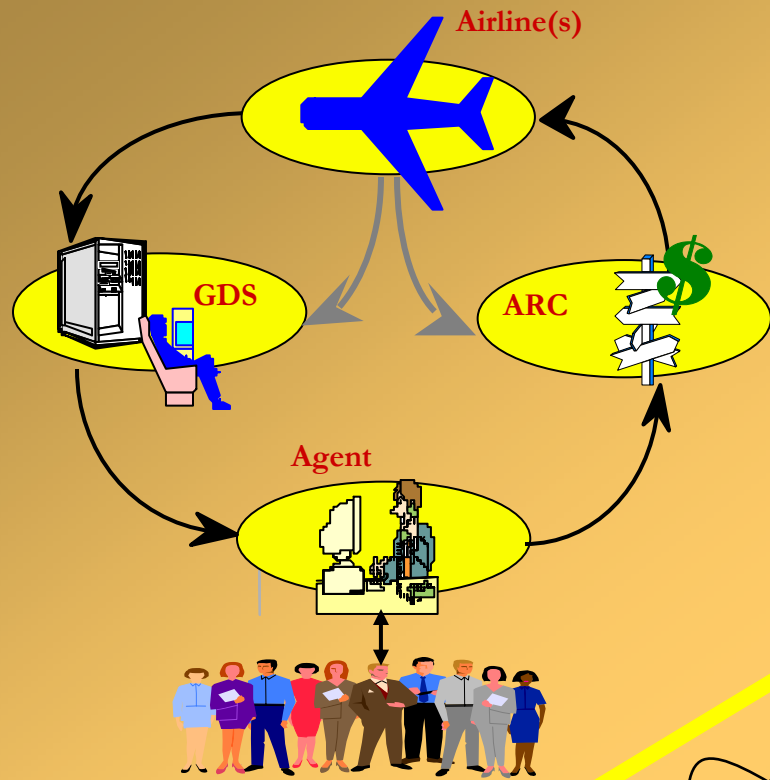
Purpose #2 - as Southwest did for air travel, Orbitz's mission is to be a low cost channel. This is enabled by completely new technology (the Orbitz data center fits in a hotel room, Sabre's in the Rose Bowl). And Orbitz bypass (eventually) the whole CRS mechanism and its fee process ... that means finally there is price competition in the booking fee arena. This is what the airlines really want to see. Any player that mimics this model will get the same support as Orbitz get as long as they don't charge booking fees to make up the cost difference.

Is there Truth in Jeff's Two Purposes?

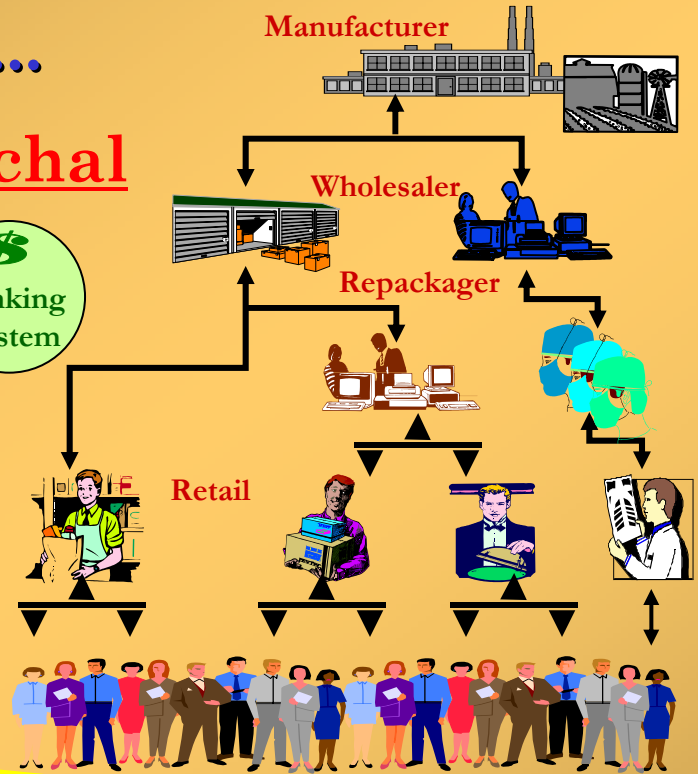


What is Really Happening ...

Travel Distribution in Transition ...



