



Crossing the Chasm

*How to be Pragmatic About
Service & Technology*

Atlanta – May 17-19, 2006

Cornerstone Customer Trends Survey

Presentation and Discussion

Presented by

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Agenda

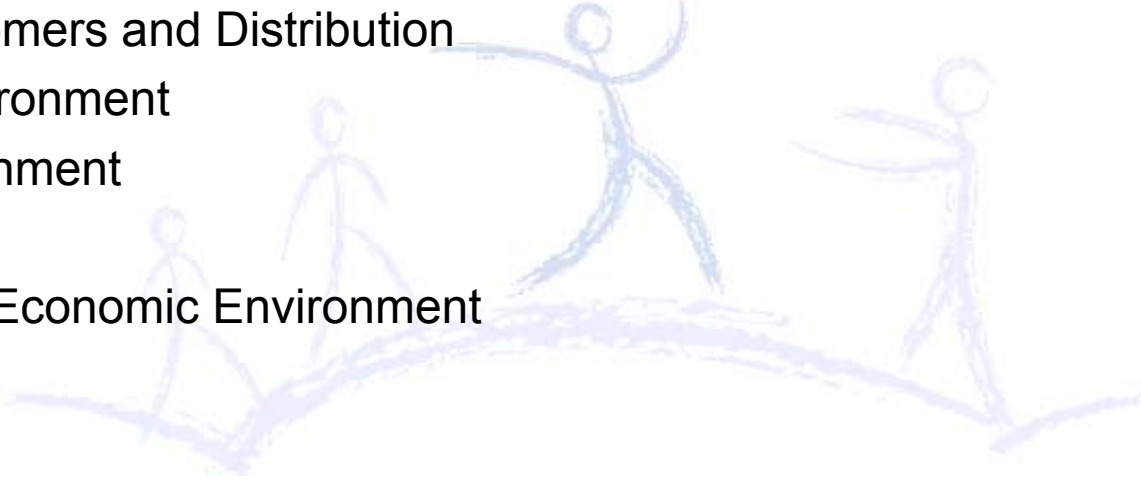
- Scope and Demographics
- Overview and Customer Trending
- Big Trends to Watch
- Discussion and Feedback



Scope and Demographics

Survey Goal: To Understand the Impact of Changes In

- Market/Customers and Distribution
- Industry Environment
- Labor Environment
- Technology
- Political and Economic Environment



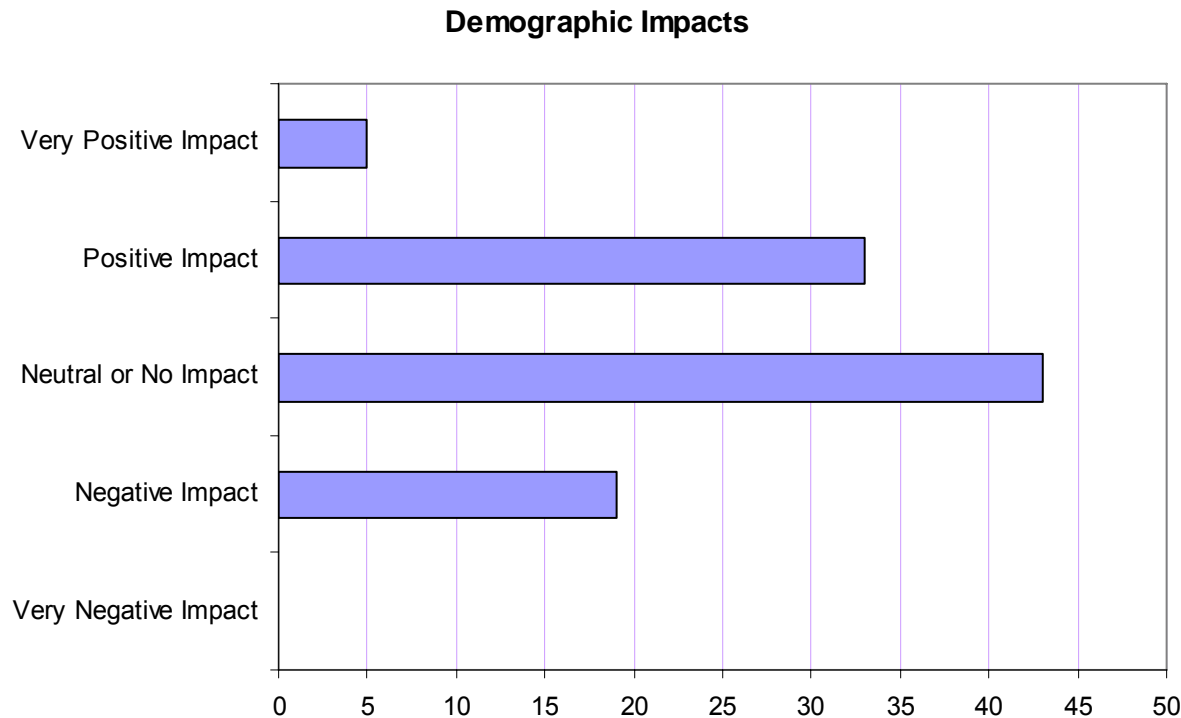
Scope and Demographics

Survey Demographics:

- 86% TMC
 - 60% in business over 25 years
 - \$50 million plus in ARC
 - 50% -10 and 50 employees
- 14 % Corporate
- 60% Executive/Managers
- 40% Operations and Admin

Demographic Trends

To what extent will demographic trends have a positive or negative impact on your company over the next three years?



Baby Boomers and Generation X

What changes in the demographic makeup of your customer base will have an impact on the company over the next three years?

Positive

“On the leisure side, clients are getting older which means more time and money to travel. On the corporate side we have a very, very depressed local economy - do not see it turning around w/in the next 3 years. Corporate travel may suffer.”

“Younger people - more comfortable with Technology.”
“The younger demographics will tend to use the internet more to book their vacations.”

Negative

“We are finding that our customer base is aging. We seem to be losing good customers more often due to death or debilitating illness. We are actively seeking new, younger customers.”

“Younger travelers who were raised on the Internet and who are not use to service will drive future needs. This may be beyond 3 years.”

“Adding of new corporate accounts and finding quality travel counselors to service them.”

Global and Business Economic Demographics

What changes in the demographic makeup of your customer base will have an impact on the company over the next three years?

