

**THE  
EASTMAN  
GROUP, INC.**

**Richard Eastman**



*The*

# DIGITAL ECONOMY

DON TAPSCOTT

Traits of the New "Information Age" ...  
... applied to Travel Distribution



# THE ONE TO ONE FUTURE

DON PEPPERS  
MARTHA ROGERS, PH.D

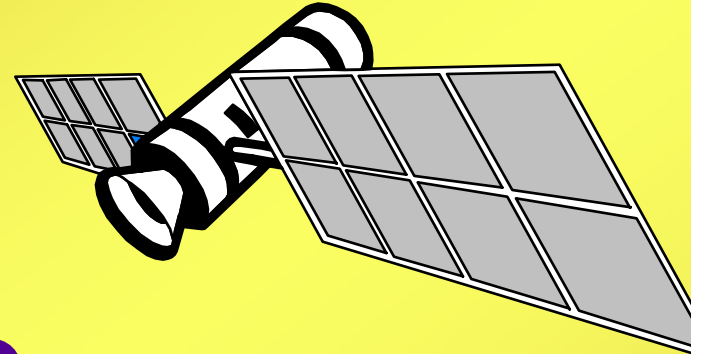
Building Relationships  
One Customer at a Time  
... applied to Travel Distribution

# Knowledge



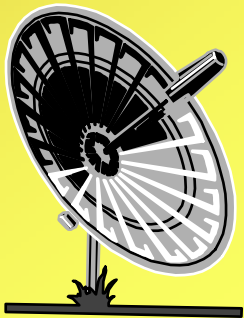
- Key ingredient of All Products
- Basis of Value in “Value Chain”
- Management Systems evolve to “Expert Systems”

Interactive Booking ... Yield Management Offers / Control s

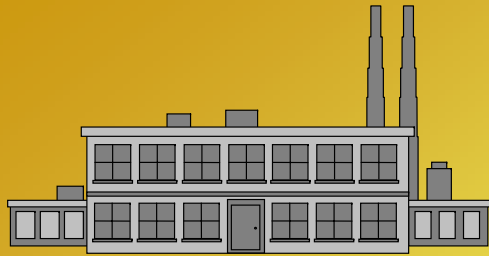


# Digitalization

- 1's & 0' Based Communication
- Analog to Digital



CD-ROMS as mailers / Intranet Interactive "See and Book"  
ISDN / Satellite / Cable / ATM

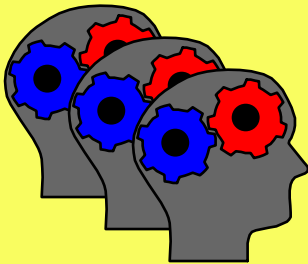


# Virtualization

**IBM®**

- “Things” become “Virtual”

**Microsoft®**

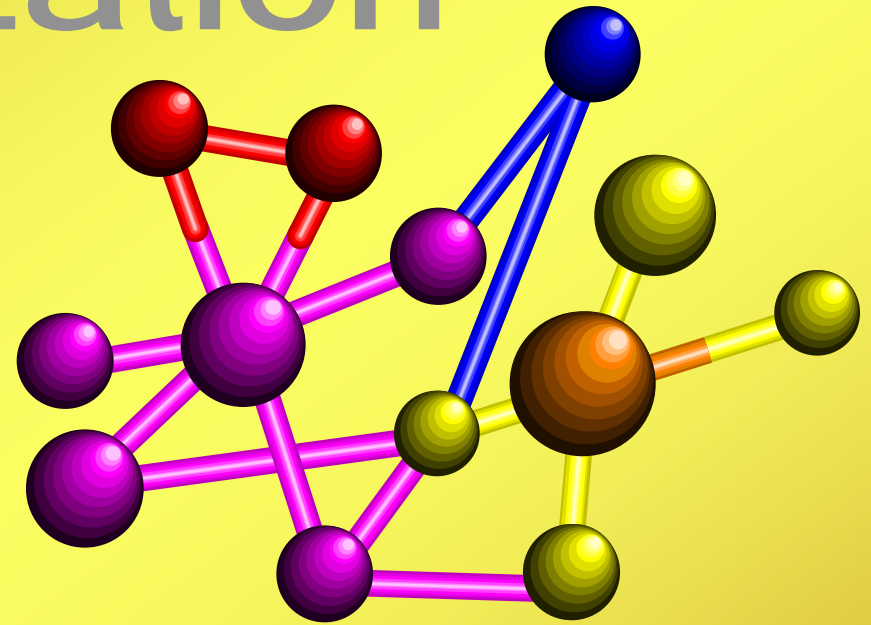


- Virtual Organization - Job “Warehousing”, Teams
- Virtualization of Data, Money