Hierarchal

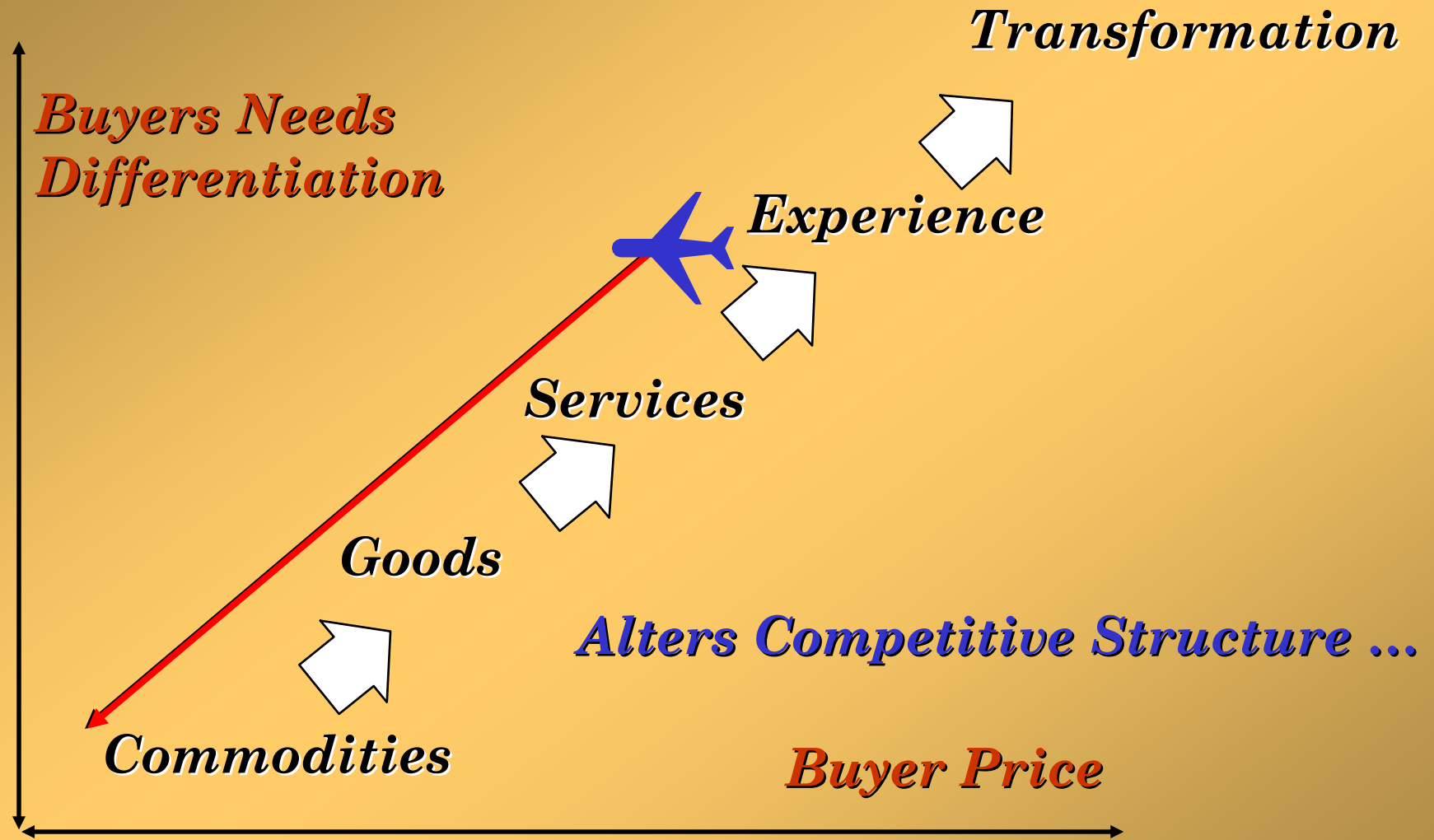


Holistic



Hyperarchy

New Product Dynamic ...