Positive/Neutral

“More customers from smaller organizations in the mix. These smaller customers will require more of the tools and information usually needed by larger customers. More need to consolidate global data at a mid to small customer level.”

“We expect a continuing trend of fewer larger corporate customers. We also expect more movement to the internet of the vacation travelers.”

“Small and mid-size corporate accounts will use airline/public Internet sites more for simple point-to-point trips. Our role/market is moving more to complex itineraries and international travel. Travel agents must ADD VALUE--and that means more than just "good service.”

“Potentially more corporate meetings 2. The majority of our clients are expanding into the global market, with employees and travel transactions initiated abroad.”

Negative

“Cost of travel is rising due to fuel costs which will have an affect on many companies travel budgets advances in technology may limit how much travel is actually needed...Many companies can do things to avert travel Webinars, conference calling, etc.”

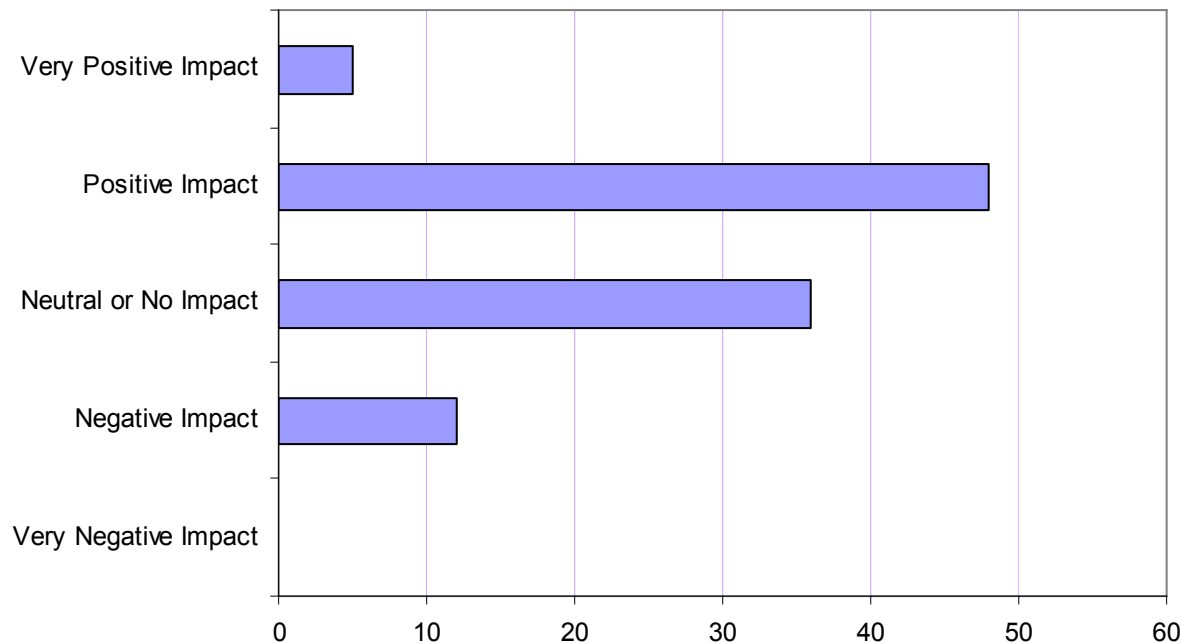
“We expect a continuing trend of fewer larger corporate customers. We also expect more movement to the internet of the vacation travelers.”

“If the economy struggles - our base of corporate travel will be reduced. Leisure travelers will also be impacted by higher oil costs.”

Customer Wants, Needs & Desires Trends

To what extent will trends in customer wants needs and desires have a positive or negative impact on your company over the next three years?

Customer Wants and Needs



Self-Service and Technology

What trends in customer wants needs and desires will have a positive or negative impact on your company over the next three years?

Positive/Neutral

“Our customers are warming up to more self-service. We view that as a positive.”

“Positive - people who are comfortable with technology.
Positive - simple trips will be taken care of in a self booking environment. Travel counselor will only be involved for more complex itineraries where their expertise is required. Negative - increased opportunity to do it themselves on the web.”

“Currently customer wants and needs are putting a strain on our current setup. We are currently researching how to positively adjust to accommodate such growth and demands.”

“Customers will have a positive feeling because we have priced our service to them fairly and we also continue to have longevity with our employees.”

Negative

“Leisure travelers want expertise - our staff is well traveled - that's a positive. On-line ease of booking just about anything these days gets easier and easier - a negative.”

“High tech and younger travelers tend to believe that they can do everything themselves and see less value in the management services that we bring to the table. The trend toward instant gratification also puts more focus on the transaction fee, rather than the total savings/cost containment impact to travel expenditures.

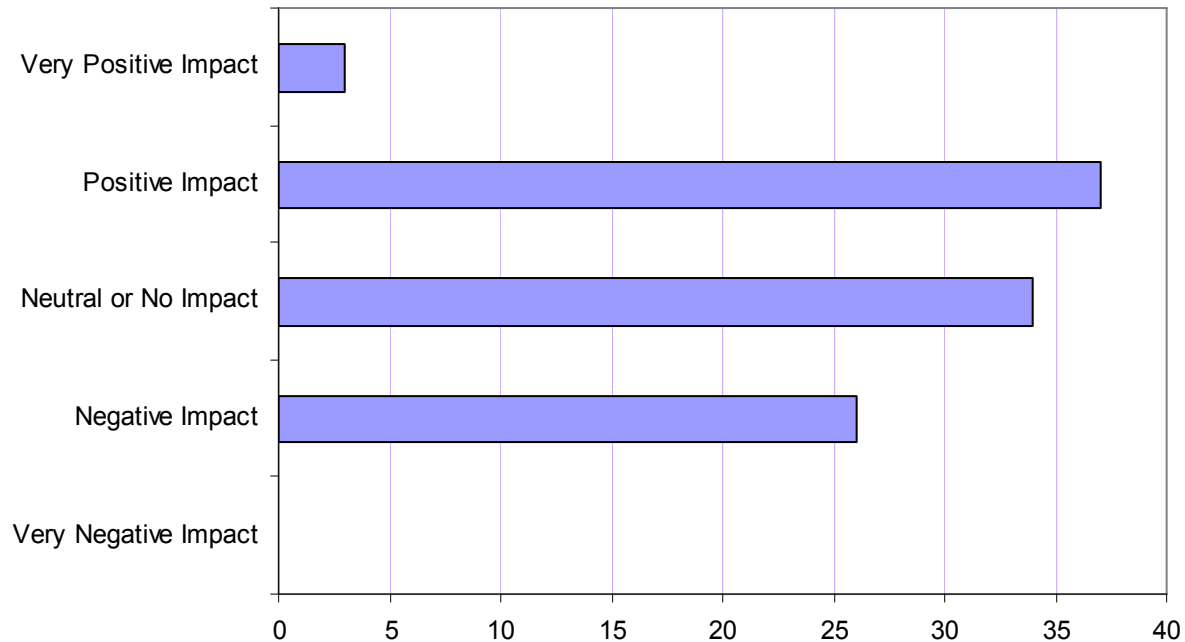
“With the utilization of the Internet, customers spend time researching destinations. Sometimes they expect that an agent already knows as much as they do about a particular location and more. Unfortunately the agents can't know everything about everywhere. Growth trends will continue to help business.”

