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F.Y.I.

- "Internet growth appears to be settling into more modest levels after enjoying a rapid growth phase. The online shopping market has not been following this trend and instead has demonstrated steady growth." (Nomura Research Institute)
- Airline and train tickets are the 3rd most popular item purchased online after books/magazines (1) and foodstuffs/liquor (2). (Nomura Research Institute)
- Broadband (128kbps or greater) users accounted for 70% of home Internet users in December 2003, increasing 28% from 42% in December 2002. (Nielsen/Net Ratings)

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INFINI: Seeking Opportunities in Challenges

Tadashi Tamura, Vice President of INFINI Travel Information talks about the changes and opportunities INFINI faces in the Japan market.

Views on the Japan Market

I think that we are still climbing back to the levels that we saw in 2002, but we are making progress. I am optimistic that we will see continued growth in the individual and the business travel market. The group travel market in Japan will always be more sensitive to incidents and events, but I think travelers today have access to more information and are becoming more knowledgeable about the security of their destination choices.

Electronic Ticketing Strategy

Electronic Ticketing (ET) is a very important part of our plan to shift to "paperless distribution". The pace of change in Japan has been slowed by the hesitance of the travel industry as a whole. We understand that we cannot force this new tool upon the market, so we see ourselves in the role as an advisor to the travel industry to promote the benefits that ET offers for each party and to expand its general usage. The key factors are the travel agent and actual customer. We still need to demonstrate the real value that ET provides.

The INFINI Difference

INFINI can provide complete market coverage, lower costs, and excellent marketing data. We are uniquely positioned to deliver local marketing expertise with a global perspective through our partner-



*Tadashi Tamura,
Vice President of INFINI Travel Information*

ship with Abacus and Sabre. INFINI also distinguishes itself by being the only Japanese CRS that offers market data products such as Daily MIDT (electronically transmitted marketing data). Daily MIDT delivers data in real-time to airlines providing the necessary information to build an accurate picture of their business in Japan. As airlines are pushed to market their product more effectively in Japan we find an increasing number of airlines turning to INFINI for this kind of data product.

On Competition

INFINI has been aggressive in holding its place as the leader in low CRS costs in Japan. While we are investing in future technical developments for the market, we have to keep our eye on the present situation.

We talk to our airlines customers as partners and listen to their needs. Now it is clear that airline customers are looking for the most cost-effective distribution network available. INFINI continues to maintain the lowest booking fees by a CRS in Japan. In this competitive environment that is a significant difference that we can deliver to our airline customers.

Air China: Finds Strength in Regional Partnerships



*Gu Hongbin,
General Manager of Air China*

Celebrating the 30th anniversary of its commencement of flight operations to Japan in 2004, Air China is a "veteran" foreign carrier in this market. Gu Hongbin, General Manager of Air China, shared his thoughts on the airline's efforts to evolve to meet the changing business environment in Japan.

IU: 2003 was a difficult year for all airlines especially those based in Asia. What is your outlook for 2004?

We certainly do not want to return to 2003. We are confident that we

will see a continued increase in business as we get closer to the summer. While the outbreak of the avian virus in Asia has raised some concerns, the recent announcements by Chinese authorities that the matter is under control reassures us that we will continue to see positive growth.

IU: Air China and ANA have recently announced plans to start a code share relationship in 2004. Can you tell us about the expectations for the CA/NH code share?

Code shares are prevalent in the travel industry now because it is no longer feasible for an airline to "go it alone". The future is a network era. Air China wants to tie up with carriers in the region to expand our network and ensure our future success in this very competitive environment. ANA was our first choice as a partner in meeting this challenge.

IU: When will you begin the code share program?

From March 28 this year Air China and ANA will start their code share with 102 flights per week between Beijing and Tokyo/Osaka, Shanghai and Tokyo/Osaka, Hangzhou and Tokyo/Osaka.

Air China's 39 weekly flights on the same routes will operate under Air China and ANA's flight numbers. Both airlines will also inaugurate flights between Hangzhou and Tokyo/Osaka bringing the total of code share flights to 105 by April 21.

IU: What does the code share mean for Air China and its customers?

