



**INSIGHT(OUT) FROM THE TOP**

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Opening Monologue**

**OPENING**

I've been scrutinizing the travel distribution marketplace for a very long time.

I've run a travel agency. The first online booking I witnessed was 1989. Witnessed? Our company, Travelmation, patented a series of algorithms that enabled these agent-less PNRs as we called them. Praying after squeezing the telephone receiver into the modem's rubber coupler helped a lot. Floppy discs were actually floppy. Folks fervently debated whether fax numbers belonged on business cards.

Speaking of business cards, us interactive services zealots -- as we were called back then -- sported multiple email addresses; I said email, not Internet email. AOL was pulling out of fifth or sixth place behind all-mighties CompuServe and Prodigy; even Delphi, GENie and The Well were bigger at one time. 2400 baud was "fast". The World Wide Web (not yet just the "Web") was nascent; protocols like Veronica, WAIS, FTP, Gopher and TelNet reigned supreme.

I've seen 'em all; at Travelmation we weren't going it alone, but almost. For along with Eeasy Sabre and Electronic OAG, we all were trying to create something other than a zero billion-dollar industry. Then came North Carolina-base PC Travel, the first Internet based travel service followed by ITN, now GetThere, the first Web-based service that was, by the way, strictly leisure in the beginning.

You know what the most common question clients ask me year after year?

"Philip, you've seen so many things happen since the beginning. What have you concluded *really* separates the winners from the losers?"

Here's my answer.

**#1**

Strategically correct always wins over politically correct. At several critical junctures in our industry's recent, revolutionary development, the masses

and so-called conventional wisdom had it wrong. It takes guts to project and execute on something pioneering that ruffles feathers. I don't mean ruffling for ruffling's sake; I mean charting a corrective course for inertia.

A good example is cannibalization. Cannibalization isn't automatically bad. It's better to proactively eat your own young before your competition does it for you.

Where would Sabre be today if it feared its travel agency subscribers' reaction before launching Travelocity? When Fodor's and Frommers put their content online – did they sell more books or fewer books? If they never went online – a whole new generation of travelers wouldn't know who they are.

Most newspaper publishers resisted, rather than embraced the new era yet their efforts still didn't stop the inevitable. Newspapers, another example of an age-old medium, surprise surprise, survived the Internet age by eventually getting strategically correct.

The perceived negative consequences associated with making a bold, disruptive move eventually pales by comparison to the negative consequences resulting from inaction.

## #2

First-mover advantage is overrated. Solving big problems for customers is underrated.

I've seen too many companies that were actually first to start something, only to disappear down the road. Another version of this is when companies boast they do something nobody else does or, when asked who their competition is, confidently reply, "Nobody does what we do."

Well, last I checked, customers are the ones who make those decisions. Solving big problems for customers is critical on your way to accelerated growth. It's best to get your validation by facing your buyers and avoid too much comparison to your conventional competitive set.

This is why getting paid exclusively, or inordinately, by the *sell* side of the value chain can be a dangerous thing.

## #3

Brand matters. B2B, B2C or B2B2C.

Pre-Internet, other than suppliers, very few travel intermediary brands with national, let alone global notoriety existed. The difference between then and now cannot be overstated. Whether corporate or leisure, supplier or

intermediary, IT or touchy-feely... in what's now a digital, global marketplace, brand matters a lot.

It takes leadership to name your company something that doesn't literally explain what you try to do for a living.

There should be a rule against naming a company with the word *travel*, *trip* or *fare* in it! Farecast, Fare.net, Farelogix, Farecompare, Farechase, Cfares, Fare Audit, Farebase, FarePoint, FareQuest, BestFares, Cutratefares, EasyFares, Globalfare, Lowairfare.com, Netfares.

What ever money you think you are saving in marketing by having a literal company name that supposedly explains what you do, I can assure you it backfires by guaranteeing you get in the consumers' mind by nurturing a sea of same. It's not all you have to do but one of the things.

A literal company name usually is an ineffective short cut.

A brand is the anchor that enables an organization to establish a lifetime relationship with customers while its products, services and features come and go.

#### #4

Not only must you be superb at branding, technology must be in your DNA. Technology and marketing are not an oxymoron.