“Customers have become more travel savvy and their demands and wants are very specific. They are now starting to demand that more and more information be included on our travel itineraries in a neat, presentable way. That is our greatest challenge in the near future.”

Different Market Segments Trends

To what extent will changes occurring in different market segments have a positive or negative impact on the company?

Changes In Other Markets



OTA'S, GDS AND FUEL

Are there any changes occurring in different market segments that could have a positive or negative impact on the company?

Positive/Neutral

“Greater emphasis on luxury and upscale travel for the corporate executive and his/her family- we are performing more of a travel consulting role.”

“We believe that the online travel agencies are beginning level out. This will prove to be a positive factor for us.”

Negative

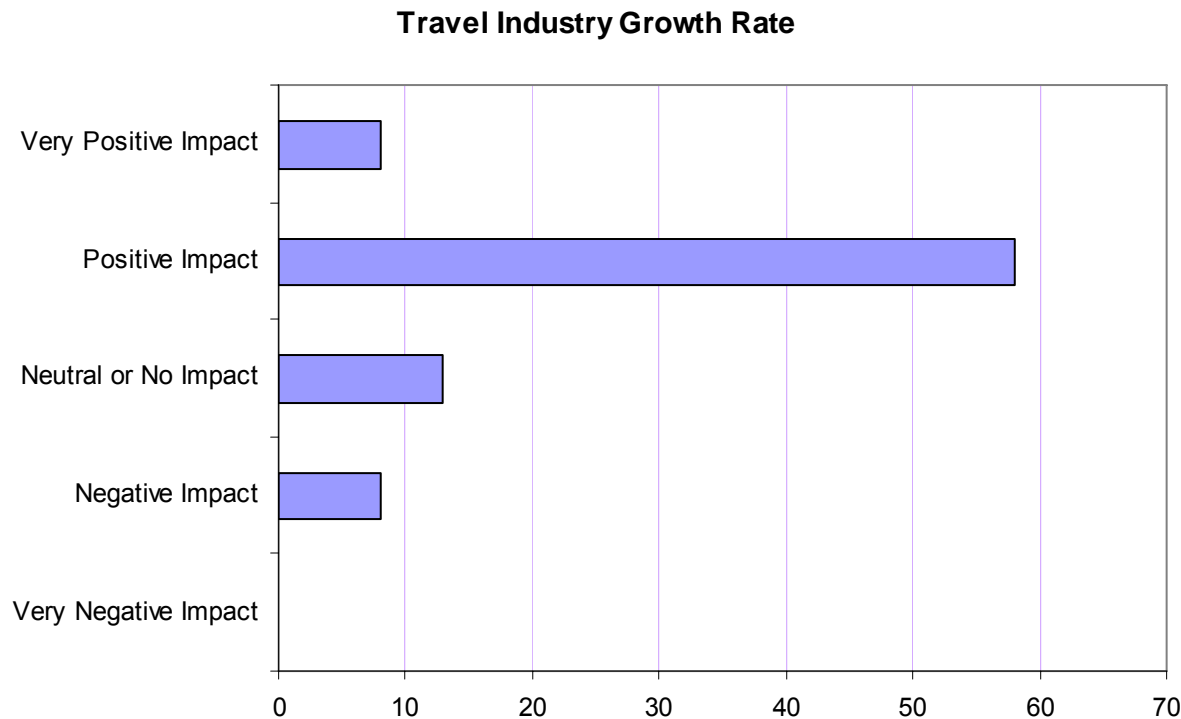
“We fear the trends in rising cost, bankrupt carriers and uncertain technology may have a negative effect on our company.”

“The changes in the GDS industry and the airline-GDS wars will likely have a very negative impact. We will need new more economical tools when the GDS cannot provide revenue.”

“Airlines are a challenge, but distribution is the real headache. Travel vendors do not seem to appreciate the value of an agency as much as the end customer does. As distribution begins to fragment travelers, companies, and agencies are going to need to pick who they are willing to travel on. This will limit availability to the end user, or increase cost to end user as the agency will need to spend more time and money to continue to provide full availability. The actual cost will not be absorbed by the agency but passed to the end customer and they will decide who they are willing to spend extra to see.”

Travel Industry Growth Rate Trends

What type of impact will changes in the travel industry growth rate have on your company over the next three years?



Global Impact, Consolidation and Online

What is likely to happen to the growth of the travel industry over the next three years?

Positive/Neutral

“I believe the industry will continue to grow. I think we will see an explosion of choices for travelers. Not only will they have more choices of where to purchase travel, but also in the number of destinations available.”

“Our agency is growing steadily. Seems like more customers are tired of booking on-line, our clients want service and that is what we give them. High growth on a global basis.”

