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HD In for the long haul
BY PAUL GILDER
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CHAT ROOM A tight economy won't deter Webjet's John Guscic, writes Paul Gilder THE dizzying mix of a tight Budget, volatile Australian dollar and a cautious consumer would have most **company** chiefs reaching for the headache tablets.

Instead, those factors would be more likely to have Webjet's John Guscic reaching for the phone to the marketing department, checking in on the online travel agency's latest campaign.

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Perhaps that's to be expected of a man whose stock and trade is the business of sending people packing on holidays at home and abroad. No matter the prevailing economic conditions, there's always a beach out there.

"It's interesting that the Budget cuts have been met with such hostility in the broader community," Guscic says. "There's been people protesting in the streets, which is unprecedented for an economic action that was signalled well in advance.

"The level of consumer confidence drop was immediate even though the Budget hasn't been passed through the Senate." But Guscic can't deny that a more frugal consumer needs a bit of prodding to fork out for a discretionary holiday spend.

"If you were counter-intuitive you'd suggest that maybe the bad news is the stimulus Australians need to have for a holiday." Speaking to BusinessDaily from his office on Melbourne's St Kilda Rd, Guscic says the ASX-listed Webjet was making headway in its efforts to derive more of its revenue from accommodation sales rather than the pure flights bookings model.

To tick that box, Webjet looked overseas, forking out \$23 million for Singapore and **Hong Kong**-focused **hotel** booking **firm** Zuji in March last year, followed by a \$1.5 million initial investment in Lots of Hotels, a start-up venture in the Middle East.

Guscic says both are starting to make an impression; Dubai-based Lots of Hotels is gaining traction after its launch costs ballooned to \$2.3 million, while Zuji is trading profitably, given the cost synergies that Webjet could unearth but its previous owner Travelocity could not.

"We're delighted with the progress we're making in selling accommodation across the world; in 2010-11 we **sold** \$2 million worth of accommodation, we're on a run-rate as of the (current) half of selling \$120 million worth of accommodation, so 60-fold growth in three years.

"We have no regrets about doing the (Zuji) deal and we'd certainly embrace any other acquisition that was similarly giving us a strong position in an overseas marketplace, and there's not many of those around. Zuji was unique in that capability." EXPANSION aside, the all-important Australian dollar remains a factor for the **company** ranked by online traffic monitor Hitwise as the nation's top travel agency **site**. However Guscic says it's what the dollar does to the mindsets of consumers and travel agents, rather than its daily movement.

"The correlation between the fluctuations in the Australian dollar and outbound international travel is not as obvious as you would imagine," he says.

"When the Australian dollar was above parity (with the US dollar), the underlying outbound growth rate was 8 per cent and now that we're sitting at low 90s it's at 4 per cent. So it has tapered off, but it's still great growth.

"It's better than the underlying domestic growth rate, which is closer to 1 per cent, so there has been a preference for Australians to travel overseas in the last two or three years." When Australians do pack their bags, it's invariably for shorter trips, Guscic says. "We're seeing people take shorter breaks but more often." Figures released this week from the Australian Bureau of Statistics back up the trend. April's short-term resident departures, determined as trips for less than a year, were up 10 per cent seasonally adjusted on a month earlier to 789,000 travellers. Getting those jetsetters to connect and upsize with Webjet is the end game for Guscic.

"We want to improve the level of conversion of our existing visitation to bookings — we want to make that an easier process for consumers to go down," he says.

The **group** has launched Webjet Exclusives, discounted inventory available only to its customers, while it also sells packaged accommodation and flight deals into Virgin Australia Holidays, the airline's holiday partner.

Webjet's other avenue of growth is in its margins — hence the importance placed on supersizing the returns from individual customers. On top of a 33 per cent lift in total **transaction** values to \$507 million in its latest half-year results, its revenue margin was 10.3 per cent.

"As you sell more accommodation, the margin is more attractive. If we were able to sustain a 10 per cent margin going forward, we would be delighted." And while boasting a **company** awash with cash and hungry for acquisitions, Guscic plays down any interest in **hotel**-focused listed rival Wotif — itself the subject of fierce competition from brash interloper Booking.com.

"Give me a dollar and I'd be really rich every time I'm asked this question," he says.

That probably means any analysts harping on about the virtues of a tie-up might be due a holiday themselves.

paul.gilder@news.com.au

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