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TOP STORY

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Expedia, Beware

ITA's ETA puts fear into the hearts of big players.

By Michael Shapiro

If you're looking for the biggest travel story of the year, a few obvious candidates come to mind. There's Priceline.com's plummet and all of the question the company's model raises. There's the Orbitz (non)launch. But for its potential impact on the travel industry, perhaps nothing can compete with the achievements of ITA Software, a Cambridge, Mass.-based startup that has come up with a nifty little booking technology that's a generation ahead of its predecessors.

Founded by a graduate of MIT's Artificial Intelligence Lab, ITA enables customers to find and sort fares and schedules with far greater ease than most of the traditional systems. While Expedia, Travelocity.com and their ilk have put a consumer-friendly veneer on clunky computer reservation systems, ITA takes the same data and rapidly sifts billions of flight options, including alternate airports and dates, and shows users their best bets for fares, schedules and carriers. So on one grid, for example, users can compare the best nonstop fare from SFO to JFK with the best one-stop fare. Or a traveler could easily see that United is \$11 more than Delta for the same route, but it might be worth paying \$11 more for those in United's frequent flier program.

"If the typical fare-search tool shines a narrow flashlight beam into a dark room to illuminate a specific group of fares," says the Washington Post's Craig Stoltz, "ITA turns on all the lights in the airfare warehouse and lets you see pretty much all the lower-priced options in a single view."

The company has no plans for creating its own booking site. Instead, it's been busy signing up deals, like the nonexclusive arrangement it inked with Orbitz a few months ago. (Orbitz is the collective online effort of major airlines United, Delta, Continental, Northwest and American.)

Orbitz, along with its ITA system, won't even come out in beta until February, with a full launch slated for June. But on Nov. 13, a site called Travelbyus.com became the first to launch ITA's search tool with a full booking capability. So far, travelers can use ITA's search features only for booking flights in North America, but the company plans to roll out its international service soon. (This partnership

could create some strange bedfellows. Travelbyus, which works with a network of thousands of travel agents, took the lead in launching ITA's software, even though the tool may be the biggest threat agents have ever faced.

Not surprisingly, ITA has Expedia and Travelocity scurrying to build a better mousetrap. Expedia has recently upped the number of flights shown to 30 per query, from the seven it used to show. And the Microsoft-spawned booking site plans more improvements over the next 12 months to give travelers better control over booking options. Travelocity has announced broader searches of low-fare options and has magnified the visibility of its phone support for its users. But while other sites can emulate ITA's grid system for displaying itinerary and fare choices, it remains to be seen if they can replicate the scope and efficiency of ITA's searches.

As leading travel sites bust a move to catch up to technology ITA unveiled a year ago, ITA CEO Jeremy Wertheimer made a surprising announcement at last week's PhoCusWright conference - the company plans to add negotiated fares to its database sometime in the not-too-distant future. ITA would negotiate special rates exclusive to ITA's users, such as Orbitz and Travelbyus. This could pose a threat to online discounters such as CheapTickets and Lowestfare.com. Although it's highly unlikely ITA can create one-stop shopping (there will always be a chance some other Web site or bucket shop has a better deal), ITA's next iteration could siphon some bookings from online discounters.

In his recent speeches, Orbitz CEO Jeff Katz has bemoaned the state of the online travel industry, noting that for every 20 or 30 lookers there's only one booker. "Electronic retailers are missing something, and we're running out of time," he says. "If we were on target, shouldn't that (booking ratio) be bigger?" With ITA, Katz may have found his answer.