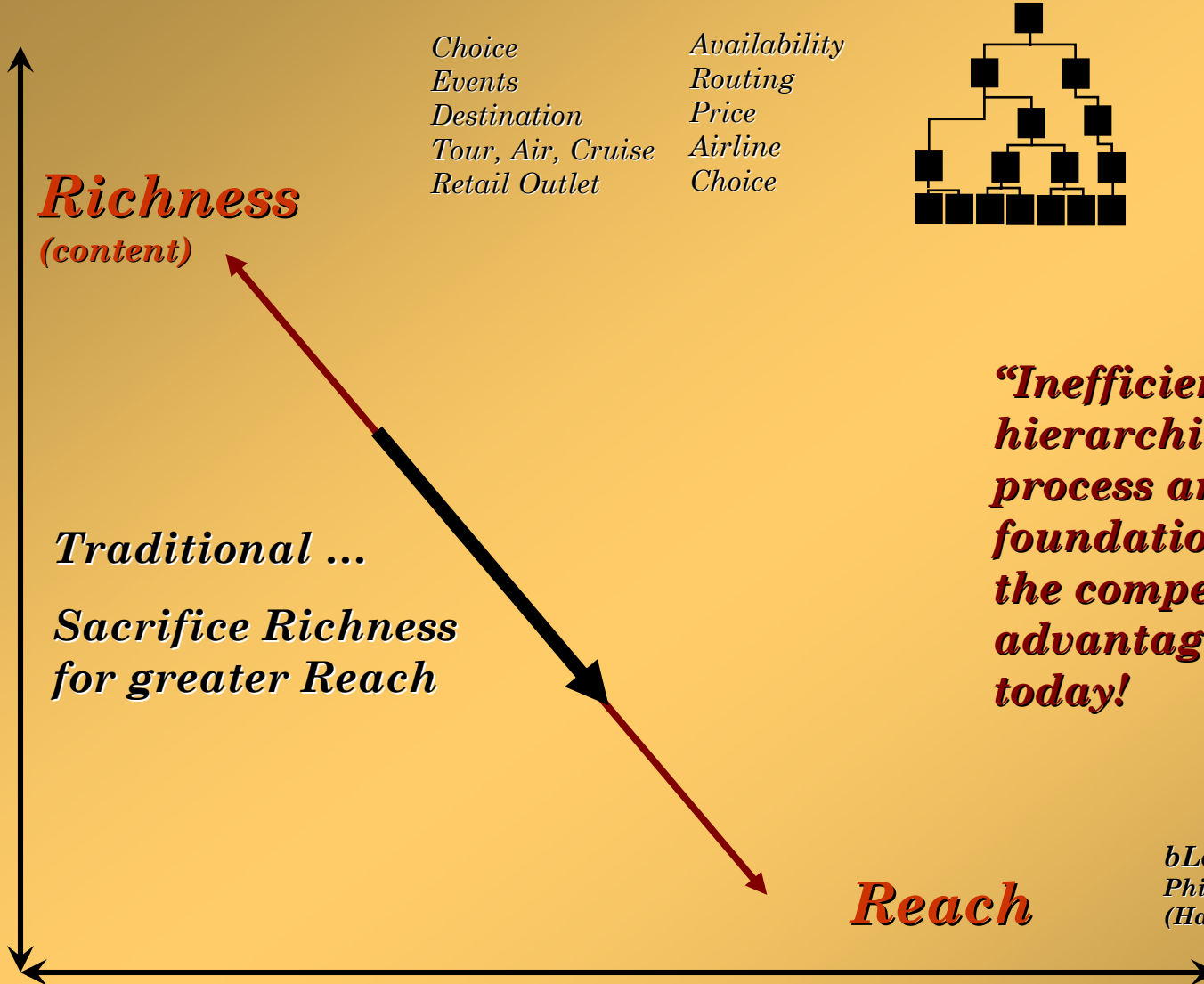


Progression of Economic Value

(The Experience Economy ~

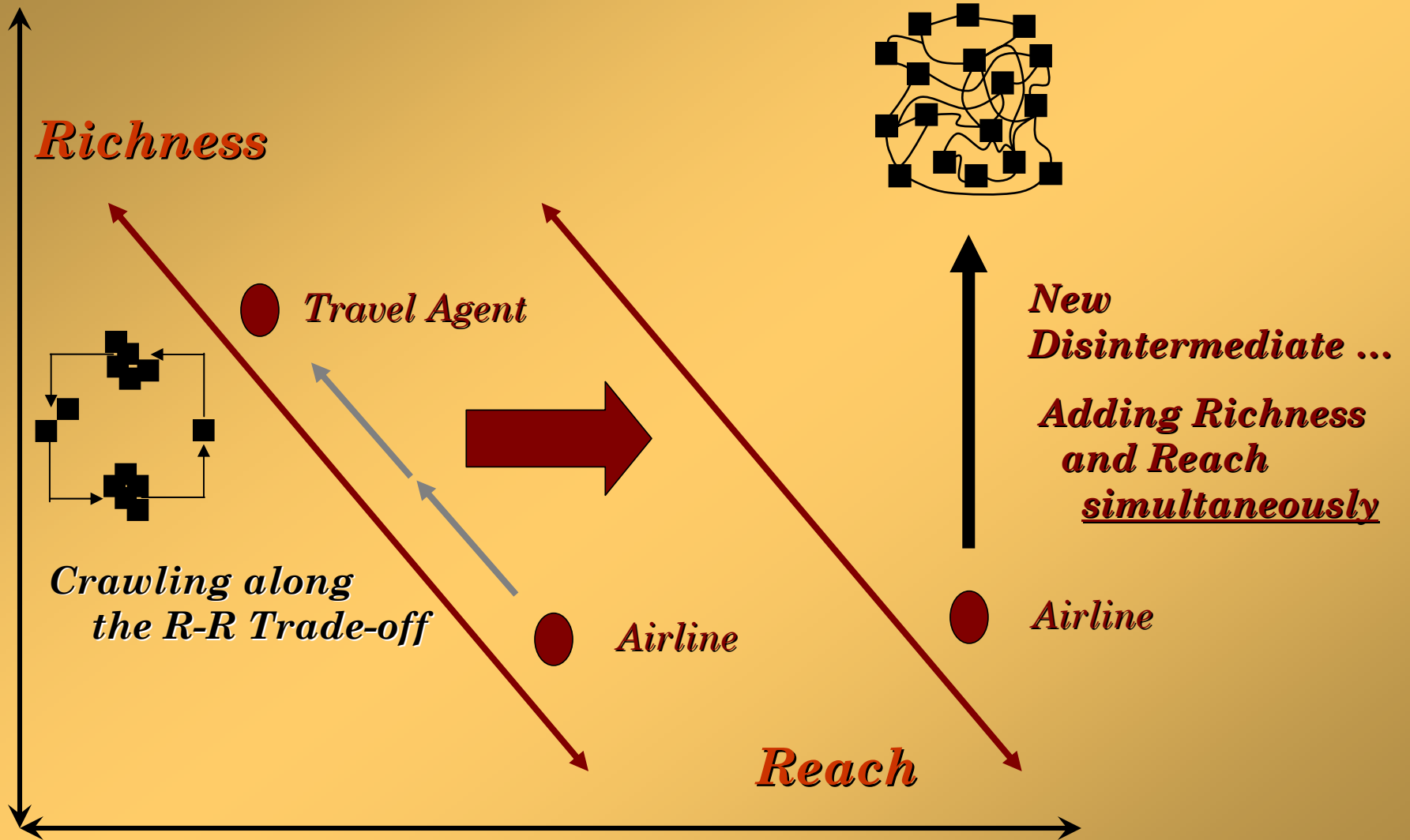
Joseph Pine • James Gilmore ~ 1999)

Traditional Change in Distribution ...



Trade-off between Richness ~ Reach ...

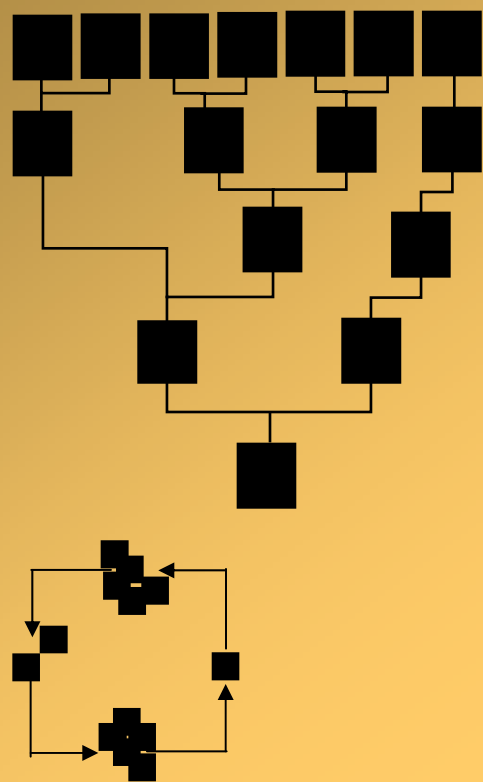
Fundamental Change in Distribution ...



Disintermediates Intermediaries ...

Information Transition...

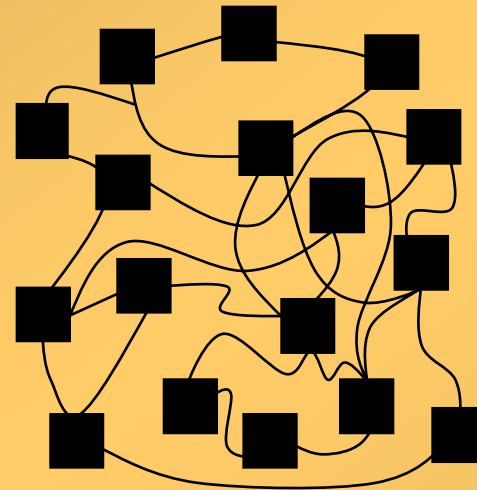
Hierarchical Distribution



Information flows from Vendor(s) through controlled distribution channels to the buyer ...