“Worth” of Plant vs. Applied Knowledge / Physical vs. Electronic “Ticket”

# Molecularization

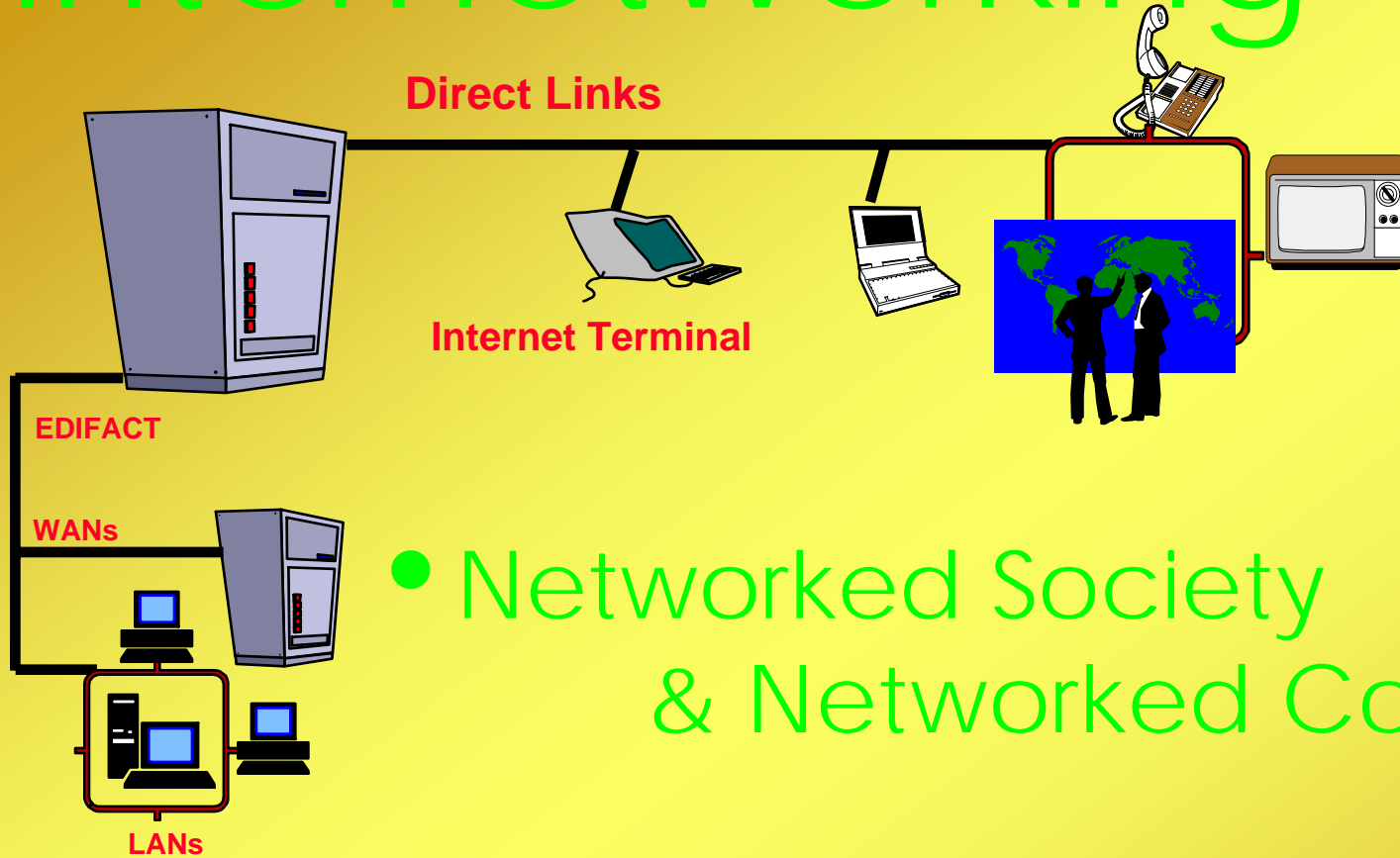
- Mass Media ... to Dialog Media



- Hierarchical Organization to Teams / Groups that "Add Value"

