Actual Developments and Trends in Hotel Distribution

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IH&RA 51st Annual Congress
10-12 March 2014, Interlaken

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An early conclusion

1. **Yes, the OTAs will continue to grow and become stronger**

An early conclusion

1. Yes, the pace of innovation will continue to be high and we are heading towards a more complex world

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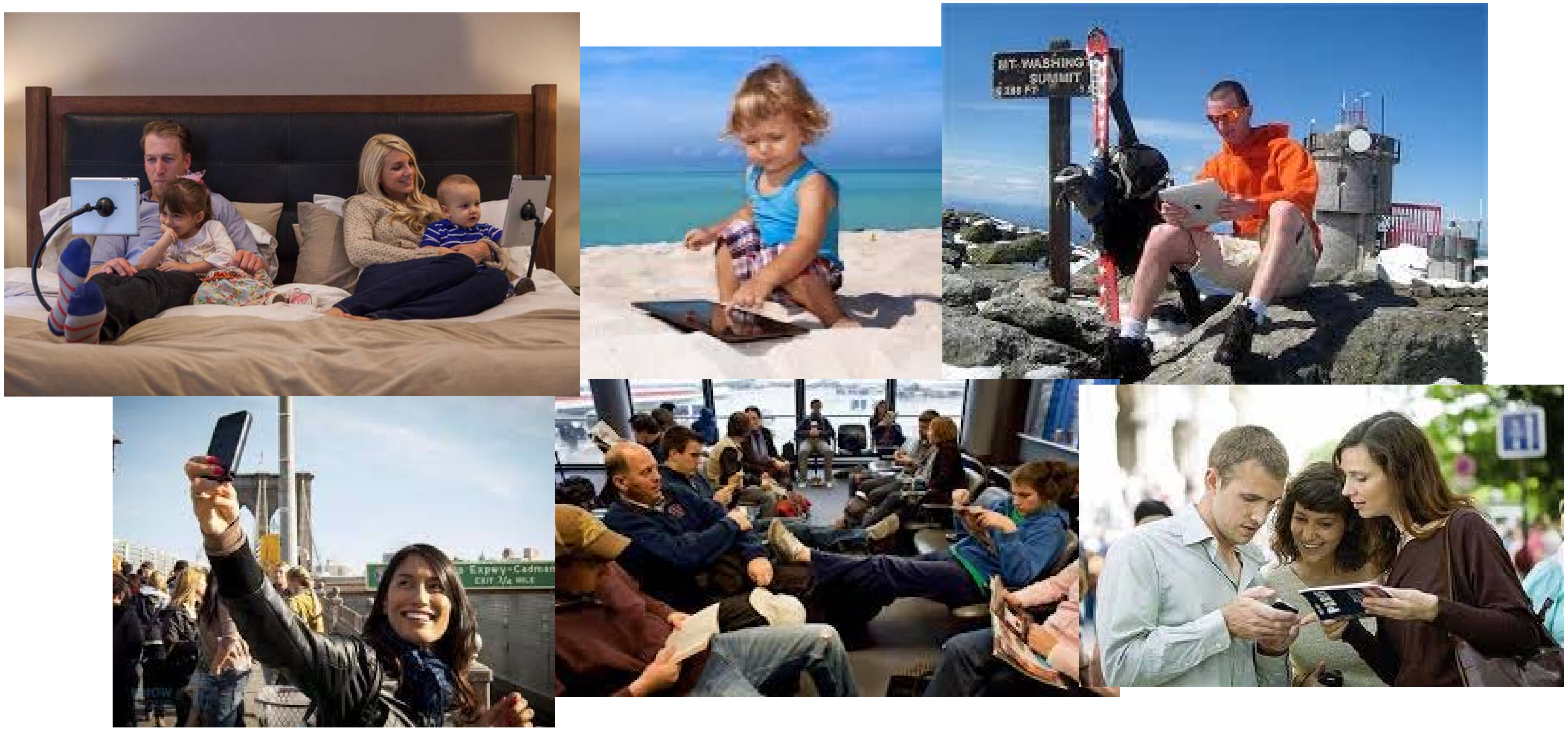
An early conclusion

3. **Yes, hotels still have a chance in the battle, but have to work on their (e)Fitness**

Agenda

- View on the customer (travel search and booking trends)
- Hotel distribution in Switzerland: trends and actors
- 7 distribution trends
- Challenges and recommendations for the hospitality sector