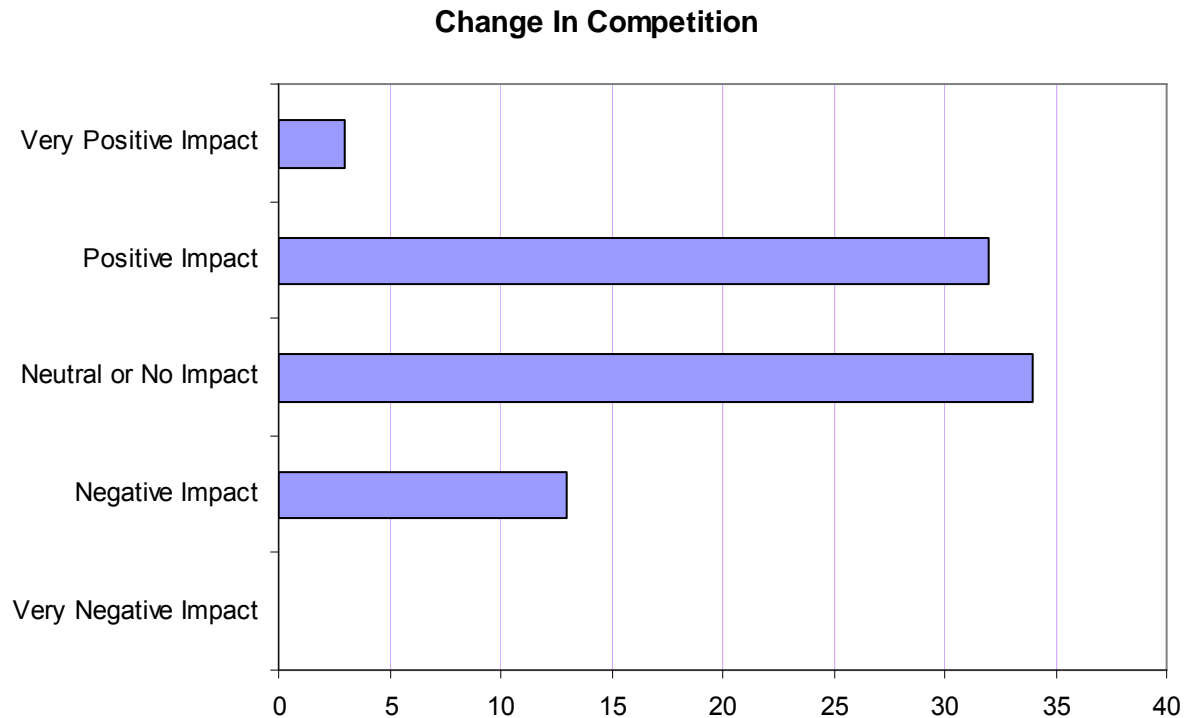
“Stronger agency-vendor relationships may bring better incentives or even commission back to the agency's bottom line.”

Negative

“Consolidation.”

Competition and Competitors Trends

What impact will changes in competition and competitors have on the company over the next three years?



OTA'S, GDS AND FUEL

How will competition in the travel industry change over the next three years?

Positive/Neutral

“Competition is becoming more cut throat- zero sum game. It will be very important to develop our brand and communicate our capabilities and niche to stay ahead of the competition and continue to have business referred to us.”

“In the middle market agency market, I believe that it will come down to being able to consistently provide a high level of services across the board. - for the traveler - for the financial/accounting departments - for the Travel manager - for the IT departments.”

“Probably another wave of travel agency consolidation. This will be a good thing for us as a non mega. I believe that some customers will begin to value the customer service from a smaller provider and will pay for it. Mega agencies have lost the edge of true customer service in using too large of call center, and lost the edge in having a one stop shop to service the end traveler.”

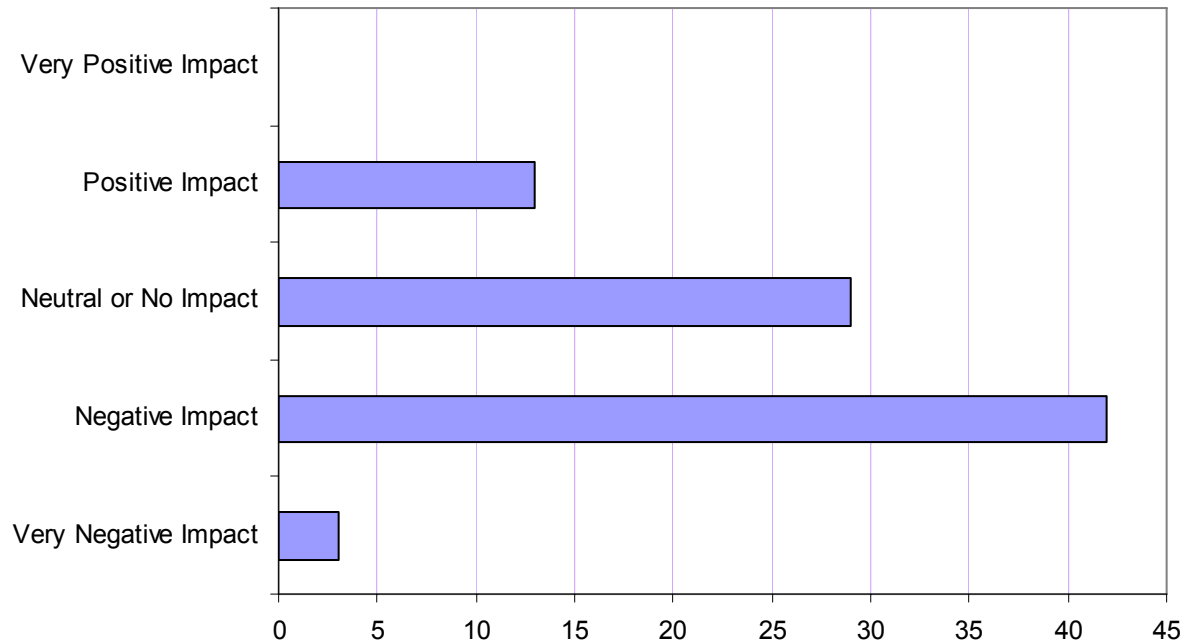
Negative

“Online TMC's become true competitors.”

Supplier and Supply Chain Trends

To what extent will changes in suppliers and the supply chain impact your company over the next three years?

Suppliers and Supply Chain



One Stop Shop Going Away

What trends in the supply chain and suppliers over the next three years will impact the company?

Positive/Neutral

“The relationship with travel suppliers may be enhanced, and the ability to share data with these suppliers will improve I believe. Competition will hopefully increase efficiency and partnership opportunities.”

“I believe we will work more consistently with specific suppliers rather than simply whichever supplier offers the best price, though pricing will continue, as always, to be very important.”

“We will be doing more booking via the internet and less by phoning the vendor directly. I think we will see the importance airline GDS companies phase out over the coming years.

