Paper Ticket Fee

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hit with the delays we have experienced over the past two years—never mind the potential problems the promised strike action could produce."

American disputes that e-ticketing presents a hurdle to travelers. "I am aware that consumers are being advised to purchase paper tickets to avoid problems during strikes or delays. But in reality there is very little difference in the process," says Heires. "Okay, you may have two things to do to change an e-ticket, but you still have to line up even if you have a paper one."

American will also waive the $10 fee, Heires adds, "if there is a significant operational issue," such as a strike or weather-related cancellation.

Following Suit. The paper ticket fee may also become redundant if competitors, such as United Airlines and Delta, do not follow American's lead, says CATO Institute's Peter Van Doren. "As an economist it is interesting to see a company come up with new ways to save money or generate revenue. However, even though this is a sound strategy [employed by American] to charge a fee, they could find themselves portrayed in a less than favorable light if they remain the only carrier to implement this," he says. "There are still kinks in the e-ticketing system, so American may find that pushing customers to use [e-tickets] could backfire."

American this week also unveiled a new priority delivery fee of $25. This charge will apply only to passengers who are traveling at least seven days after purchasing their tickets and require an overnight delivery. For passengers who are traveling within fewer than seven days after purchasing their ticket, standard overnight delivery will continue to be offered free of charge.

—By Darren Shannon
dshannon@advanstar.com

Travel Dot-Coms May Find Venture Capital in Their Future

NEW YORK—The "Will Work for Online Travel Venture Capital" signs may finally disappear. Despite a downturn in both the economy and previous online poster children like Priceline, an upswing in venture capital investment, albeit a slow one, is occurring in Internet travel.

Companies such as lowest-fare search engine FareChase—which recently scored a $5 million round led by Deutsche Asset Management—are finding financial ears, mainly by dealing in online niches. Instead of competing head-to-head in the saturated consumer dot-com market, many companies are looking for revenue through technological innovation. New York-based FareChase found investment capital by creating an engine that displays all ticket prices listed online—consolidator fares included—by taking customers directly to the transaction page of sites with the desired fare.

"There might have been several hundred concepts in 1998 and 1999, which may have been reduced to a score or two today."
—Trip Davis

Be Different. "You're only chance is to be different," says FareChase CEO Lior Delgo. "With Travelocity and Expedia having so much backing and brand recognition, other smaller sites with similar business models hardly stand a chance." Pompano Beach, Fla.-based ByeByeNow found the cold reality of competing with the big boys firsthand when it filed Chapter 11 in January. Using the bankruptcy as a restructuring, ByeByeNow turned much of its revenue focus to their video stream technology. Says Peter Kowal, president of ByeByeNow Travel: "We were at a point where we needed to play to our biggest strengths. Technology has been a life force for this company."

But much of this improved investment climate could be short-lived if these technology-based companies sell out to the highest bidder, says Jesse Lewis, associate analyst-equity research for New York-based C.E. Unteberg, Towbin. "Large corporations love owning great ideas, but that doesn't mean they know how to continue their development."

Online Marketplace. Such may be the case for San Francisco-based FairAir. Getting set for a May launch, FairAir is trying to create an online marketplace in which a ticket buyer can actually sell his or her ticket to anyone else with carrier approval. Having worked on this project for more than two years, Levy would like to oversee it for the longterm, but admits offers will be tempting. "You look at your investors sometimes and what can you say to them? Money talks." And FairAir is talking money with potential investors, having received than $6 million since inception. But even with a good idea, there's still no guarantee of backing. "We will be looking for a new round of funding just after launch. We believe our idea should merit it; many ideas won't."

Forrester senior analyst Henry Harteveldt agrees—many ideas won't. "Technology is definitely the way back, but the gains are slow. WorldRes.com went looking for $30 million in funding and came back with $7 million. Still, that's $7 million more than most."

But Trip Davis, CEO of Atlanta-based travel technology company TRX believes companies like FareChase and FairAir will be more the exception than the dot-com rule. "Venture-capital investments will mostly go to companies that already have a proven business model," he says, adding that the number of original ideas is diminishing. "There might have been several hundred concepts in 1998 and 1999, which may have been reduced to a score or two."

And though much of the online travel pie belongs to larger players like Expedia and Travelocity, obviously they haven't thought of everything. "Travelocity has spent so much money to get people to their site. But they forgot to provide more interesting tools and greater price selection," says Delgo. "Companies like us have a chance because we didn't."

—Eric Butterman
ebutterman@advanstar.com

Summary

- There is renewed financial interest in online travel.
- Companies attracting attention are mostly technology-based, not consumer-based.
- To get venture capital, smaller companies must offer fresh ideas.