Interactive Buying Based on Knowledge / Networking

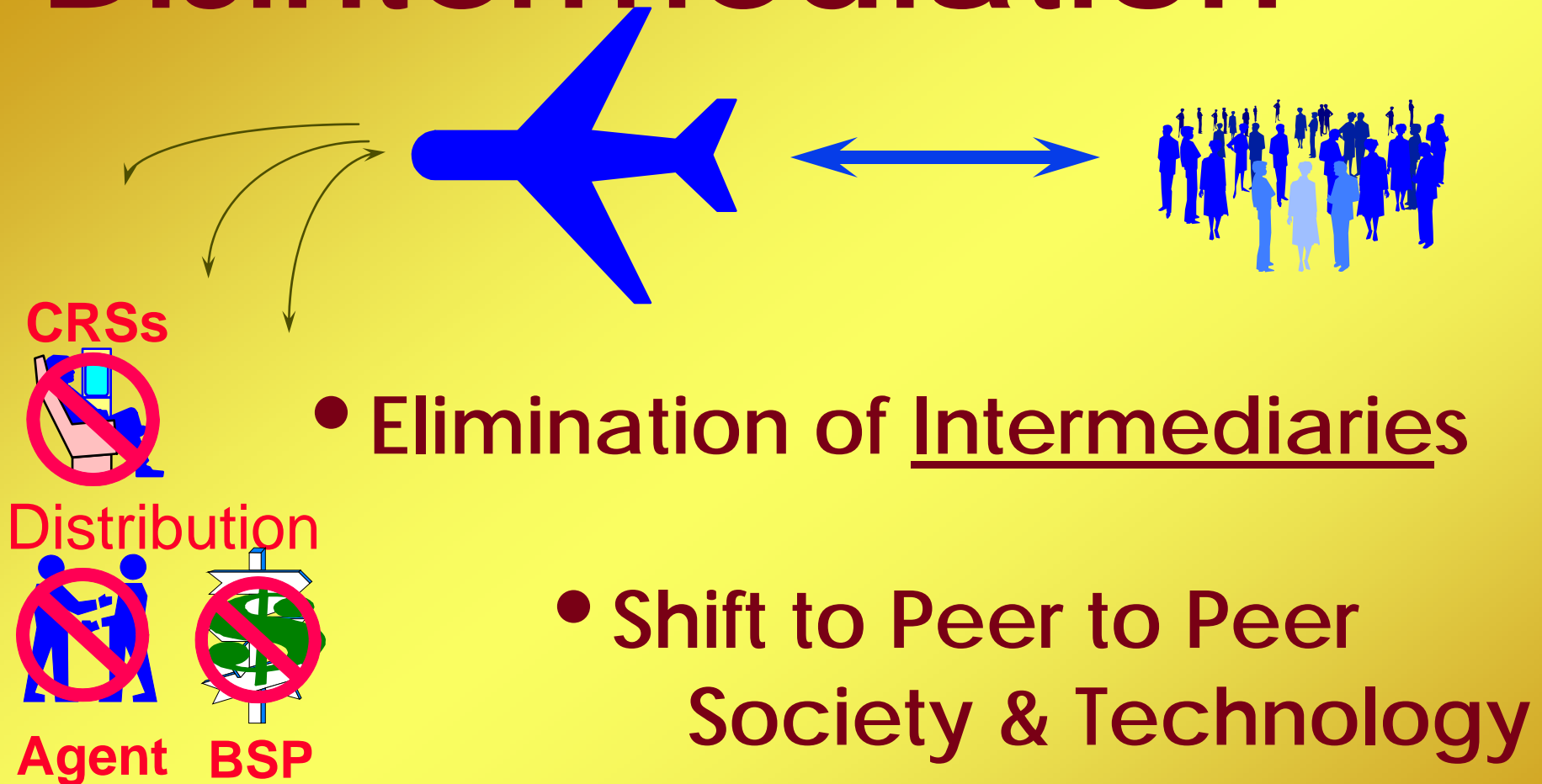
# Internetworking Integration



- Networked Society & Networked Commerce
- Modular Equal Components

CRS Rush to "Content" / Tours - Booking - Info - Internet - Intranet

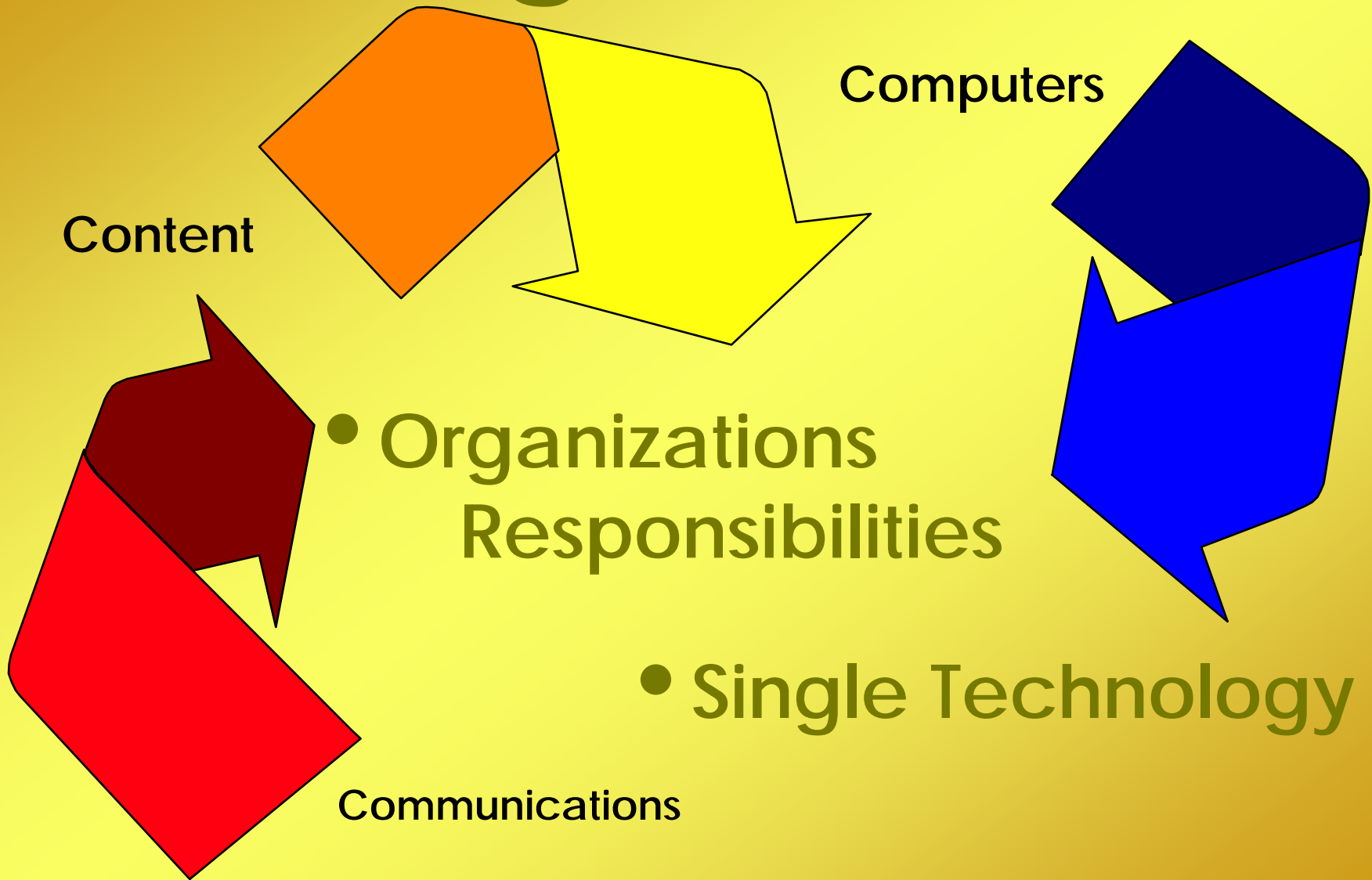
# Disintermediation



The Travel Distribution Structure "We Know" is Changing

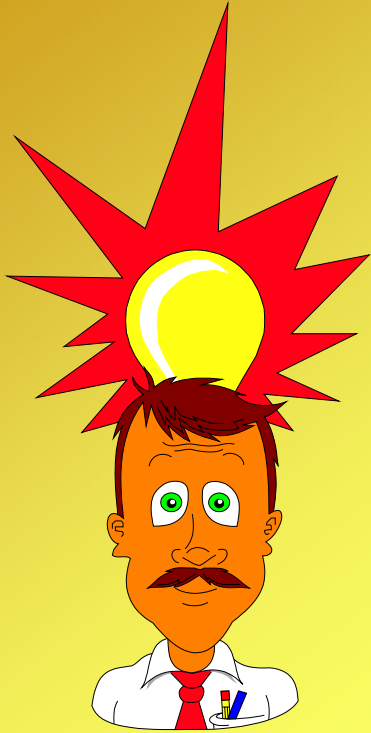