This is a significant increase in capacity scale for us. It also represents an increase in the amount of choices that we can offer customers. The Kansai routes to Beijing and Shanghai will provide some promising growth as those areas have made a strong comeback since the impact of SARS in 2003. We are optimistic about the potential.

Continental Airlines Outlines Plans to Enhance Market Reach in Japan



*Charles Duncan,
Director of Strategic Planning,
Pricing & Revenue Management for
Continental Airlines-Japan*

IU: What are the most significant trends you see in Japan?

CO: I think the market will continue its gradual trend away from fixed package tours toward more

flexible options. As it becomes easier to take time off from work, consumers are taking more vacations of shorter lengths throughout the year. For CO, Guam and Micronesia used to be a first overseas trip never to be visited again. Now we are seeing more repeat visitors who appreciate its warm sand, proximity to Japan, and good value that enable them to go 1-2 times per year for a weekend getaway. Consumers are becoming more savvy and designing travel that suits their unique needs.

IU: What are the challenges and opportunities in 2004 for CO?

CO: We are pushing very hard for more published fare (PEX) busi-

ness, especially to the Mainland US. We just launched an aggressive fare offer for the 1st half of the 2004 fiscal year that eliminates advance purchase requirements. We are trying to address two different market segments: price sensitive business travelers who want to ticket closer to departure as well as leisure travelers who want the flexibility (at a price) to make changes to their itinerary after they depart Japan. This is a radically different approach to pricing for the industry and us. We are working hard to communicate the merits of this to the market.

CO Outlines Plans-Continued from pg.2

IU: What is the importance of Multi Access and Electronic Ticketing (ET) for CO?

CO: For ET, we have been thrilled by the market's acceptance of the product. Our goal is to be 100% ET in Japan by the end of 2004. A lot of our travel agency partners were skeptical of ET at first, but everyone that has used it thus far has been very happy. ET brings tremendous cost savings for the airline and agency as well as benefits for the consumer. It truly is a win-win-win.

We also value the new partnership with INFINI, which will bring travel agents a new option for booking CO in the market. For many years we have had a single distributor in Japan. The addition of INFINI

affords us with a much wider and more balanced distribution.

IU: Is the Internet a viable channel for Japan?

CO: I believe the Internet will be a viable channel in Japan, but there are a couple of hurdles preventing it from taking off like other markets. These reasons are: the high proportion of net fares (coupled with a lack of electronically filed fares), the difficulty of selling package tours with their multiple components on the web, and the idiosyncrasies of credit card use in Japan.

I believe the market will evolve in time toward shifting more bookings and tickets to the Internet, but it will be slow. The Internet today is essentially an information

source for most consumers.

IU: What are CO's plans for an Internet sales channel?

CO: We will launch Continental's new Japanese website this summer with lots of Japanese content. After this initial "information" phase, we plan to build a fully integrated web site in Japanese with a booking engine and all of the bells and whistles of our US site.

I should point out that even in markets where our web site has large sales, travel agents are still our dominant revenue source. We value the relationship we have with travel agents in Japan, and our investment in Multi Access with INFINI is indicative of the importance we place on the future of this relationship.

Shanghai Airlines Picks INFINI

Shanghai Airlines signed on as a participant with INFINI Travel Information for its planned start of Osaka (KIX) -Shanghai (SHA) scheduled flight operations from April 2004. INFINI welcomes the addition of this partner to its growing number of strong connections to the resilient China market.

The airline recently implemented INFINI's Direct Connect Availability, providing it with the highest-level connectivity to display its product in the Japan travel market.

Tadashi Tamura, Vice President of INFINI said, "We welcome the chance to do business with Shanghai Airlines. This is a dynamic carrier that will tie Japan to the growing and vibrant Cen-

tral-Eastern region of China. While the competition is increasing, we see excellent potential for Shanghai Airlines to expand in this market."

