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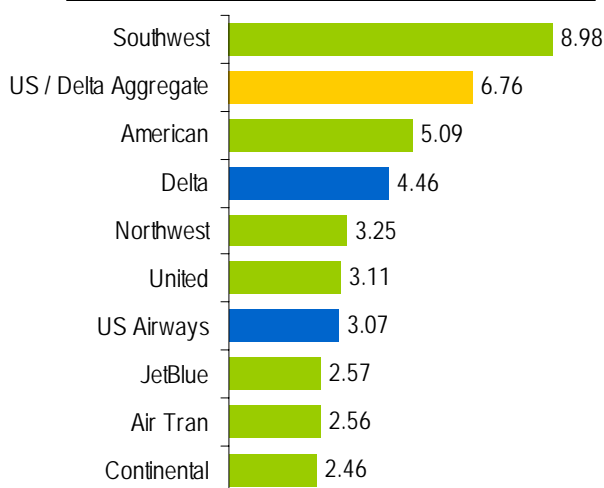
Monthly travel insights from Compete

By Gregory Saks

MERGER MANIA: ASSESSING A DELTA - US AIR COMBINATION

In a well-publicized move, US Airways recently made a hostile bid to merge with Delta Airlines. The currently stalled merger would combine the third and sixth largest carriers (by passenger traffic), creating the world's single largest carrier. If the US Airways / Delta merger goes through, what would the impact be on their online channels and how would this affect combined performance?

Site Traffic to Carrier Websites (Oct 06, in millions)



In terms of online visitors to US carrier websites, US Airways ranks sixth with 3.1 million monthly visitors, and Delta ranks third with 4.5 million. Aggregated (not double counting visitors to both sites), the two carriers attract 6.8 million visitors to their websites, meaning a combined online destination would be second only to Southwest in attracting an online audience.

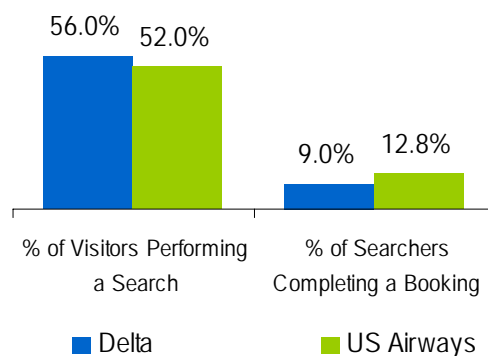
The combined entity would also have to make a decision on which web property and booking engine to merge its two sites into. Ideally, the carriers would take the best from both worlds; the Delta website has

higher engagement (defined as a percentage of site visitors performing a flight search), while US Airways has greater search conversion (percentage of searchers who complete a booking).

If a combined online channel (Delta's homepage and content with the US Airways booking funnel) were to perform at current levels for engagement (56%) and search conversion (12.8%), the site would experience a lift of over 50,000 transactions per month compared to the independent sites. Compete estimates the value of these transactions at up to \$130 million per year in incremental gross bookings through the direct channel.

While a Delta-US Airways deal seems unlikely at this point, most analysts are expecting some form of consolidation in 2007. This could meaningfully impact the online distribution landscape. With two carriers of this magnitude involved, the combined entity would rival Southwest as being the single largest distribution point for flights on the Internet. Given that Southwest does not participate in GDS, OTA, or Meta Search channels, the new company would be the most important carrier on agency and meta search sites. With this kind of clout, the entity might have additional negotiating power in structuring online marketing partnerships. Ultimately, even if the proposed US Airways - Delta deal falls through, other mergers that would have similar online synergies and market implications appear likely to come.

Site Performance: US Airways vs. Delta (Oct 06)



Compete's Travel practice researches the entire online consideration and booking process for consumers, offering an unmatched level of insight into how travelers engage, cross-shop, and convert across all agency and supplier destinations.

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