- *Supplier Power*
- *Reach vs. Richness*

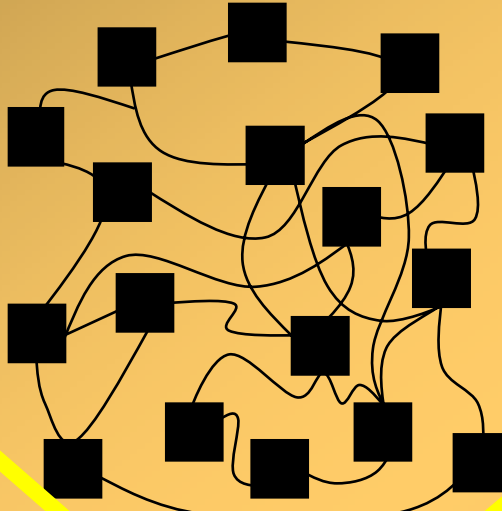
Hyperarchy Distribution



When Information Standards are shared, everyone communicates interactively with everybody else.

- *Buyer Power*
- *Reach and Richness*

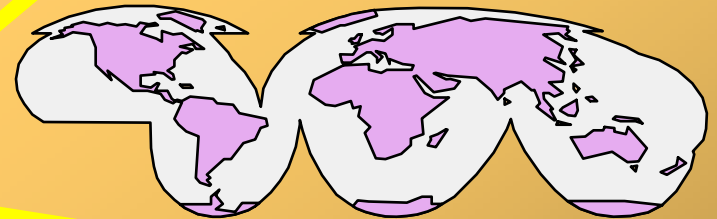
New Dynamics of the 2000's...