View on the customer
(travel search and booking trends)



Information sources for travel decisions of Swiss population 2012 (top 3)

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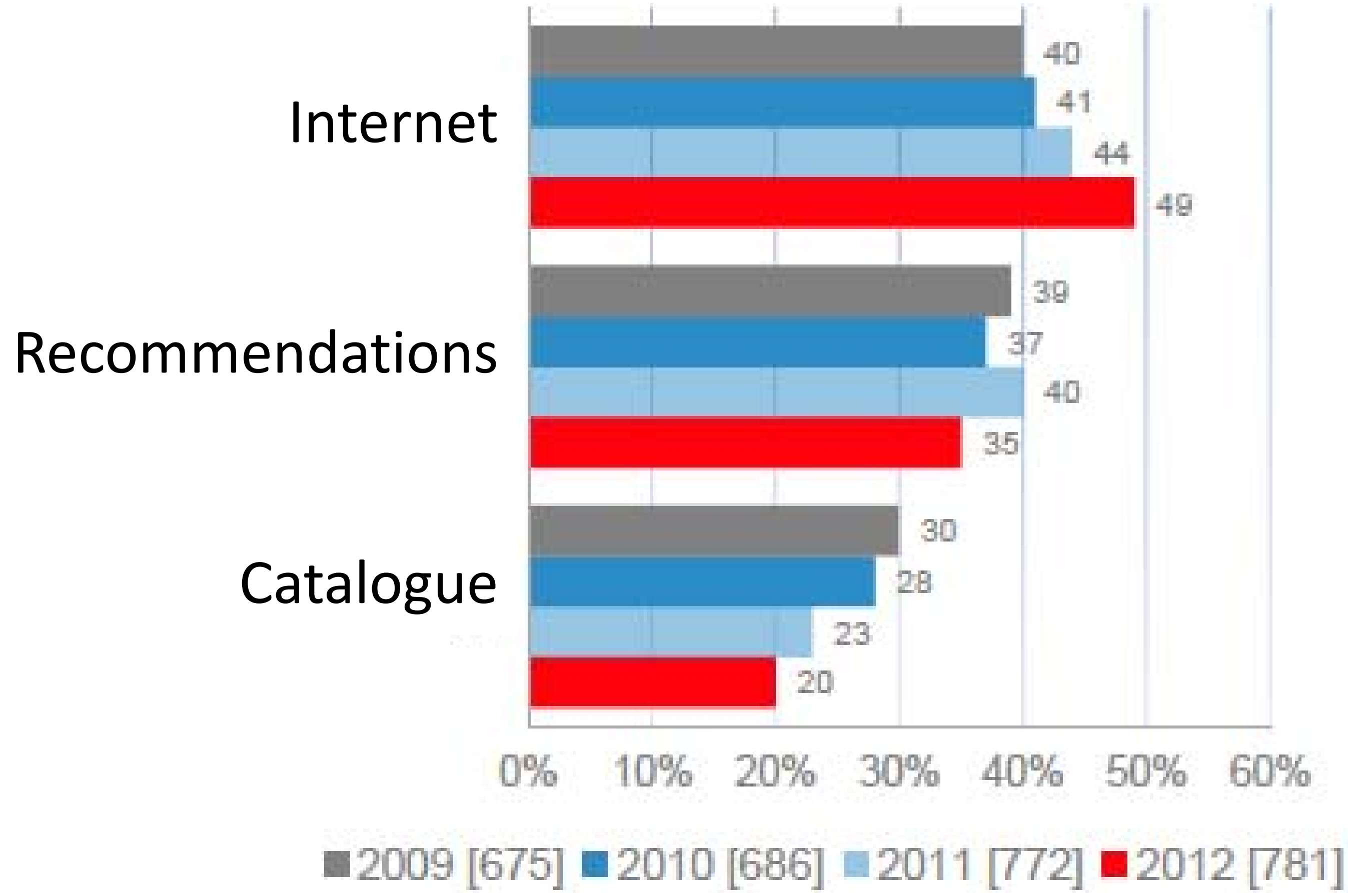

