

## TRB Investigates

# Amex Sets Out To Trounce Internet Agencies On Price

## TRB looks under the hood at a survey singing the TMC's success

As price consciousness continues to creep into the corporate travel arena, TMCs, replete with their own polished Internet interfaces, want to prove that they can beat online travel agencies (OTAs) at their own game.

**American Express Business Travel** recently commissioned a study to compare its own online booking tool to its competitors, namely **Expedia**, **Orbitz** and **Travelocity**. The company hoped to find that consumer perception about TMCs — that they offer great service but are too expensive — had become a myth. **TRB** took a closer look at the results.

### The Numbers: Car Race Is A Draw

Not surprisingly, **Harrell Associate's 2005 U.S. Online Business Travel Benchmarking Study** revealed that American Express was delivering on its low-price promise. The study compared rate results from American Express Online to the three OTAs for air, hotel, car rental and total trip.

On airfare, American Express had the lowest prices overall, and Orbitz was second at 8 percent higher. The TMC also had the lowest hotel room rates overall, and Expedia followed with rates 4 percent higher. On total trip, American Express found rates 5 percent lower than Orbitz, which came in second.

"Car was less impressive," notes **Bob Harrell**, principal at **Harrell Associates**. When including a weekend, Travelocity won that battle. On weekday rates American Express and Travelocity shared top position for the lowest car rental rate.

### Apples-To-Oranges?

Overall, the research results couldn't have made American Express look much better. If the perception is that American Express can't deliver competitive prices, this study "blows that myth out of the water," **Harrell** says. Nevertheless, to draw industry conclusions, we must consider three key points:

**1. Private-to-public comparison:** It's important to note that American Express Online (a private, corporate travel site) was compared to the consumer sites of Expedia, Orbitz and Travelocity — not their corporate travel portals.

*Why?* For one, the consumer sites are public, which made doing the research feasible.

Harrell says that he could have gained agreements to test the corporate travel portals; however, he estimates that the "leakage" American Express is seeing from travelers shop-

ping around is actually coming from the consumer sites, precisely *because* they are the most accessible sites.

**2. The LCC factor:** The survey findings also assert that American Express has superior access to supplier content. For instance, LCC **Southwest** is not available on the three OTAs tested, Harrell points out.

"Of the four sites studied, American Express is the only one with access to Southwest Airlines which accounted for 7 percent of all travel bookings in the study [where all 3 OTAs have available fares] with an average savings of \$115 or 40 percent versus the average OTA fare," according to the benchmark.

Of course, that's comparing American Express' corporate content to that available on consumer sites. But **Expedia Corporate Travel**, for example, does have agreements with Southwest and JetBlue, notes spokesperson **Jeremy Adams**, and clients can view the LCCs' flights in their search results. Through WebConnect, **Travelocity Business** also allows users to compare fares at LCCs, such as **AirTran**, JetBlue and **CanJet**, points out spokesperson **Noel Bilodeau**.

**3. PR power play:** The study was not aimed at simulating the booking experience of just any consumer. **Harrell Associates** profiled and analyzed the travel patterns of the business travelers who use American Express' services, comparing rates for the products those consumers buy.

That's because the study's purpose is "to provide [American Express'] clients with a benchmark report concerning fares available when booking business travel online," a company spokesperson tells **TRB**.

How then might the TMC use the findings to attract new clients, as opposed to assuring existing users that they need not shop around? Release of the results "is intended to better inform business travel decision-makers searching for the low-cost provider of travel booked online," the spokesperson says.

Whenever a company sees something bad written about it, it will test — and contend — the theory, **Harrell** notes. This kind of research is one way today's traditional companies are trying to change consumer perceptions, he adds. "The results did not surprise me," **Harrell** says of the commissioned study. The question remains whether they will surprise and convince business travel execs. ■