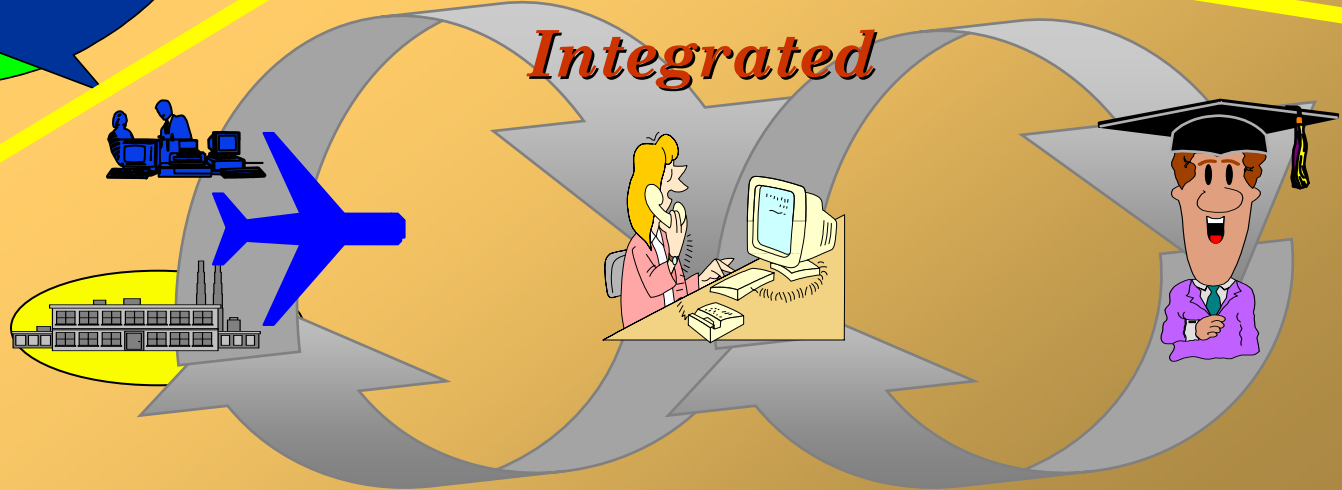
Interactive Speed



Boundaries

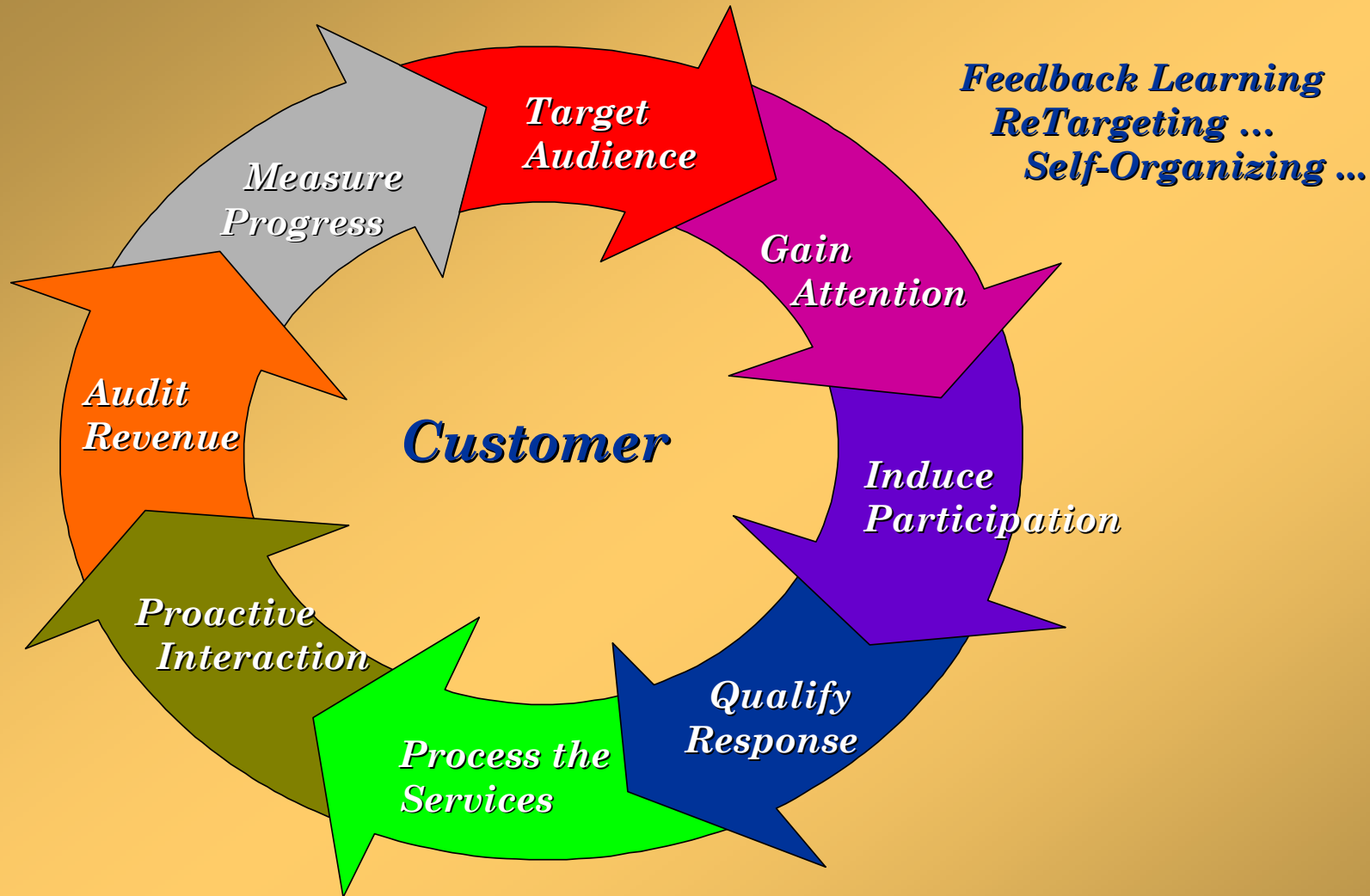


Integrated



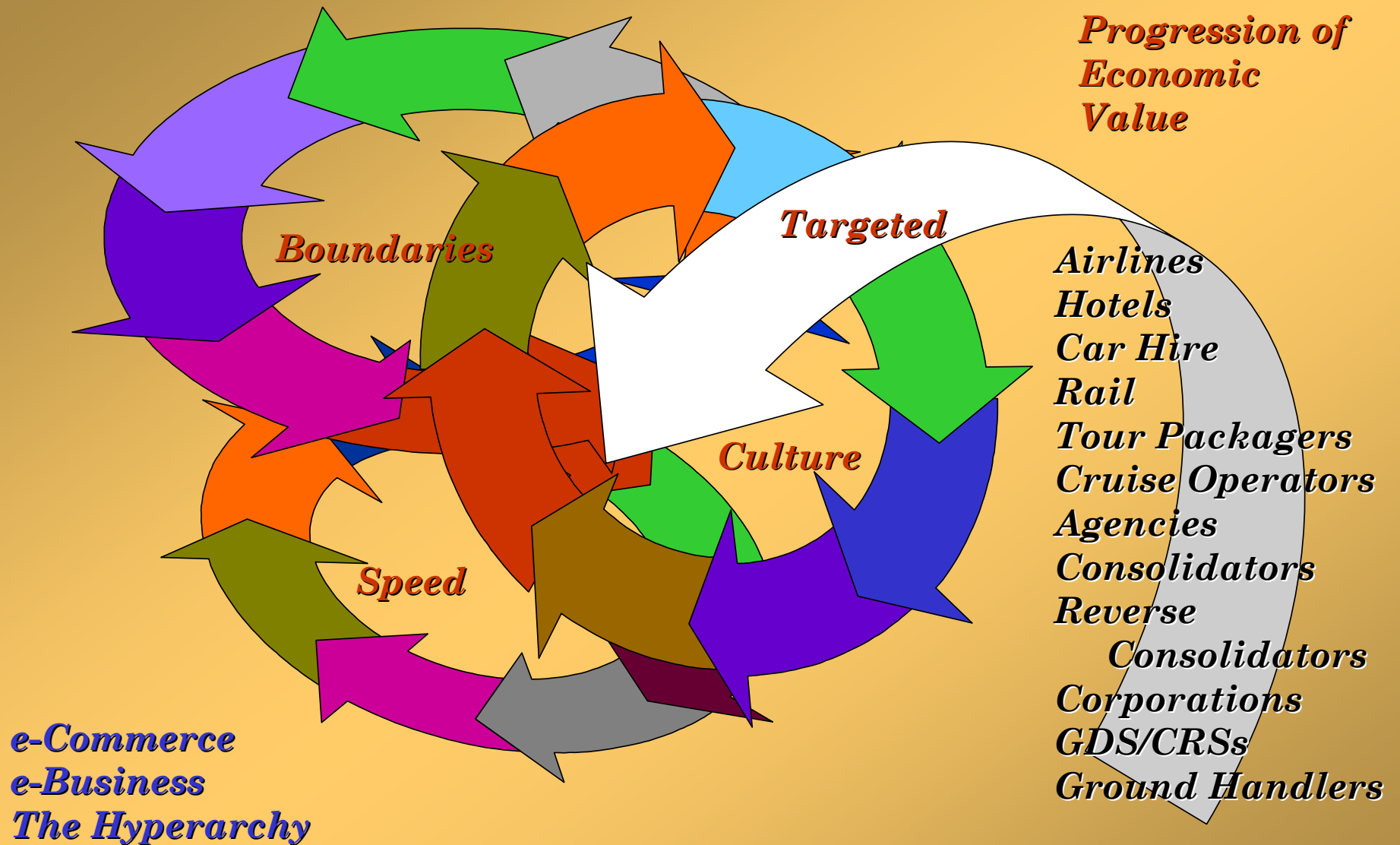
The Same, but NOT the Same

Automation speeds the process



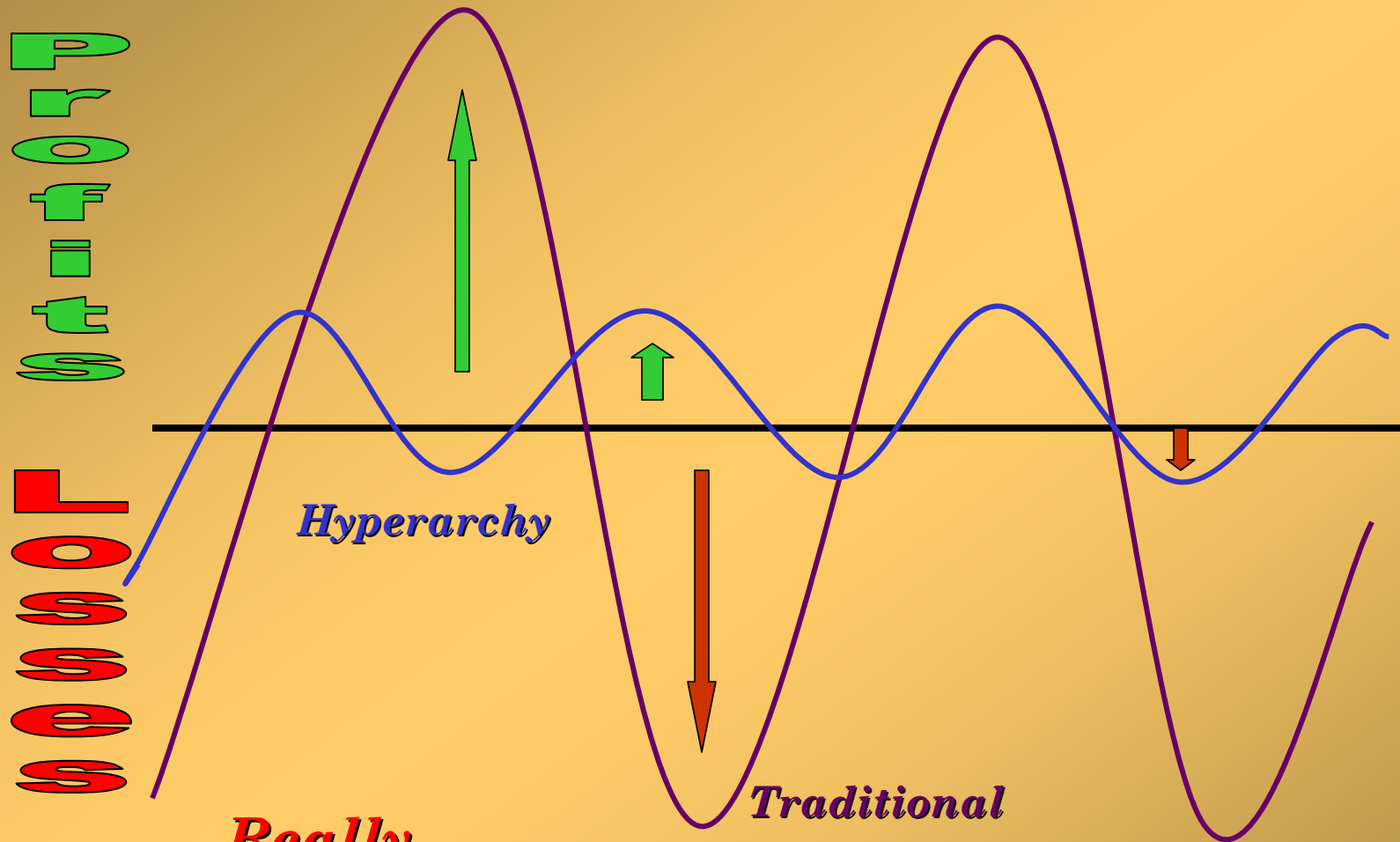
Automating Customer Relationship Management

Multiple Dynamics ~ Feedback Loops ...



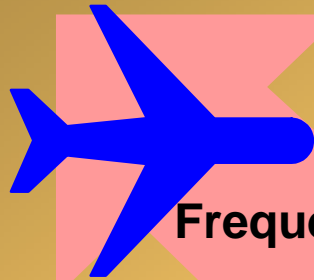
Managing the Unknowable ...

Eventual Impact of Hyperarchy on Prices ...

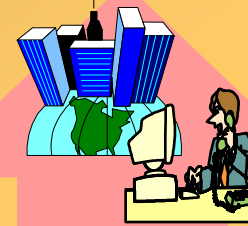


***Really ...
Impact of Interactive Alternative Choice !***

Integrated Travel Distribution ...

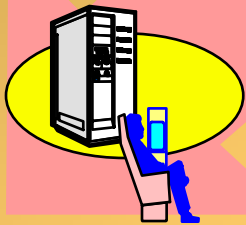


Frequent Fliers



Reverse Consolidators

Risk Distribution • Commodity Re-packaging

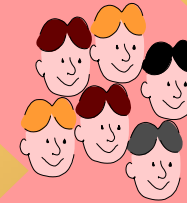


Online Live Packaging

Repackagers



Interactive Packagers



... targeted to specific buyer needs!

... targeted to specific buyer needs!

In an era of virtually unlimited access to information about alternative supplies -- enhanced by the supplier's ability to respond to buyer needs interactively -- *buyers are in control.*

Buyers can interactively select among multiple alternatives, balancing needs and desires to fit the current specifics of a purchase. In such an environment, *commerce becomes demand-driven -- not supply-driven.*