Source: Buchungs- und Reiseverhalten © Allianz Global Assistance 04.09.12

Online Information Channels

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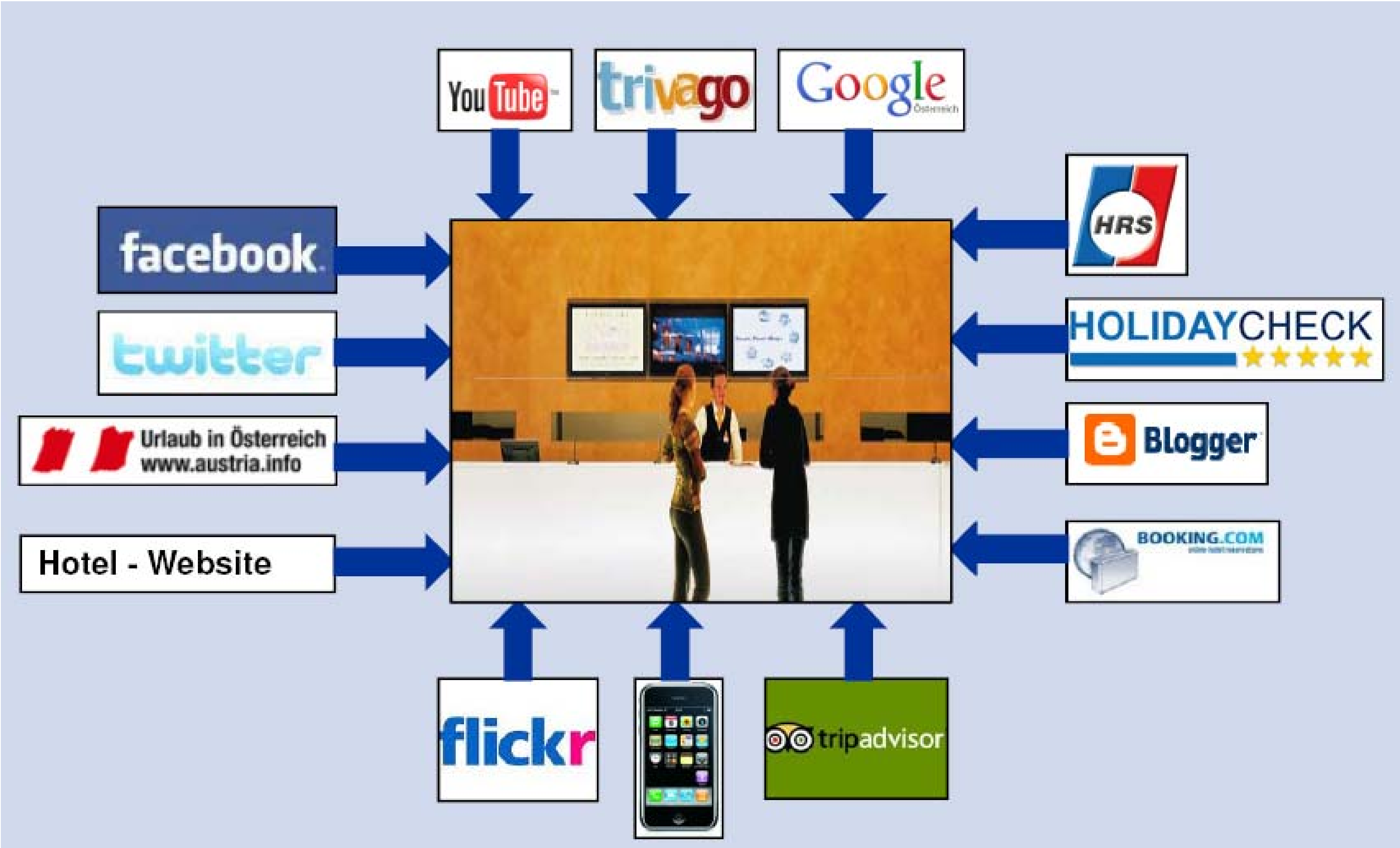

Source: Thomas Reisenzahn 2011. Online Vertrieb im Umbruch! ENTER 2011 Innsbruck – eTourism Conference Austrian E-Tourism Day, Innsbruck

The Complex Path from Searching to Booking

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Source: http://www.tnooz.com/article/travel-research-google-online-acitvity. The data (and subsequent interpretation by Google) comes from two studies carried out last year with 5,000 consumers via GFK and a Nielsen study of 1,700 mobile users, both with UK respondents

The Complex Path from Searching to Booking: stats

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Online buyers:

- **Number of search sessions – 16.7**
- **Overall time spent – 129 minutes**
- **Number of sites visited – 32.5**
- **Days of activity over a 73-day period – 13.8 days**

Source: http://www.tnooz.com/article/travel-research-google-online-acitvity. The data (and subsequent interpretation by Google) comes from two studies carried out last year with 5,000 consumers via GFK and a Nielsen study of 1,700 mobile users, both with UK respondents

Booking channels of Swiss population 2012

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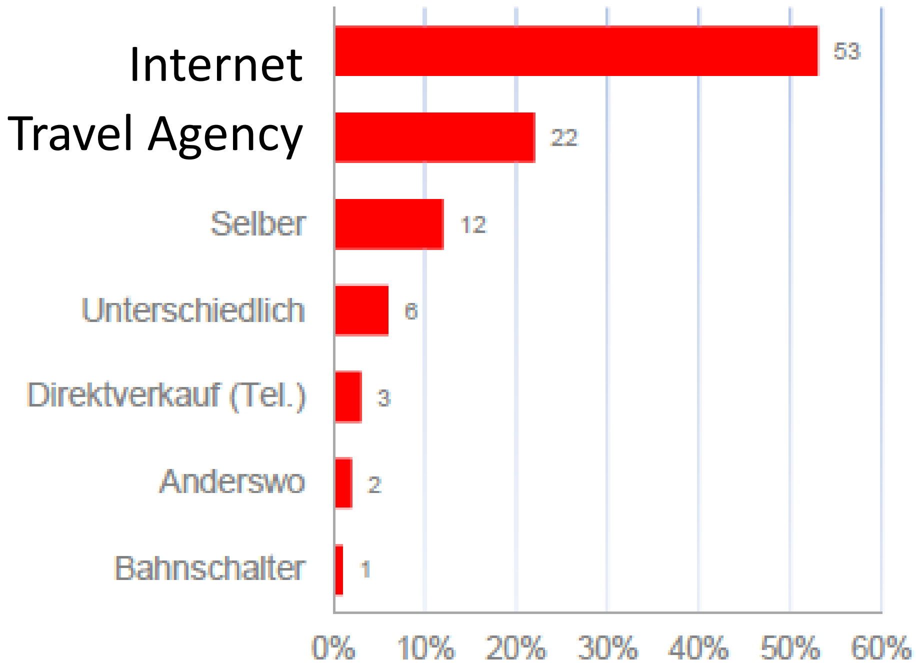
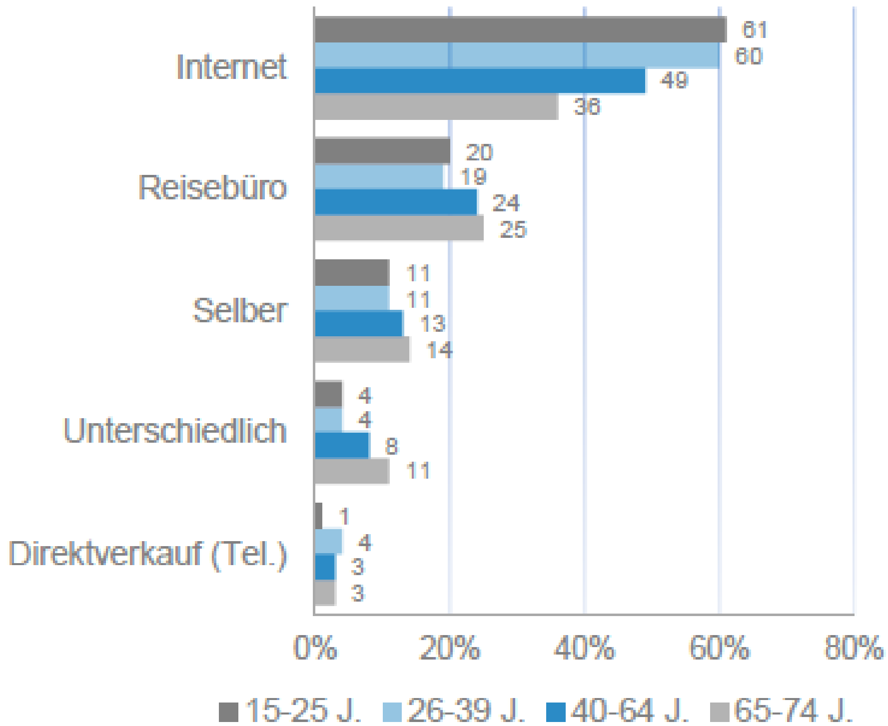
2012 [903]