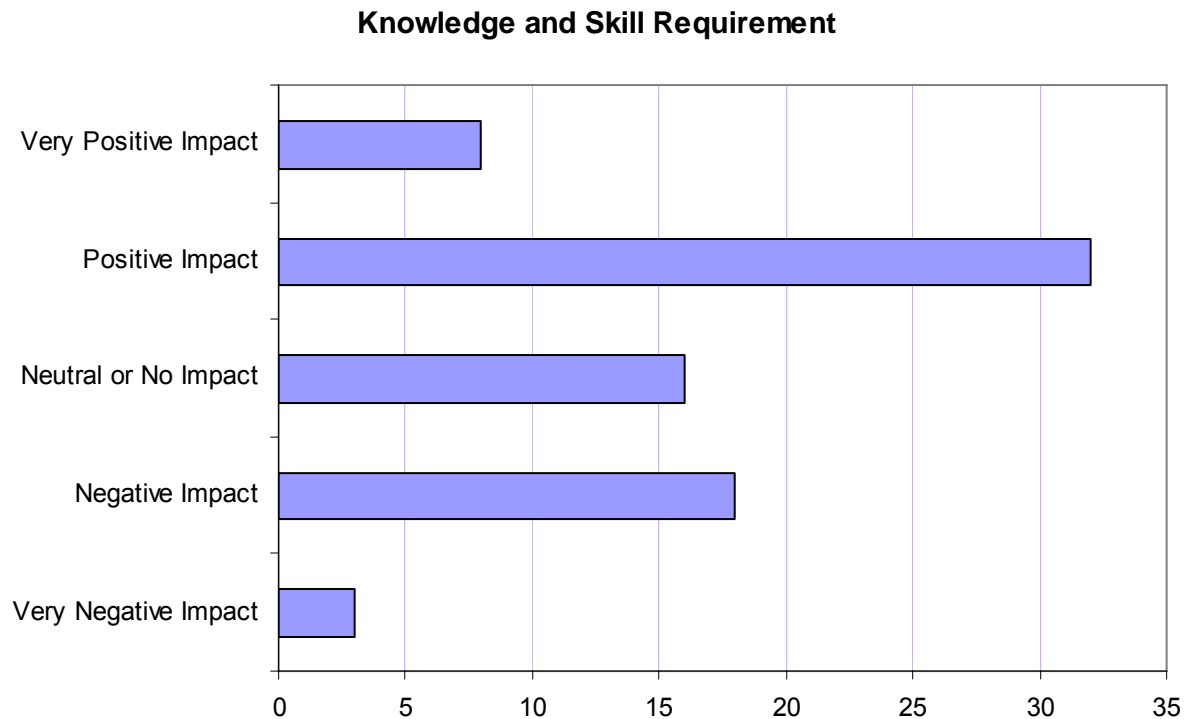
Negative

“GDS suppliers may start to get affected by renewal of their contracts with carriers and therefore our productivity contracts will surely be affected.”

“Little to no service from reps. More suppliers getting bought/merging. Suppliers and supply chains will be more aggressive in marketing and selling direct to consumer.”

Knowledge and Skill Requirements Trends

To what extent will changes in knowledge and skill requirements impact the company in the next three years?



Global Workforce / Education and Training

What changes in knowledge and skill requirements will have an impact on the company over the next three years?

Positive/Neutral

“Retaining, and finding skilled and motivated agents has always been a challenge. With the opportunity for virtual agents, we are able to find team members that are able to stay abreast of technical enhancements while keeping up with global marketplace adjustments. Our workforce is been opened from our local area to all of North America.”

“Emphasis will be on quality of service, technology improvement will make it easier to train people.

We need sales people in our business vs. order takers of the past.

knowledge of more booking sources.”

Negative

“The increased need for good travel professionals is becoming an increased problem. Good consulting/selling skills are valued much more than the ability to be a specialist with one of the GDS platforms. The need for good international experience will become more in demand.”

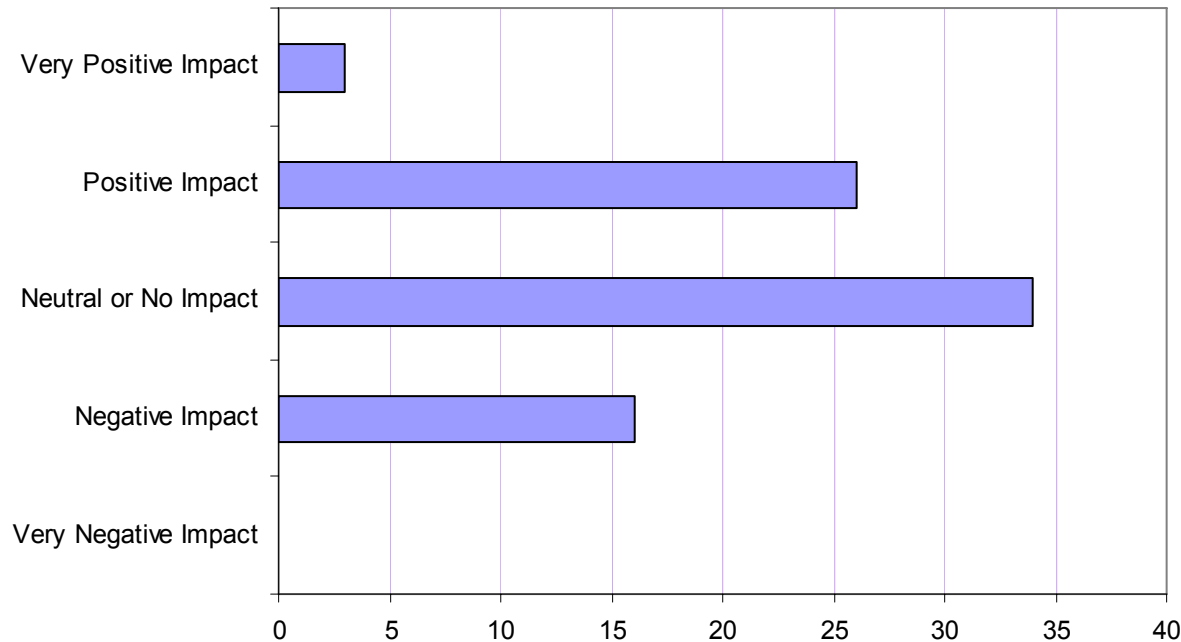
“We will need to have a unique set of skill's in our agent base. We provide a single contact point for our travelers. This means that our agents need to understand more and more about our online system. They solve more issues with reservations and need to know the tool to do impromptu training. At the same time they are spending less time on reservations and the phone in reservations they do are getting more and more difficult; international, multiple city, and exchanges make up most of the work load. We need better and smarter individuals at the point of contact with the end travelers.”

“In our area the work force is aging and we are looking for ways to bring in younger agents. But this causes a training and knowledge issue.”

