

INTERACTIVE SESSION: TECHNOLOGY

WILL MOBILE TECHNOLOGY PUT ORBITZ IN THE LEAD?

When it comes to mobile apps and gauging their impact on consumers and business, the online travel industry and its airline and hotel reservation systems are probably the best place to look. And there's no better company in this industry in developing mobile apps than Orbitz Worldwide Inc. Orbitz connects consumers to plane tickets from 400 airlines, hotel rooms from 80,000 hotels worldwide, as well as rental cars, cruises, and vacation packages.

Orbitz was launched in 2001 by five major airlines—Delta, United, Continental, Northwest, and American, to compete with Internet travel companies such as Priceline, Travelocity, and Expedia, which were upending the travel industry. These companies have remained formidable competitors.

From its very beginning, Orbitz distinguished itself as a leader in mobile technology. In 2006, it became the first Internet travel company to offer a mobile Web site where users could check flight status for 27 airlines, search for hotels in the United States and Cancun, Mexico, and access a personal page with itineraries for Orbitz-booked trips.

During the years that followed, Orbitz made many enhancements to its mobile services. It enabled mobile users to view average wait times for airport security lines, locate available Wi-Fi services at airports, compute check-in delays and taxi line wait times, and view weather and traffic conditions. In 2010, Orbitz redesigned its mobile Web site so that users of any Web-enabled device could access capabilities similar to any full-screen e-commerce site, including the ability to purchase flight tickets, book car rentals, and obtain hotel reservations. Like the standard Orbitz Web site, the redesigned mobile site offers a Price Assurance service, which guarantees customers an automatic refund if another Orbitz customer books the same service for less. Orbitz also developed apps that ran on iPhones, iPads and later Android devices that could perform the same functions.

Orbitz was first-to-market with an m-commerce site designed specifically for business users. The opportunity was huge, since most business travelers carry smartphones or tablets. Corporate travelers typically must adhere to company rules specifying preferred vendors, cost limits, mandatory services, and expense documentation. Since each company has its own business "rules" for travel, the Orbitz m-commerce platform needed to be customized for

each firm. Orbitz constructed a mobile Web site that could be accessed from any Web-enabled device. The Orbitz for Business mobile Web site delivers the same set of tools enjoyed by the consumer market while incorporating features that enable business travelers to adhere to company guidelines—the ability to enter and modify the purpose of the trip, search results that give precedence to preferred vendors, and access to company-specific reference data.

In 2011, the m-commerce site was again upgraded to respond to swiping gestures, expedite touch screen transactions, and accommodate the small screen size of any Web-enabled mobile device. Orbitz's new proprietary global online travel agency platform creates mobile HTML5 Web pages on the fly from standard e-commerce Web pages. Mobile users can book vacation packages, view the savings from simultaneously booking a flight and hotel room, and create an online profile linked to their credit card to expedite the checkout process. GPS and improved search capabilities enable consumers to locate nearby hotels and conduct price, distance, and rating comparisons; to compare flights and car rentals based on various criteria, including traveler type; and to access customer reviews. Orbitz also instituted mobile exclusive same-day deals, called Mobile Steals, available both on the m-commerce site and through the Hotels by Orbitz app available for iPhone and Android devices. Proprietors are able to fill rooms that might otherwise remain vacant, and consumers save up to 50 percent of the standard rate. While only 12–14 percent of traditional e-commerce Web site shoppers want to reserve a room for the day on which they are searching, smartphone and other mobile users book for the same night between 50 to 60 percent of the time because they are more likely to be traveling and need a room at the last minute.

Orbitz touts the ability to book a hotel room in just three taps. The new mobile Web site has produced a 110 percent increase in visits, a 145 percent increase in the conversion rate, and four times the number of transactions compared to the original Orbitz m-commerce site. Orbitz has been focusing on lodging because hotel bookings are more profitable than airline reservations. Priceline.com, the largest and most profitable online travel agency, generates approximately 90 percent of its sales from hotels. Orbitz receives only 27 percent of revenue from hotels.

