

T2RL'S First View is our rapid analysis of breaking news. It helps provide perspective, putting the facts in the context of our wider and deeper knowledge of the market.

Google Doesn't Do "Also-Ran"

T2R Staff

The Facts

Kayak has yesterday released a redesigned version of its web site as part of an attempt to remain relevant and viable following the launch of Google Flight Search in the final quarter of 2011.

The Analysis

Kayak and the other meta search providers are right to be extremely nervous about their future. Google has spent \$700 million to acquire ITA Software and no doubt a further significant sum on integration of the ITA technology within the Google environment. It has recently announced that ITA's Needlebase software will no longer be available as a distinct product. The PSS developed for Air Canada will need many years of further development before it has a chance to be a significant player in that market, especially as Hewlett-Packard has thrown in its lot with Unisys Aircore (see *FirstView Agilair Equals Aircore Plus*, 7 December 2011). Google is looking to make its return on investment solely on the priced availability search capabilities of the ITA core product.

Google's stated mission is to "organize the world's information and make it universally accessible and useful". Its commercial mission is to "capture eyeballs" and serve advertising to the 49% of all Internet users that view one in twenty of all web pages served world-wide. Neither of these aims is served well unless it is amongst the market leaders for the services being used.

Some market shares for various Google services illustrate the extent to which the company has succeeded in achieving market leadership or even dominance.

Service Type	Google Market Share	Position
Search	79.6%	Clear market leader. 8 times bigger than the number 2.
Web Mail	20%	Third of three market leaders following Yahoo and Microsoft.
Streaming Video (YouTube)	44%	Clear market leader. 19 times bigger than number 2
Smartphone O/S (Android)	52.5%	Clear market leader. 3 times bigger than number 2

Sources: NetMarketShare, EmailMarketingReports.com, Comscore, Gartner

As yet Google does not have anything like a dominant share for flight search but its initial product offering has attracted significant interest. Its graphical interface is based on Google Maps - another product that is so dominant in its space that most analysts have stopped tracking market shares. It offers useful filters including specification of connect points and airline alliances. Once a flight is selected the user is able to click through to an airline web

site where the chosen itinerary is pre-populated leaving only payment information to be entered.

This first release has many deficiencies. It covers only the US market and even there it does not yet include 100% of airlines. It makes no attempt to present information on airline ancillary revenue items such as baggage charges and seat selection fees and as yet it only offers click-through to airline sites rather than including the option of going to an online travel agent. If it were likely that Google would halt development of the product at this stage the existing players in the market would have little to fear. However history shows that this is unlikely in the extreme. Google products tend to be developed at a breakneck pace and it is reasonable to assume that Google Flight Search will have market-leading functionality by the end of 2012. In the meantime the Android App, OnTheFly, also based on ITA Software is making inroads into Skyscanner's leading position amongst mobile flight search applications.

The Speculation

Google has the ability to take flight search to levels not yet seen. Another major development is the Google+ social networking application. The personal data available through social networking - provided concerns over data protection and privacy can be successfully addressed - will allow Google to offer airlines the ability to tailor their fare offerings directly towards the individual preferences of the customer. This convergence of revenue management and CRM has been a dream of airline marketing executives for many years. Google is probably the only entity that will be able to offer this capability in the foreseeable future. The question is what price will it demand for the clicks?

Airlines are concerned about handing over key distribution channels to a single dominant company. The lessons of the GDS era when an oligopoly - that the airlines had created themselves - was able to drive up transaction charges with impunity are still fresh in the mind. Strategic thinkers in the airlines will want to avoid Google becoming a monopolist in airline search. This could mean helping the existing players such as Expedia, Travelocity and Orbitz to compete, or it could mean working with online players able to punch their weight against Google even if they have no previous expertise in travel. Obvious candidates are Facebook, Amazon and perhaps eBay. On the other hand there is a corporation even more powerful than Google that has filed some very interesting patents around travel distribution. In the next few years we may see a head to head struggle for control of travel distribution between two California neighbours. In a fight between Google and Apple Computer it would be very difficult to pick a winner.