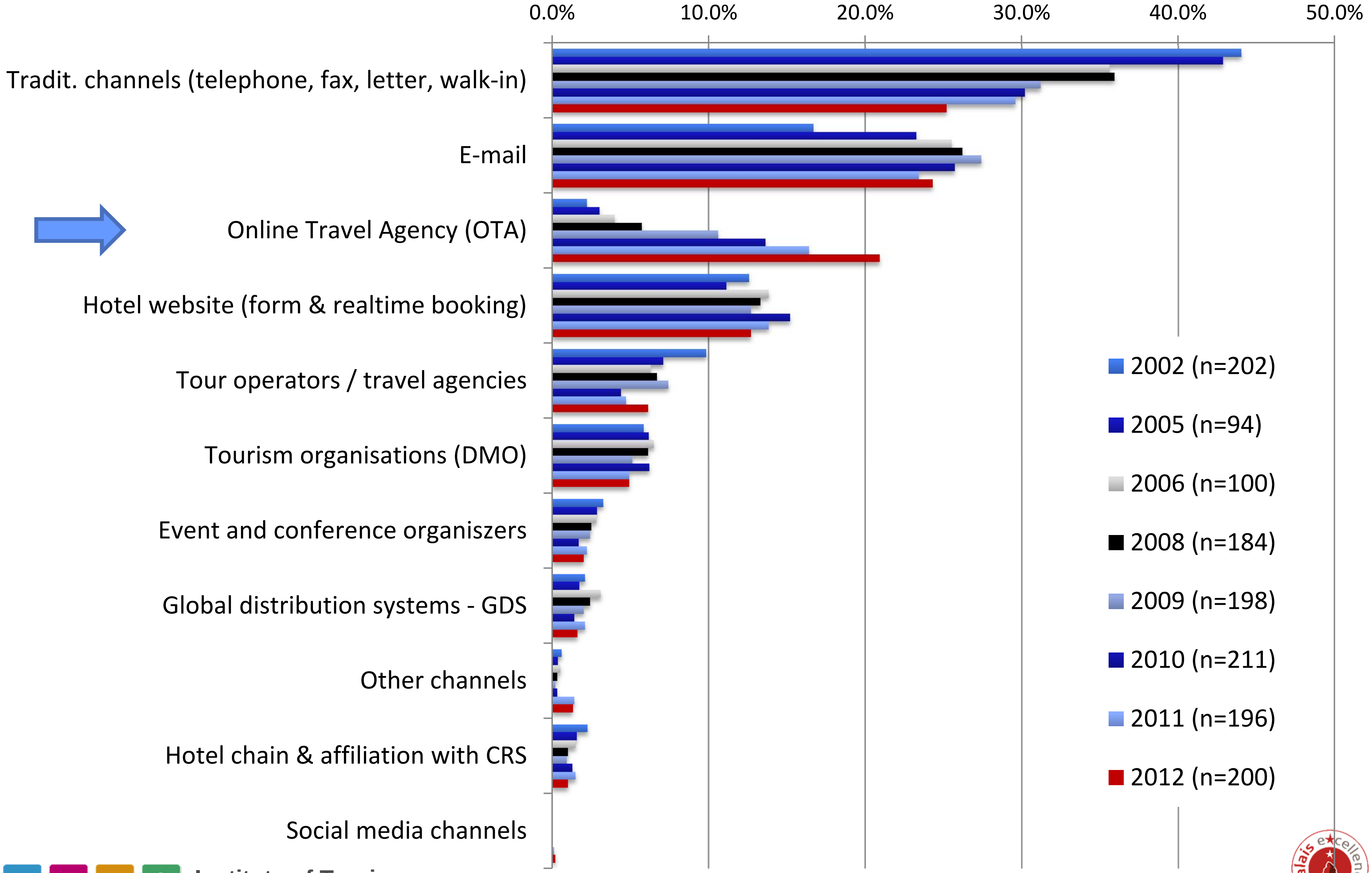
Top-5-Antworten



Source: Buchungs- und Reiseverhalten © Allianz Global