

Online Travel Is Going Places

July 12, 2004

Online travel will comprise 33% of all travel bookings by 2006, according to a [PhoCusWright](#) report released last week.

Online travel revenues will increase by 34% to reach 52.8 billion in 2004, compared to \$39.4 billion in 2003. This represents a large increase from 1998, when early online travel sites accounted for just \$3 billion in revenues, but still a far cry from the \$120 billion worth of online travel revenues that come in through the phone.

US Online Travel Revenues*, 2003 & 2004 (in billions and as a % increase vs. prior year)

2003	\$39.4
2004	\$52.8 (34%)

Note: *trips booked over the Internet by leisure travelers and business people making their own arrangements

Source: PhoCusWright Inc., July 2004

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The percentage of travel booked on the Internet continues to rise, and will comprise one-third of travel bookings by the end of 2006, compared to one-fifth in 2003 and 15% in 2002.

Percent of US Travel Booked Online, 2002, 2003 & 2006

2002	15%
2003	20%
2006	33%

Source: PhoCusWright Inc., July 2004

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While the pioneers of the online travel market, including Sabre (owner of Travelocity), Microsoft (spun off Expedia) and Preview Travel (bought by Sabre) struggled through early losses to lead the market today, competition from other travel sites like Orbitz, Hotwire and CheapTickets, as well as from the airlines, rail and rental car companies themselves, is helping the market explode. Meanwhile, hotels, travel agencies and tour companies are still just dipping their toe into the market, trying to find their own model, and still relying on third-party sites.

Worldwide, growth is still slow in Europe and Asia, but as the US market becomes settled and the best business models are established, and as young people used to e-commerce become prime travel bookers, those regions should see online travel markets emerge.