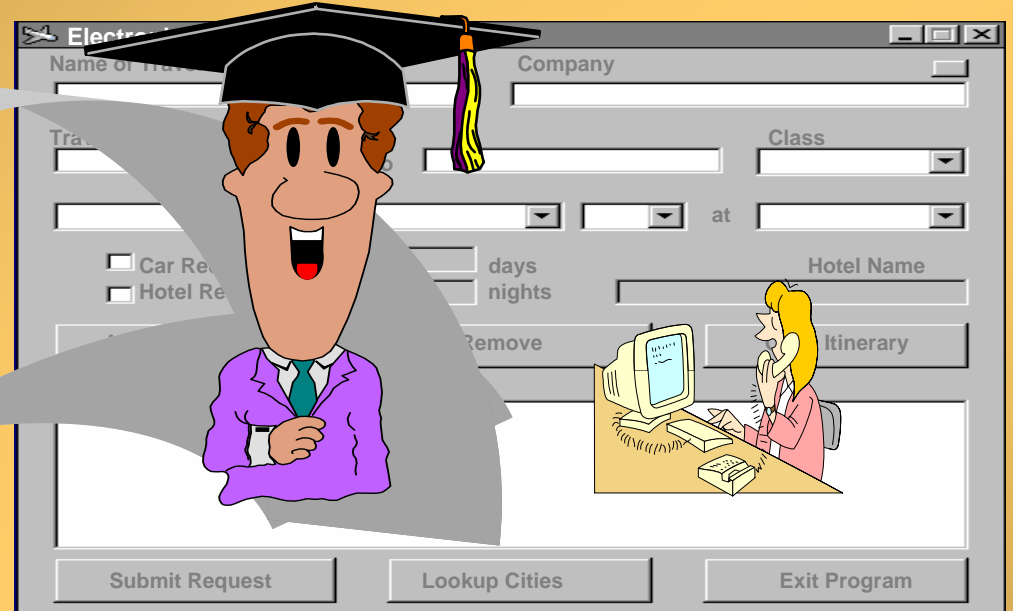
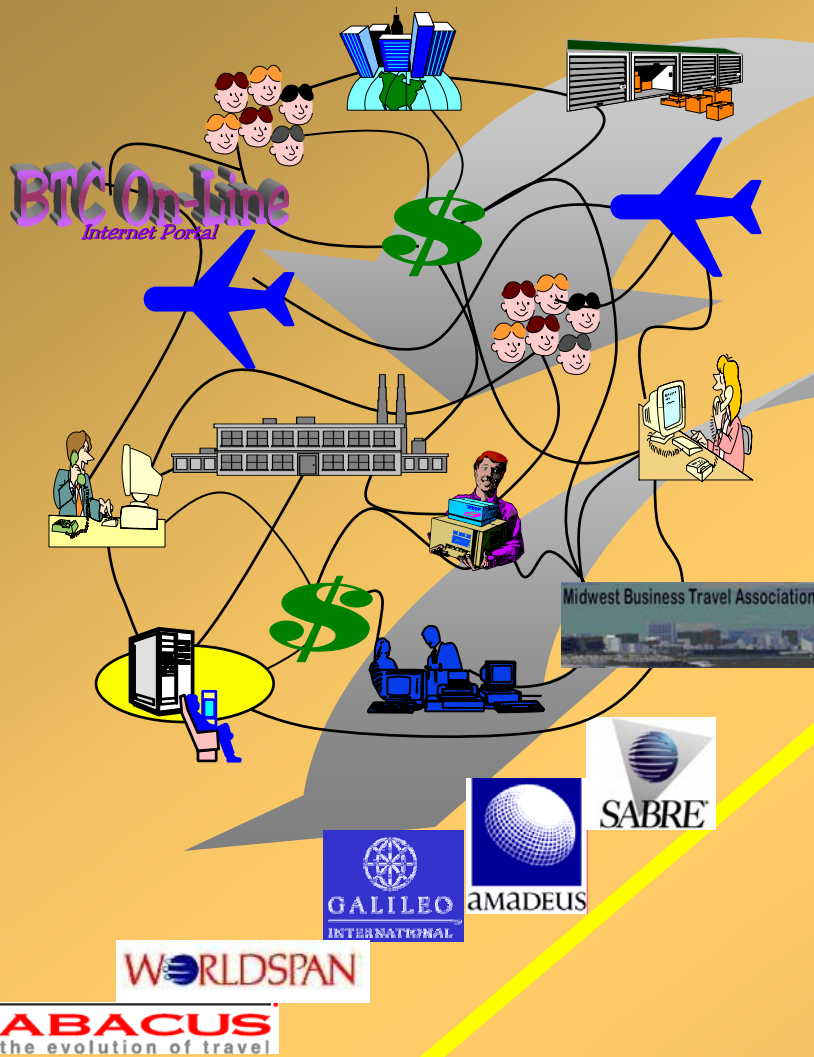
The last 100 years of commerce have been *supply-driven*, where price of product was primarily a factor of supply relative to demand. Oversupply drove prices down -- under-supply drove prices up. Suppliers, through manufacturing levels and distribution channels, controlled supply and thus, prices.

The original airline CRS systems were created because of the need to control *supply-driven* inventory of seat distribution ... the very same systems stilled used today.

The *key to management in the hyperarchy* will be linked one's ability to manage information - - to access widely disparate information sources *and turn that information into knowledge specific to the needs of the user or the buyer.* The function of transaction processing will become transparent, to be replaced by the function of knowledge management -- navigating the widely expanded information paradigm.

Contemporary managers, travel or otherwise, *have virtually no experience with a demand-driven economy*, and are entering a period of attempting to *"manage the unknown."*

Corporate Travel Manager "Navigators"

