Lastminute

Lastminute.com offers last minute deals on theatre tickets, flights, holidays and even restaurants. It was set up in 1998 by Brent Hoberman (then 30 years old) and Martha Lane Fox (then, 26), after raising £600,000 in venture capital. In 1999 it had a turnover of £195,000 and did not make a profit. By early 2000 the company was operating in the UK, France, Germany and Sweden, had 162 employees and 800,000 registered subscribers and sales of £30 million. In the same year it was floated on the Stock Market at a valuation of more than £400 million. Lastminute has been one of the dot.com survivors, indeed successes. By 2004 it handled transactions to the value of £990 million and had a turnover of almost £400 million, producing operating profits of £7.5 million. In 2005 it was taken over by Sabre Holdings at an offer price valuing the company at £606 million. By 2006 it had expanded its international coverage and boasted 9.8 million registered subscribers to its weekly newsletter.

Back in 2000, apart from the general dot.com frenzy of the time, there were four main reasons for the high float valuation of Lastminute.com, which together led commentators at the time to think the company would be a success – a view that time has proved correct:

1. Brand: Lastminute.com claimed early on to be the second most recognised e-retailer in the UK after Amazon. This is partly as a result of a very ‘old-media’ advertising and promotion campaign. Branding recognition is vital to dot.coms, without it nobody visits their site. Even today its aim is to be the Number 1 independent online travel and leisure group in Europe.

2. Timing: It was first in the market place and, in 2000, there were few signs of real competition. Two years later this was still the case. First movers have a distinct advantage in e-commerce - as the success of other dot.coms such as eBay and Amazon has proved. Even by 2005, Lastminute.com, continued to have an aggressive acquisition strategy, taking over potential competition and consolidating its brand across Europe. The acquisition of Med Hotels, First Option, Gemstone and most importantly Lastminute.de in Germany, which created the largest online travel company in Germany, all helped to achieve scale in either a product category or in a relevant geographic market. Lastminute.com recognised early that it had to grow quickly simply to survive. Market share was important, and timing — when the market share was acquired — was vital.

3. Innovation: The products/services it offers are tailor made for the internet. Not only are its partners eager to sell off their products at a discount to customers who have forgotten to buy it in the first place, it is also attempting to create a last minute marketplace in its own right, when people can leave decisions about holidays etc. until a time that suits them. It is not just selling on cheapness, it is about getting its partners to provide a sufficient supply to make buying at the last minute a viable and reliable option. Hotel chains and airlines were generally receptive to the idea as it was a low risk venture for them. No investment was required of Lastminute.com, all they had to do was allocate a certain amount of their product. As a result Lastminute.com developed an established supply chain very quickly. By 2004 it could start to expand down its supply chain through strategic acquisitions.
4. Track record: Although young, the founders grew the company with determination and a clear vision. Both had worked for Spectrum Strategy, a company that wrote business plans for technology firms, which gave them the opportunity to study the sector and understand what was needed for a successful dot.com start-up. They also recruited a strong, experienced management and directorial team right from the very beginning. At various times, the Board included Peter Bouw, former chairman and chief executive of KLM, Bob Colliers, vice president of Intercontinental Hotels, Linda Fayne Levinson, who ran Amex Travel and Alain Leighton, former CEO of Walmart and Chairman of Royal Mail Group. All have enormous experience and credibility with funding institutions. The finance director is David Howell who was formerly at First Choice Holidays. How did they attract such a strong management team? Martha Lane Fox explained:

'We decided not to be greedy about equity but to recruit a highly talented and experienced management team by selling them a dream – a stake in Lastminute.com.' (The Times, 24 March 2000)

'You try to attract the best person for the job, usually far too qualified for the stage that the company is at, but you hope it will grow to accommodate them. If as founders you think you can do better than everyone else, you are in big trouble, because you never can.' (The Sunday Times, 28 July 2002)

The success of Lastminute.com’s business model depends on the number of site ‘hits’ it receives, how many then convert into registrations for regular e-mail newsletters and how many then actually buy something from the newsletters. All of these show a steady growth as the company consolidates its brand awareness, expands its geographic coverage and the number of suppliers it represents.

'We knew that if we had special offers we would get people onto the site, sign up for the e-mail, and forward it to someone who would take up the offer to go to New York for £100. The idea is to convert lookers into bookers. Our customer conversion rate is 19% and we want to get it even higher. Small percentage points have a huge impact on sales. That is critical to the business. It’s all about the cost of attracting customers and how much we have to spend to attract them balanced by what they’re spending. We still need to build our customer base.'

Up-to-date information on Lastminute.com can be found on their web site: www.lastminute.com

Questions

1. Why has the company been successful when most dot.com businesses were not?
2. What is its sustainable competitive advantage?
3. What direction would you take the firm in?