Ironically, the consummation of the wholly *tangible* travel experience derived from geographic shifting is rooted in a wholly *intangible* experience of data flow and information processing. We call it travel distribution.

Everyone knows technology fueled the travel distribution revolution of the past decade. Consumers are empowered in unprecedented ways. Suppliers are deluged with new choices and challenges. Intermediaries are being re-positioned, re-made, re-placed.

The facts are in. Getting IT right in the global travel marketplace is essential to getting your strategy right. Commoditization is a dark foe, so we must fight back... an impossible task without leveraging superb technology intelligently.

#### #5

Too many companies disregard the rigor of an engaged board of directors, annual shareholder meetings, updated minute book, sound financials, policy compliance and full disclosure. Those executives that think this

otherwise time-honored practice is for *other* types of companies but not for them, are invariably the ones who get burned.

#### #6

In prior generations, it was much more difficult for customers to find and access pricing, product and company information than today. In lieu of that information, customers leaned on brands and other things as an information surrogate. There wasn't a lot of marketplace transparency, i.e., customers couldn't see through barriers and around obstacles very easily.

Transparency is now indelible and evergreen. In a word, transparency explains the revolution. If your business thrives on fog and fuzz, you're in trouble; on the other hand, if your business thrives on customers being savvy, ubiquitous price comparisons and accessible user-generated content, you're honed for the times.

#### #7

Deep pockets and luck are too often offered as explanations for other companies' successes. When I hear this, I've learned it's often code for smart people entering an otherwise entrenched marketplace with a fresh perspective who execute brilliantly. Excellent leadership entwined with an organizational culture of trust provides huge competitive advantage. However, if things like office politics, concern over what you can and can't say to whom, bureaucracy, sensitivity over titles, internal restrictions on company information and the like are prevalent, you're killing your odds.

Passionate, demanding management with a huge dose of trust sprinkled with some healthy paranoia is a great recipe for success.

#### #8

The next item is one of my burden's to bear: supplier-friendly vs. customer-friendly.

This strategic question has been, and continues to be debated at travel industry board meetings, strategy sessions and impromptu gatherings. Obviously it's not an either-or question as both types of friendliness are imperative; the decision is where on the supplier-friendly/customer-friendly see-saw should you tip?

Unlike most other industries, in the travel industry, all of the suppliers that retailers need and must nurture, also do sell directly to customers. So no matter how much we spin it, intermediaries compete with their supplier partners in a way that just doesn't exist in other industries.

Funny, if a meta-search site stimulates price comparison across brands, many of us say that approach represents an unwanted push toward commoditization when we're trying to move in an opposite direction. Yet if consumers do this passionate price comparison on their own in their own way, that's all right.

No doubt, meteoric growth in merchant sales seriously crimped suppliers' margins and eroded brand. And I don't have to tell you that major hoteliers have taken back control as a result of more confident management, integrated strategy and an improved economy. For sure, supplier friendliness is important. However, suppliers don't want travel intermediaries that lack good customers and customers don't want travel intermediaries that lack good choices. Supply and demand dictate that success requires skillful navigation *between* supplier friendliness and customer friendliness.

#### #9

Last and most important, you can always do better. There's always room for a new idea, a new approach, a new player. It's never over. Listen to the buy side. Innovate. And keep the faith.

#### #10

This is what I've observed over the years. I'm sure many of you veterans have your own set of observations, disappointments and conclusions.

Welcome to *The PhoCusWright Executive Conference*, where a prestigious group of travel, tourism and hospitality leaders will very shortly engage, debate and define the ever unfolding reality of travel commerce. Yes, humility and hubris *will* clash in this mix.

This year we will celebrate the fact that the industry has evolved in good fashion, accelerating from 300 baud to broadband, multiple calls to single clicks, and wasted capital to money well spent.

We're at the tipping point. We are all here to witness convergence – not the TV, mobile phone, Internet kind – though that's finally happening too. No, it's a very different kind. As online distribution further penetrates the market, there is a blurring of online and offline channels to create one travel industry that is responsive to myriad customer demands, tastes and preferences.

So let me officially and publicly declare, "There is no such thing anymore as "the online travel marketplace". It is no longer an "us vs. them" contest. Lot's of customers travel and more will travel... period.

We're all in this together, and we're all here. Set let the show begin.