Assistance 04.09.12

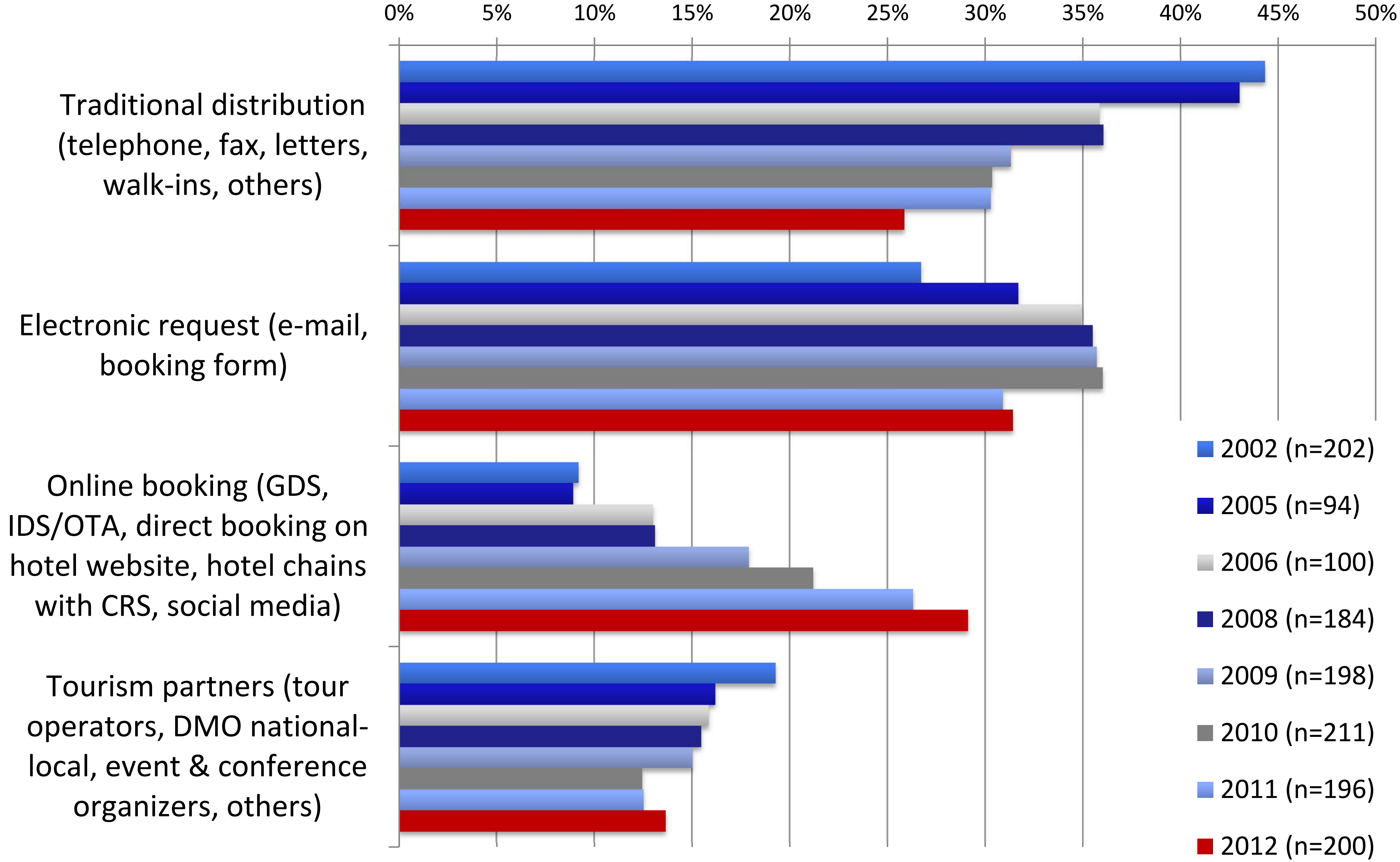
Hotel distribution in Switzerland: trends and actors

