IBM

# STA Travel expands its horizons with a new global electronic travel services solution.

## Overview

■ **Business Challenge**

Though differentiated by its global reach and its focus on the youth and student traveler segment, STA Travel risked losing its advantage by falling behind in the online travel segment, largely because its infrastructure and strategies were fragmented. To reverse this, STA Travel needed to align its strategies and capabilities across all of its markets, thus enabling a more consistent and high-quality customer experience.

■ **Solution**

STA Travel engaged IBM to design and implement a common global service delivery platform that unifies the student traveler's experience of the company via its online presence, reflecting both STA's global reach and its local presence in 70 countries.

■ **Key Benefits**

• Projected 25 percent increase in Web conversion, or look-to-book ratio

• Up to 50 percent increase in overall online booking volume

• More than 15 percent reduction in overall infrastructure maintenance costs



*London-based STA Travel is the world's largest travel company for students and young people. Formed in 1979, STA Travel has established a worldwide retailer presence with 400 branches, 21 international Web sites and call centers, and a global network of franchise and product partners. STA Travel employs 2,000 in over 70 countries.*

As was predicted a decade ago, the Internet has indelibly changed the travel services industry. Indeed, because of the long-established reliance of travel agents at the hub of the travel booking process, few industries at the time seemed so perfect a candidate for "disintermediation"– the removal of the middleman via the Web. But like most consumer services, Internet-based travel services ended up playing a complementary role to traditional travel agencies, a coexistence that served a range of service needs and preferences.

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– Peter Liney, COO, STA Travel

## Business Benefits

- Projected 25 percent increase in Web conversion, or look-to-book ratio

- Up to 50 percent increase in overall online booking volume

- Improved overall margins through lower cost per transaction

- More than 15 percent reduction in overall infrastructure mainte-nance costs

- Faster time to market with new services on a global scale

- Major reduction in service rollout costs, enabling a strong business case in even smaller markets

*"IBM helped us transform our business in a way that harnessed our key strengths and aligned those strengths to meet a new set of marketplace demands. It shows a combination of experi-ence and vision that few can match."*

– Peter Liney

Getting to this new equilibrium point, however, required the industry to undergo a wrenching adjustment that saw a host of new online entrants and an overall consolidation of the traditional travel agency sector. The travel companies that remained were compelled to adapt their operations to cater to the growing seg-ment of Web-savvy travelers.

### From looking to booking

In the earliest days of the online era, the typical strategic response for branch-based travel retailers – establishing a rudimentary online presence alongside their core operations – was deemed sufficient. The market's maturation proved them wrong. As the online share of the travel business grew and customers inevitably became more sophisticated, the real chal-lenges to achieving success with this new model became apparent. In short, travel retailers needed to provide a compelling mix of services and content to keep customers at their sites and, moreover, translate this traffic into actual bookings. Indeed, as the industry's center of gravity shifted to the online retail model, the so-called "look-to-book" ratio has emerged as a key measure of how travel retailers have managed the transition. In the case of London-based STA Travel (www.statravel.com), the desire to increase this ratio drove a fundamental change in its online strategy.

From its roots in the UK and Australia, STA Travel grew into a US$1.2 billion global travel powerhouse employing 2,000 agents across 400 branches in 70 countries. STA Travel fueled its growth and built its strong global brand by focusing on meeting the specialized travel needs of students and young people, through options such as special student airfares and flexible lodg-ing bookings. However, the fact that this very segment was among the earliest adopters of Internet-based services – including the host of powerful new tools available through Web-based travel sites – threatened to undercut the unique value that STA Travel had delivered to its youth and student base. The company's initial response to the challenge was to create a loosely affiliated network of nearly two dozen country- and region-specific Web sites. While this approach provided STA Travel with an entrée into a lucrative and fast-growing part of the market, it nonetheless failed to capitalize on the company's most important strategic assets – its global presence and its brand strength. It was, in essence, a stopgap response to a fundamental change in the retail travel services market.