Orbitz further enhanced its iOS and Android apps to cut down the number of steps required to search for and make reservations so that the entire process can take place on the mobile device without redirecting the user to hotel, airline, or car rental Web sites to complete the transaction. Orbitz now has apps for the iPhone, iPad, iPod Touch, Kindle Fire, and Android devices.

Does all this investment in mobile technology make a difference? Chris Brown, Orbitz vice president in charge of product strategy, believes that the ability to be a major player in the rapidly escalating m-commerce market will pay off. Increased transaction speed provided by Orbitz mobile apps will attract new customers, especially those trying to book same-day reservations, which account for about 50 percent of Orbitz's mobile car rental purchases. Consumers who book with mobile devices tend to book closer to when they travel and are more certain to buy than just shop. By the end of 2013, mobile apps accounted for about 30 percent of Orbitz hotel transactions.

But the other online travel players also believe consumers will increasingly move to mobile to make their travel plans, and they also have been making large investments in mobile Web sites, search tools, and apps. Priceline and TripAdvisor have rated highest in providing an engaging, enjoy-

able experience on their sites, and both continue to enjoy much stronger growth in unique visitors and visits than Expedia and Orbitz. Travelers are increasingly planning trips on sites such as TripAdvisor, which aggregate offerings from a number of different online sources in one place. TripAdvisor offers more than 100 million traveler reviews and obtains most of its revenue from ads and referrals to other travel sites. TripAdvisor recently redesigned its Web site to show customers all the rates offered by online agents like Expedia, Priceline, and Travelocity in a single list on its site. By using this "metasearch" capability, customers are able to find the lowest prices on a single screen without having to click on several links.

Sources: Scott McCartney, "Free Travel Free-for-All Among Online Booking Sites," *Wall Street Journal*, April 23, 2014; "Orbitz Worldwide, Inc. (OWW), SEC Filing 10-K Annual Report for the Fiscal Year Ending Tuesday, December 31, 2013," March 18, 2014; Karen Jacobs, "Orbitz Profit Tops Forecasts, Hotel Booking Revenues Up," Reuters, August 8, 2013; Drew Fitzgerald, "Out of Nest, TripAdvisor Soars Past Expedia," *Wall Street Journal*, August 8, 2013; Karl Baker, "Orbitz Falls as CIO Exit Rekindles Hotel Growth Concerns," *Bloomberg Businessweek*, January 10, 2013; Ryan Peckyno, "How Mobile Will Impact Online Travel Companies," *Motley Fool*, July 29, 2013; Bill Siwicki, "Orbitz Spreads Its 'Mobile Magic' Throughout a Redesigned M-commerce Site," *Internet Retailer*, October 10, 2012; Kenneth C. Laudon and Carol Guercio Traver, *E-Commerce 2013*, Pearson Education (2013).

CASE STUDY QUESTIONS

1. How important is mobile technology in Orbitz's business strategy? Why?
2. What management, organization, and technology issues did Orbitz need to address in its mobile strategy?
3. Why are mobile phone users much more likely to book same-day hotel room or airline reservations?
4. What role does Orbitz for Business play in the company's business strategy?
5. How successful is Orbitz's mobile strategy? Explain your answer.

Connecting people to local merchants in the form of geoadvertising is the economic foundation for mobile commerce. Mobile advertising will reach \$17.7 billion in 2014, up 83 percent from 2013. Geoadvertising sends ads to users based on their GPS locations. Smartphones report their locations back to Google and Apple. Merchants buy access to these consumers when they come within range of a merchant. For instance, Kiehl Stores, a cosmetics retailer, sent special offers and announcements to customers who came within 100 yards of their store.

OTHER MOBILE COMMERCE SERVICES

Banks and credit card companies are rolling out services that let customers manage their accounts from their mobile devices. JPMorgan Chase and Bank of America customers can use their cell phones to check account balances,