The airline, established with the investment by Chinese domestic enterprises in 1985, is the first limited liability airline in China, which is responsible for its own operational profits and losses. Shanghai Airlines boasts a fleet of 31 aircrafts, including 8 B757-200s, 6 B737-700s, 8 B737-800s, 5 B767-300s, 3 CRJ-200s and 1 Hawker-800XP business jet. While predominantly a domestic carrier Shanghai Airlines, is aggressively expanding into the international arena in Asia and



L to R: Zhou Xiaoe, Senior Vice President-Shanghai Airlines, Masatsugu Nishiyori, President & CEO-INFINI, and Tadashi Tamura, Vice President-INFINI.

beyond. Recently, Shanghai Airlines has become the designated carrier of the routes between China and Germany, the first time one of the country's regional air carriers has been granted an international long-haul route.

INFINI Connectivity Upgrades

Answer Back

- Laos Airlines (QV)
- SATA-Air Acores (SP)
- Qatar Airways (QR)

Full Availability

- Qatar Airways (QR)

Multi Access

- Continental Airlines (CO)
- Virgin Atlantic (VS)

Direct Connect Sell

- Alitalia (AZ)
- China Southern Airlines (CZ)

Direct Connect Availability

- Shanghai Airlines (FM)

Daily MIDT

- Continental Airlines (CO)

Electronic Ticketing

- Continental Airlines (CO)

Virgin Atlantic: Redefining Excellence in the Travel Industry



Virgin Atlantic, synonymous with branding excellence in the travel industry, is showing its true colors with the introduction of its new Upper Suite product and other new ideas to meet the challenges and opportunities of 2004. INFINI Update spoke with Ms. Kazumi Kimura, Call Centre Manager-Japan about how Virgin Atlantic is recreating itself in the competitive Japan travel industry.

IU: While we are already nearing the end of the 1st quarter of 2004, can you tell us about your outlook for 2004?

I think it's difficult to compare with 2003 due to the incidents and events that occurred last year. I sense that a real change is taking place. It is hard to pinpoint, but the Internet distribution and fares will be the focus.

IU: Did the "events" of 2001-2003 (9.11, SARS, and Iraq War) alter the Virgin customer?

Yes, and I think the poor Japanese economy has also affected our customers along with those "events". The Japanese customer has naturally become more price sensitive. The student market is one specific example of a sector that fallen off greatly with the recent changes.

IU: VS implemented INFINI's Multi Access product in March 2004 enhancing its distribution in Japan. How important is distribution to the VS strategy in Japan?

Distribution is a very important part of our business in Japan. Multi Access allows us to connect effectively to the Japan travel market.

The Japanese travel industry, meaning travel agents and wholesalers, have maintained a unique business style and approach for many years. The times, however, demand some real change. The Internet has been one impetus for changing these traditional business relationships here. While its use in Japan is limited now, we see the Internet as tool that will change the market and fares greater than most imagine. All airlines need to re-examine fares and the way we look at our business.

IU: Is your decision to launch Electronic Ticketing with INFINI in 2004 an indication of your plans to add sales channels in the future?

Yes. We have already a portion of our ticketing completed by ET, but we certainly hope to do more. The introduction of INFINI's ET during the second half of 2004 will make a significant impact on the market for us. We expect to take advantage of the INFINI name in Japan and expand our ET usage this year.

IU: VS recently announced the introduction of its new Upper Class Suite in business class. Does this signal a change from the VS emphasis on the leisure market in Japan?

Of course, we realize that we have to increase our efforts to reach the corporate market. The Upper Suite is an amazing first class product with the longest bed in any class—more than 2 meters. The changes we made were based on comments from our customers that indicated that more than food or



*Kazumi Kimura,
Manager of the Virgin Atlantic Call Centre-Japan*

cabin service our customers value comfort or more specifically, sleep. We think we really have answered their top demand with this remarkable service.

IU: Virgin is marking its 15th anniversary of scheduled flight service to Japan this year.

When Virgin Airlines started in 1989 the company's unique service concept focused on "Small is Beautiful" to establish its brand name. Does this concept still work in the alliance dominated travel industry of 2004?

Virgin was founded on unique ideas and concepts. The business environment is very different now. Our recent implementation of Upper Suite and the inclusion of All Nippon Airways as a mileage partner are examples of how Virgin Atlantic is finding new ways to deliver the best service to its customers. We believe that if we continue to keep the customer at the center of our strategy in future we can compete and extend our success.