# Convergence



Microsoft Worldspan AMEX - SABRE BTS Travelocity

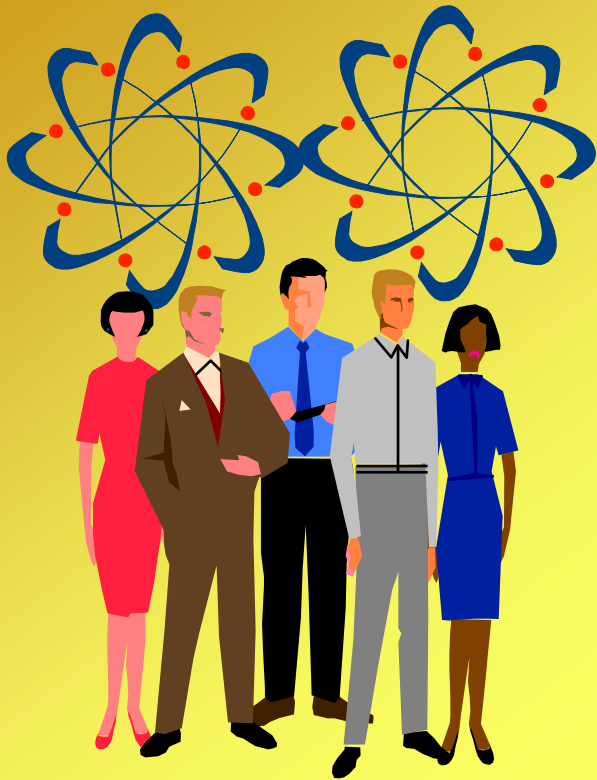
# Innovation



- Key Economic Driver For Business Success
- Only Sustainable Advantage

Technology to Access, Manage, Distribute Travel Knowledge

# Prosumption



- Producer / Consumer Gap Narrows
- Buyer Knowledge Drives Product

Information / Technology become Travel Product Producers

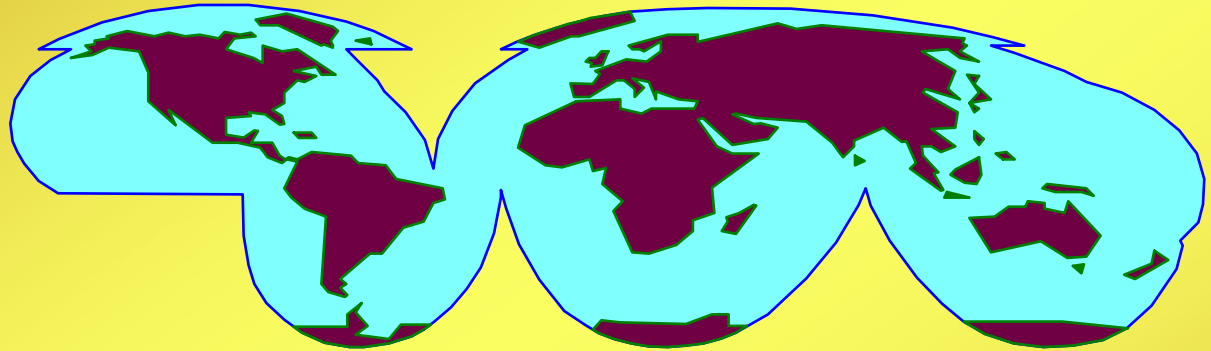