To thrive in the new travel market, STA Travel knew it needed to strike the optimal balance between the efficiencies of global processes and the depth and richness of localized services and content. As it was, the fact that each of the company's local affiliates controlled its own Web storefront squelched STA's ability to coordinate and harmonize its online operations globally, thus putting the company as a whole at a self-imposed disadvantage. To address this fundamental problem, it opted to rebuild its online strategy from the foundation up, with the goal of making it truly global. Getting there required the right mix of tools, technology and expertise, combined with a solid knowledge of the travel business. STA Travel found this mix in IBM Global Business Services and its Business Partners RedDot Solutions and WebTrends.

**Deploying globally, enabling locally**

With experts from the e-Business Innovation Center in Hamburg, Germany, and the IBM Architecture Practice in Switzerland, IBM led an initiative known as the Global Ecommerce Technology Strategy (GETS) under which it designed and implemented a new, unified platform for delivering STA's content and services around the world. While based on a common and globalized technology framework, the solution's defining trait is its strength and flexibility in delivering localized services. This ranges from the look and feel of the storefront to the promotions, links and other important content that makes each country's site unique and helps drive site volume. Further enhancing the solution's local support is a range of services designed to enhance the user's experience and differentiate STA Travel from other online travel resources. Examples include a community-based service that enables users to post travel reports, pictures, localized help services for travelers on the road, as well as a sophisticated global itinerary planning tool. By giving affiliates broad content control at the local level – a recognition that they know their markets best – STA's new platform further enriches one of the company's biggest strengths, its global footprint.

While invisible to end users, the strategic architectural changes that were the centerpiece of the GETS initiative enable even more important and far-reaching transformations in STA's operations. Because it employs a common global framework for service delivery, STA Travel can now deploy new capabilities across all of its markets in a fraction of the time. This same property enables STA Travel to take a popular service that was developed at the local level and incorporate it into STA's core service platform, thereby making it

**Why it matters**

*To support its shift toward the lower-cost online channel, STA Travel needed to give Web-savvy travelers more of what they need – a mix of information and services that would drive more online booking volume. By moving from a series of unconnected online "storefronts" around the world to an integrated, global service delivery platform, STA Travel gained the ability to offer compelling services globally while maintaining the crucial need for local content. This has significantly increased the conversion rate, resulting in a near doubling of online booking volume.*

available to all of its local operations around the world. Both examples underscore how GETS has laid the groundwork for an online commerce experience that is richer and a strategy that is more globally harmonized. The flip side benefit, notes COO Peter Liney, is that a global service platform completely rewrites the economics of rolling out new services. "Under the old rules, we could justify the investment in a new service platform for our UK or U.S. businesses, but never for our smaller markets," says Liney. "The fact that we're using a truly global platform removes that restraint and strengthens us in all our markets."

The underlying architecture of the GETS solution runs on a common hosted platform, replacing what had been a series of unconnected local sites. The core software platform is RedDot's WCMS Web content management system, running on IBM WebSphere Application Server. In addition to managing all of STA's Web content, the RedDot package also includes a self-customized forms engine that enables each local division to create its own forms as well as customized search capabilities. For metrics and decision support, the solution used WebTrends Analytics to develop a management dashboard that measures key Web site metrics such as drop-out rates and look-to-book ratios.

**Booking solid benefits**

With the GETS solution thus far rolled out in the UK, Australia, the U.S. and much of northern Europe, its impact on STA's operations has been immediate. In markets where online booking had been available, the look-to-book rate has increased significantly, resulting in a near doubling of online booking volume. The impact at the bottom line has been equally impressive. By moving to a consolidated global service platform, STA Travel has reduced its IT maintenance costs by more than 15 percent. Moreover, by attracting more travel booking volume to its online channel, STA Travel has reduced its average cost per transaction, thus bolstering its margins. Perhaps best of all, notes Liney, STA's new solution has enabled his company to make the business model adjustments it needed to compete in an increasingly sophisticated, dynamic market. "IBM helped us transform our business in a way that harnessed our key strengths and aligned those strengths to meet a new set of marketplace demands," explains Liney. "It shows a combination of experience and vision that few can match."

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