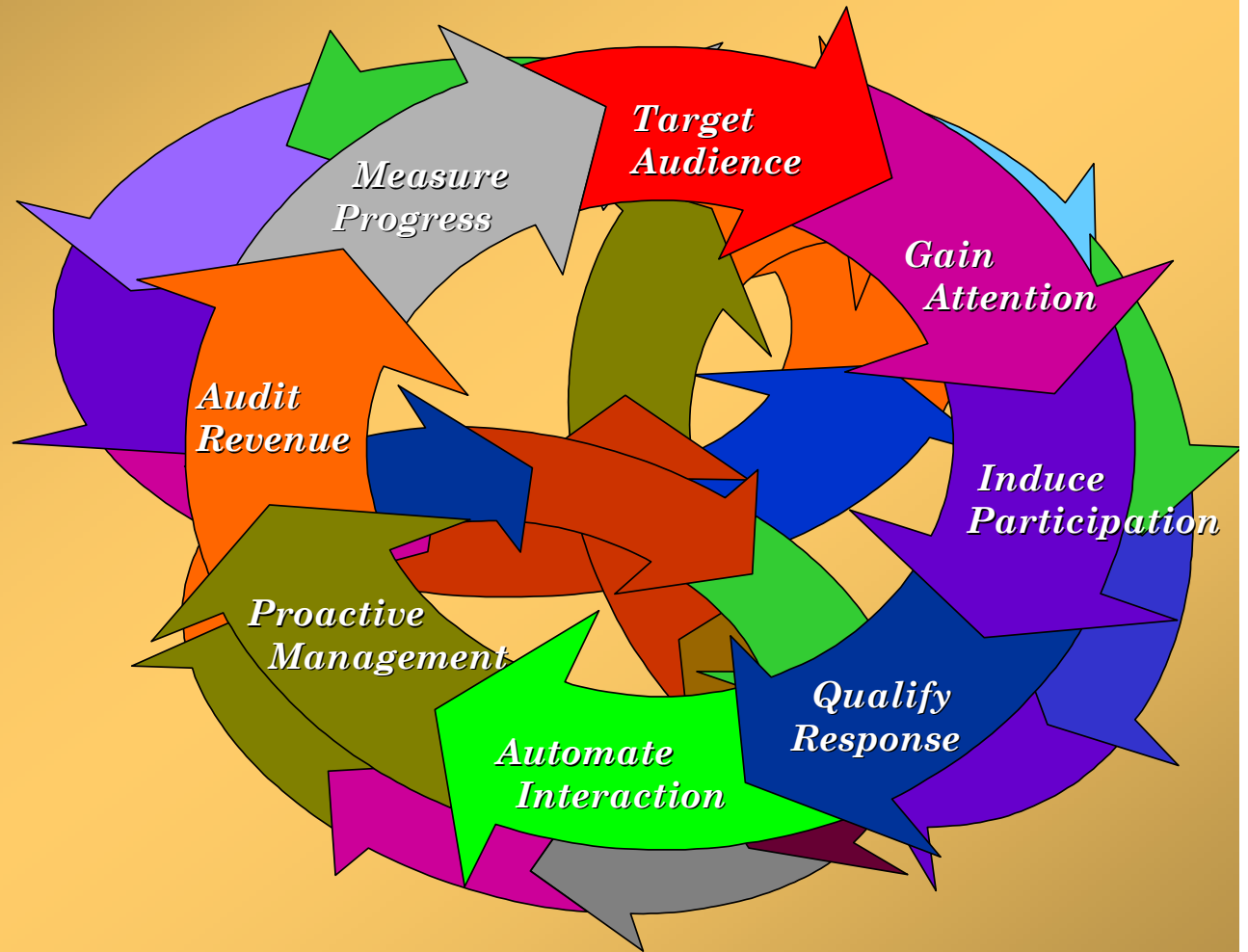
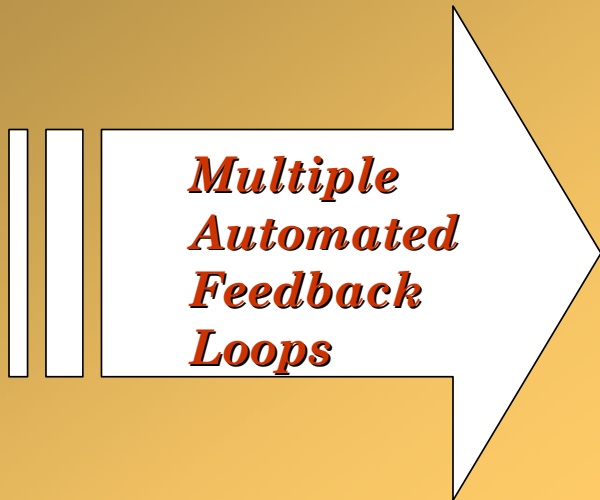


- The Hyperarchy implies choice ...
- Choice beyond a certain point implies bewilderment.
- Thus, the rise of the travel "Knowledge Navigator"

The Evolving Travel Manager World...

- 1: e-Commerce is about separating the economics of information from the economics of things ... separating physical from distribution.*
- 2: Inefficiencies of the hierarchal search process between “reach” and “richness” are the base of most competitive advantages today.*
- 3: As e-Commerce roles “richness” into “reach”, new “navigators” will derive advantage by affiliating with the interests of the buyer.*
- 4: The smaller your “reach” (economic, markets, volume), the greater the need for “richness” as it relates to the “needs” of the buyer!*

*Self-Organizing System
Increasing Speed
Niche Targeting*



***The Corporate Travel Manager of “tomorrow”...
... only automation can ensure the necessary speed
... but only people can manage other people's needs***

PopQuiz -- score yourself in context of what we've discussed ...

- 1. How current are your market pair corporate traveler reports?**
- 2. How is Travel Buying Reconciled with actual Traveler Expense Reports?**
- 3. How is your Travel Agency compensated for its services?**
- 4. What level of Strategic Travel Knowledge do you access or monitor?**
- 5. Does your company currently use electronic settlement programs?**

What issues must you consider?

- What are your personal skills?
- Is your company ready to manage travel ...
how does the company measure travel contribution?
- Is travel an “expense” or “opportunity” cost?
- Is your company big enough to buy direct ...
or does it need to buy in a cooperative?
- Are your vendors prepared to deal with you/your company?
- What should you “outsource” ... What must you “control”?
- What “tools” are available to you ...
What might be outsourced?

The Orbitz “Myth”, revisited ...

“Orbitz has nothing to do with today's travel agency model.”

1. “... prevent the industry from concentrating from *many* to *two* ...”
2. “... be a *low cost channel* ...”



Face your Fears – They are Never as Bad as They Seem

Robert Marble, © 1986

- *European 7*
- *Asian 5*
- *BeYoo*
- *AeroXChange (11)*
- *Sabre MarketPlace*
- *GetThere MarketPlace*
- *Virtuoso*
- *E-Business Forum*
- *Business Travel Exchange*
- *Travelinput.com*
- *Open Travel Alliance*
- *... etc., etc., etc.*

Bigger Challenge...

“Managing the Unknown” in a new Demand-Driven World of Corporate Travel Management

**THE
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Thank You!

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