# Immediacy



- “Real Time” Economy
- Product Life Cycle’s “Crater”  
- Rapid Product Mod’s

Bilateral “fares” vs. “real time” fares // IATA ... Airline “Spoilage”

# Globalization



- Knowledge knows no Boundaries
- Networks of Business Clusters

Code Sharing - Frequent Flier Programs

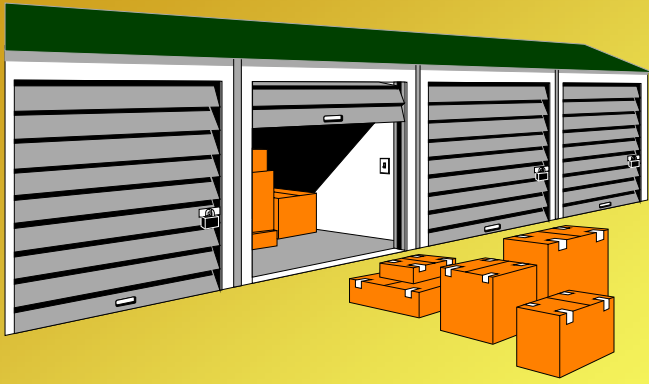
# Discordance



- Massive Social Contradictions
- “Old Skills” vs. “New Skills”  
Legacy vs. New Technologies