Employee Compensation Expectations Trends

To what extent will changes in employee compensation expectations impact your company over the next three years?

Compensation Expectations



Supply Law and Demand for Trained Professionals

What changes are likely to occur in employee compensation expectations over the next three years?

Positive/Neutral

“I feel that compensation will become completely based on productivity.

“They will expect more:) We are on a pay for performance, so if we grow the business the staff grows their pay. Win Win.”

“More experienced, trained people will expect much higher compensation, but we will be able to hire less trained people because of the available technology.”

Negative

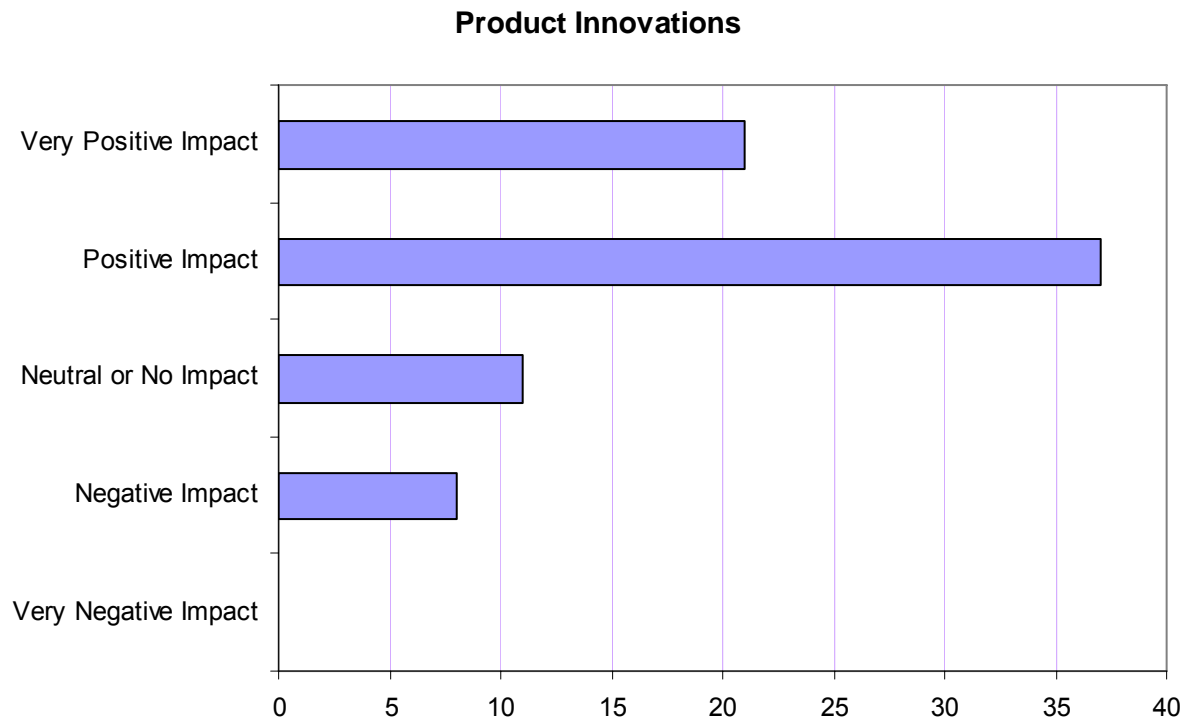
“Demands are rising -- Quality individuals are hard to find in our market -- Past loyalty levels are going down -- Fee structures are dropping.”

“Raises = smaller margin due to EBITA factors.”

“Better people need to be compensated to stay and learn. Our compensation cost will increase.”

Product Innovation Trends

To what extent will product innovations impact your company over the next three years?



Efficiencies at What Cost?

How are product innovations likely to impact your business over the next three years?

Positive/Neutral

“Product innovations will allow us to work smarter and more efficiently..

Allow us greater flexibility, more productivity, and shorter learning curves.”

“Add efficiency and allow us to provide better customer service.”

“To make travel easier for clients and won't need to rely on speaking with agents.”

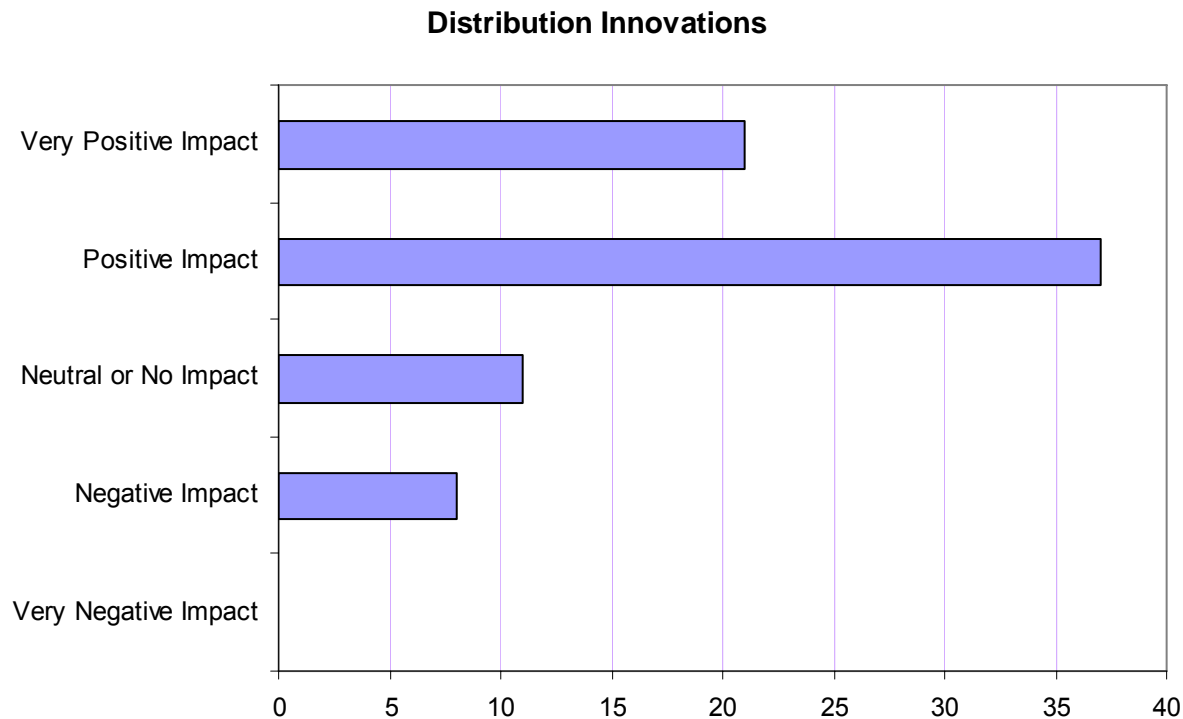
Negative

“The cost of technology is moving further away from being affordable and will put further strain on working capital to stay competitive.”