Distribution Channels in Swiss Hotels 2002-2012



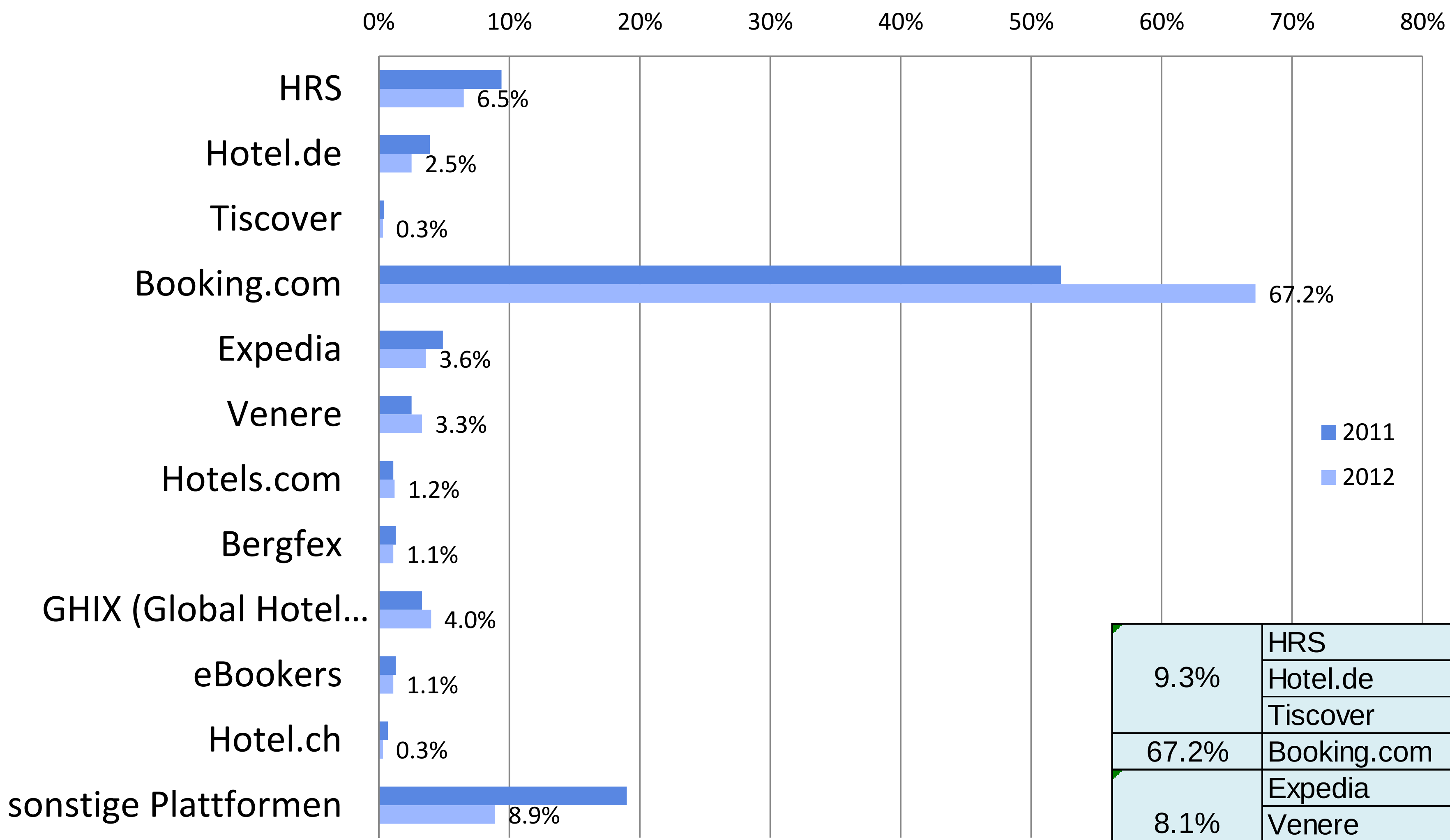
Source: Schegg & Fux (2013)

Distribution Trends in Swiss hotels 2006-2012



Source: Schegg & Fux (2013)

Comparison of Relative Market Shares of OTAs in Switzerland 2011/2012



9.3%	HRS
	Hotel.de
	Tiscover
67.2%	Booking.com
8.1%	Expedia
	Venere
	Hotels.com

Source: Schegg & Fux (2013)