**Travel Agents “Us” vs Airline “Them”**

**New Organizational sharing of “Created Wealth”**

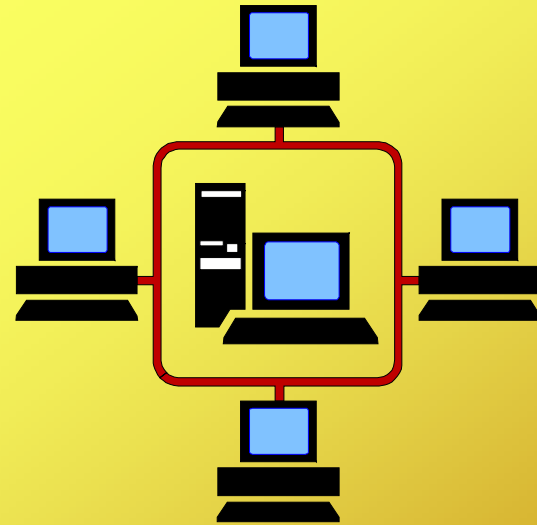


**INDUSTRIAL  
AGE**

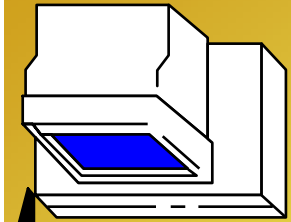
**1980'S**

**1990'S**

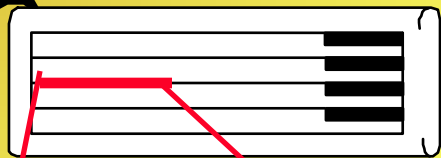
**2000'S**  
**INFORMATION  
AGE**



# "Hidden Drivers"



- Whole Society  
in Transition to  
Information Age



**QWERTY**

- Search for New  
"Path Dependence"

BetaMax vs. VHS  
Microsoft vs. Netscape

Major Overriding Travel Driver is Search for New "Path Dependence"



# Driver #1



## CONSUMER EXPECTATIONS

- **DELIVERED “SERVICES”**
- **INTUITIVE TO USE**
- **WITHIN “WORK” ENVIRONMENT**

Greatest Impact on all Vendors ... Creates New Vendors

Share of...



Mass...

... Production  
... Distribution  
... Media

1990'S

Share of...

**MARKET**

One Way Communication

**CUSTOMER**

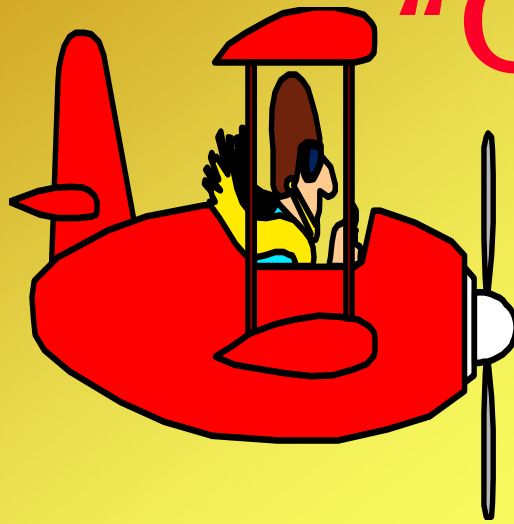
Two Way Communication

Individual...

... Production  
... Distribution  
... Media



Driver #2



# "COMMIDITIZATION" OF AIRLINE SEATS

- POINT-TO-POINT MARKET(S) EXPANSION
- MANUFACTURING VS. DISTRIBUTION
- BUSINESS RULES OF ASSET RECOVERY

Industry Response to Driver #1 ... Changes "Product"



**Existing Systems...  
Won't Go Away Soon!**

**Capital Investment Base  
Industry Processes Linkages  
High Speed Transaction Processing Needs  
Culture Blocks vs. "Change" Drivers**