“We are hoping that as airlines and other vendors pull out of the GDS there are systems that can accommodate and present all travel vendors in the same screen. We don't want to have to search multiple locations for vendor content.”

Distribution Innovation Trends

To what extent will innovations in distribution impact your company over the next three years?



New Ways to Purchase – Will We Have Access?

How are innovations in the distribution process likely to impact your business over the next three years?

Positive/Neutral

“Reduce costs.”

“The opportunity to fulfill and distribute globally will impact our company positively I believe. We are able to compete with larger agencies, and have secure business because we can compete while maintaining high customer service.”

“Short term productivity will be lower, but in the longer term content and productivity will increase.”

“GDS Incentives will go lower requiring agencies to be more dependent upon technology and transaction fees.”

Negative

“Online distribution portals will continue to put a strain on the traditional travel management company or full-service travel agency because of customer perceptions that the travel agency may be more expensive. Ongoing education of the client will be a must to offset this misperception.”

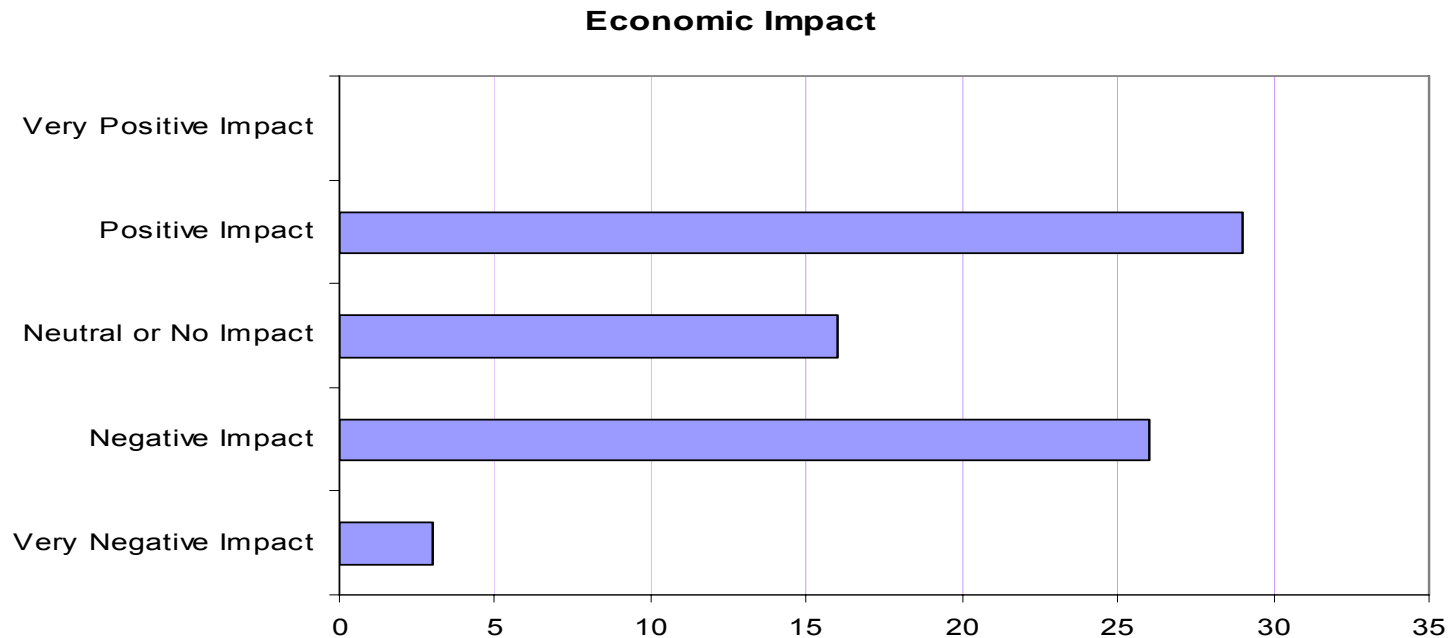
“More direct sales from supplier to client.”

“Cost uncertainty.”

“The only way to provide true value to the end customer is to provide them with all the alternatives and that can only be done cost effectively if there is a single source for travel needs. All air, car, hotel vendors want to save money and in most cases do not see themselves as part of an "eco-system" that the end traveler lives in. Airline A will say just book me on my website, that is not what is best for the end traveler.”

Changes in the Economy Trends

To what extent will changes in the economy impact your company over the next three years?



Healthy Global Economy is the Key – Security and Fuel a Concern

What economic trends will impact your business over the next three years?

Positive/Neutral

“The global market, has already created a need for our North American based clients to need a strong travel management company to assist them.”

“Travel to European destinations will continue to grow. Trade with China and increased tourism will be benefit.”

“People becoming more willing to pay for services will be a positive thing, though customers will always want the most for their dollar. Service will become increasingly competitive.

“As the cost of oil increases - prices increase - our salaries will increase and our fees will increase.

Negative

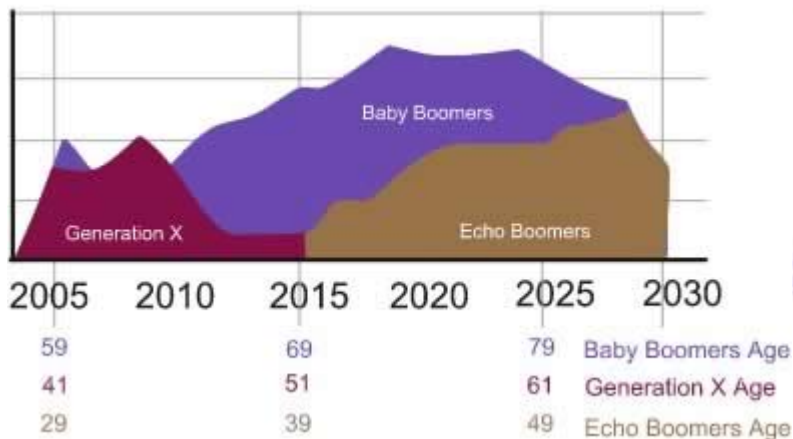
“Fuel & terrorism would have a great impact.”