Increasingly Rapid Transition to New Order

# Driver #3



# SETTLEMENT

- **SEPARATE FROM DISTRIBUTION**
- **MULTI MEDIA CHANNELS**
- **INCREASINGLY ELECTRONIC**

Result of Driver #1, Driver #2 ... the "Dramatic" Near Term Enabler

# Historic...



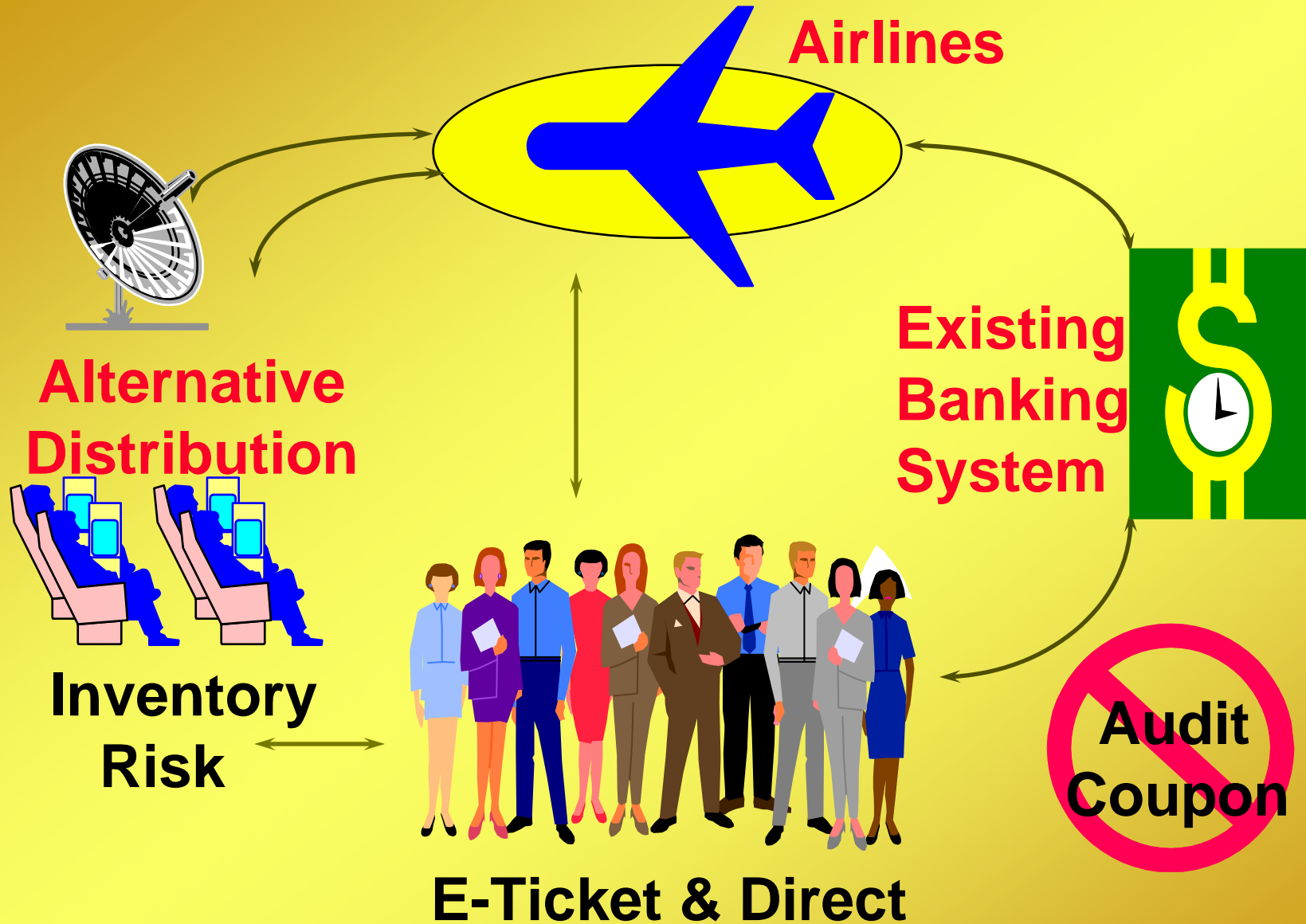
Became Travel Industry "Path Dependency"...

# In Transition...



Major "Path Dependency" in transition

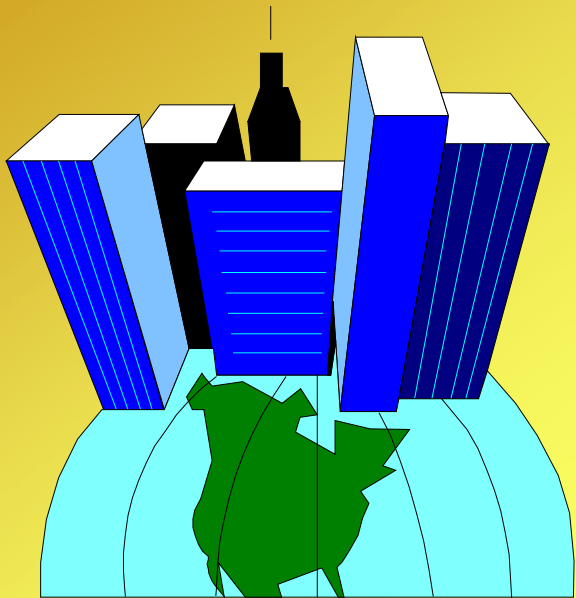
# Immediate Future...