“Our local economy is tied to the automotive industry. Depressed economy.”

Customer Survey Summary

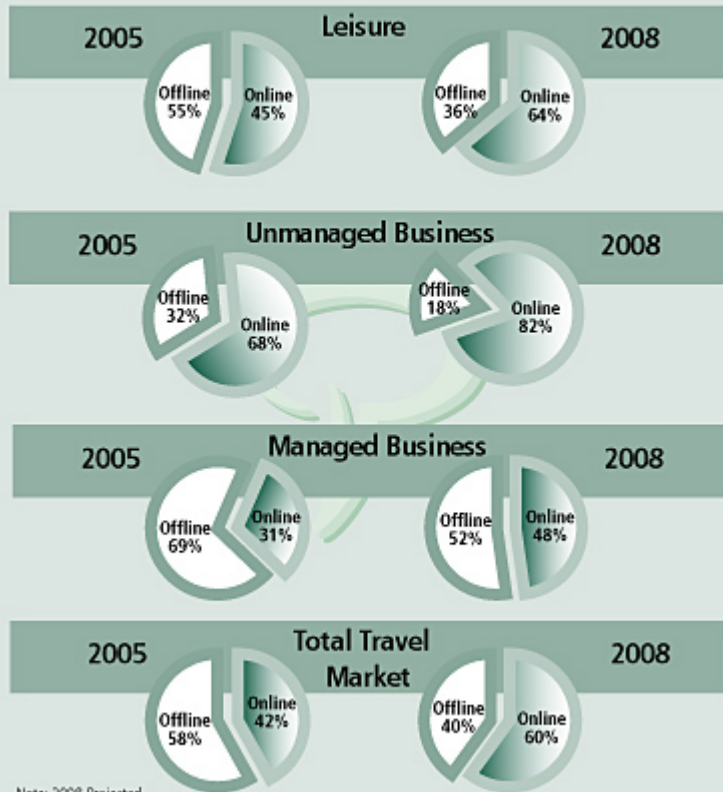
- General Optimism about the Travel Industry
- Concerned about:
 - Supporting our value and communicating proposition to market
 - Revenue Sources
 - Alternative distribution challenges
 - Driving costs out of process fast enough
 - Switch from Big to Smaller customers
 - Economy and Politics

Age Progression and Distribution of of Baby Boomers



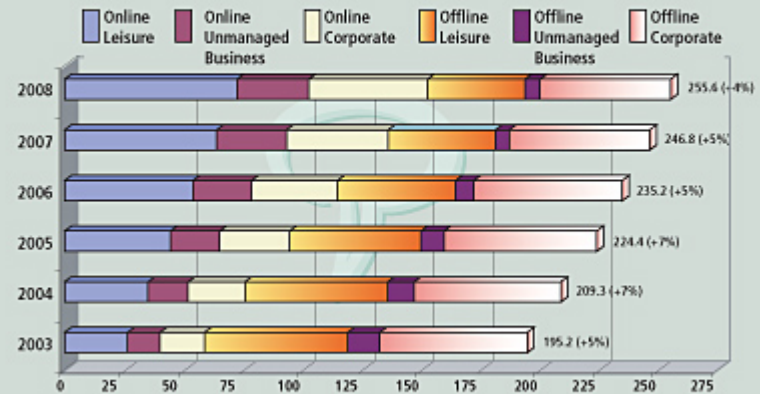
- **Need Money:** many baby boomers will live 25 years or longer in retirement some into their 90's. That is a long time and will require a lot of money to be able to live the lifestyle to which they have become accustomed.
- **Personal Expression and Self-Actualization:** on the older end of the baby boom (age 59) I hear baby boomers expressing the desire to own, operate, and manage a business.
- **Start a Business:** according to the AARP 17% of baby boomer business owners plan to start a business.
- **Share Knowledge:** there is another group of experienced business owners who are not ready to hang up their cleats quite yet. These seasoned entrepreneurs want the best of both worlds. They want the thrill of the hunt and the opportunity to make a difference using their business as a tool to make a social impact or statement.

Table 1
U.S. Leisure/Unmanaged Business, Managed Business and Total Travel Market by Channel, 2005 and 2008



Note: 2008 Projected
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Table 2
U.S. Travel Market by Segment and Channel, 2003-2008 (US\$B)



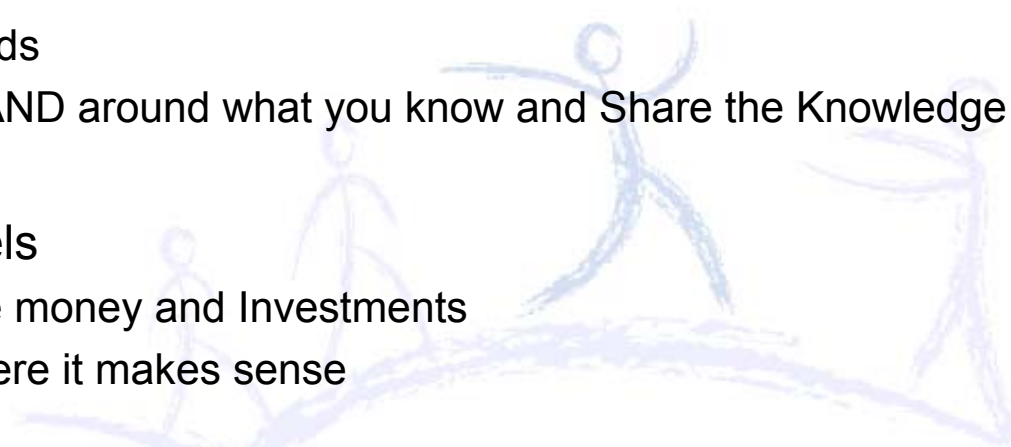
Note: 2006-2008 projected
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Travel Technology Trends

- Knowledge Snaking
 - RSS Feeds
 - PodCasting
 - Personalization
- WEB goes Social
 - Blogging
 - Photo Sharing
 - Rating Suppliers



Travel Technology Trends

- Mining the Data
 - Dashboards
 - Build BRAND around what you know and Share the Knowledge
 - New Channels
 - Watch the money and Investments
 - Adopt where it makes sense
 - Partner
- 

Discussion & Notes

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