New "Path Dependency" Remains Unknown

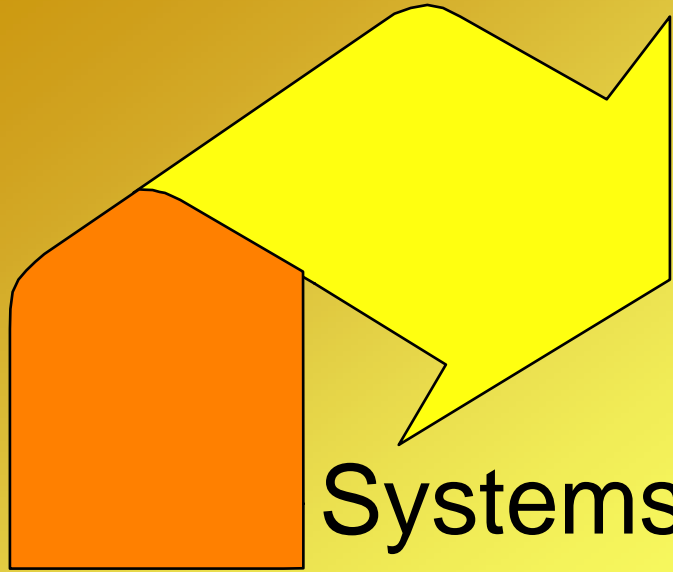


# Impact of "Direct"

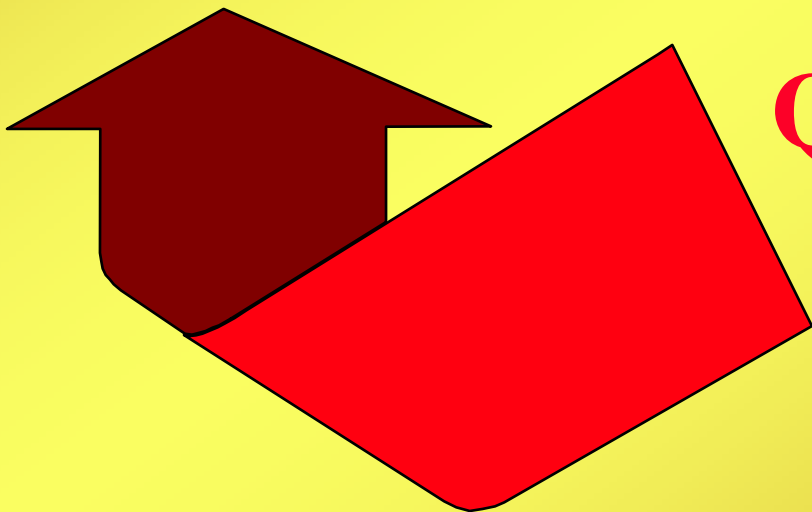
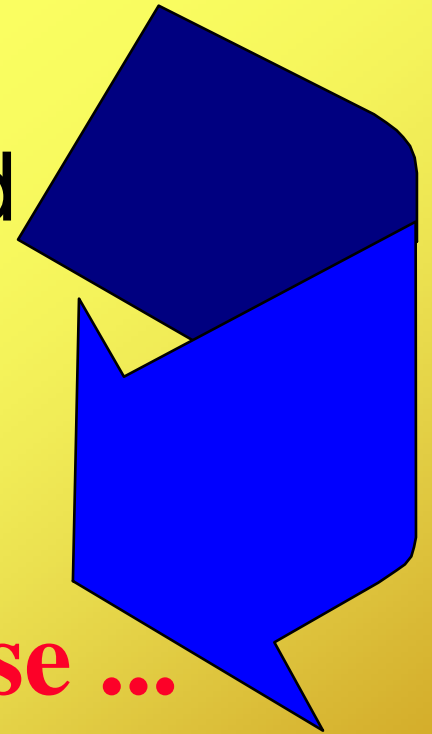


- Distribution Altered to meet "Info Age"
- Airlines focus on "Seat Manufacturing"
- New On-Line "Risk Taking" Vendors

"Path Dependency" search will probably look to other Industry's solutions due costs & expectations



Systems Must Adapt and  
Blend Into Existing  
Environment(s)...



**Quick Response ...**

# Changing Face of Travel Product Packaging

## Direct Airline Links

*Southwest  
ValuJet  
Alaska  
Lufthansa ...*

## Public Data Networks

*Internet  
Intranet  
CompuServe  
AOL ...*

## Global Distribution Systems

*SABRE  
Galileo  
Worldspan  
Amadeus ...*

## Travel Agency Networks

*Inventory  
Packaging  
Direct Client  
Distribution  
Mktg Data Mgt.*

## Bank Settlement Solutions

*EDIFACT  
ACH  
ARC  
Credit Card ...*

## Corporate Travel Direct

*Contracted Risk  
Direct  
Settlement  
Mandated Travel*

## Localized Inventory Control

*Contract Fares  
Auction Fares  
Distressed  
Inventory*

## Interactive Vendor Packaging

*Tour Links  
Corporate  
Finance  
Consolidators  
Hotels / Cars*

*Thank You!*

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