Distribution trends in tourism

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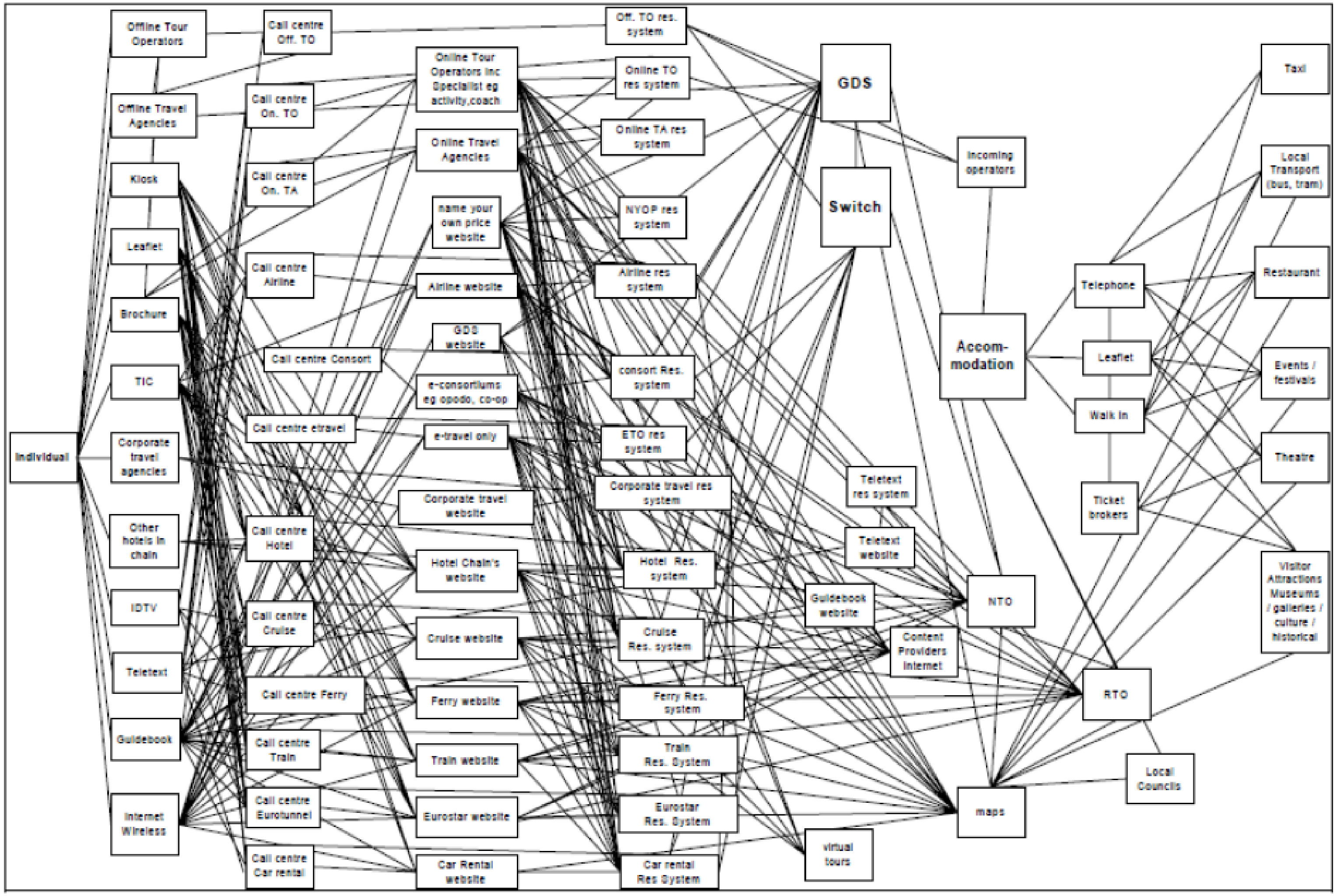
7 Distribution trends in hospitality

1. Increasing complexity of distribution landscape
2. Marketing power of OTAs
3. Growing OTA market shares
4. Mobile booking
5. Consolidation in online market & product diversification of OTAs
6. Metasearch Sites (Kayak, Trivago, TripAdvisor Meat Search, Google Hotel Finder)
7. Social media/sharing economy: New entrants (P2P peer-2-peer such as AirBnB, HouseTrip, HomeAway)

«Explosion» of interconnectivity in tourism



Source: Buhalis D., and O'Connor, P., 2005, Information Communication Technology - Revolutionising Tourism, Tourism Recreation Research, Vol. 30(3), pp.7-16

Marketing Power of OTAs

Priceline spends US$ 533 million on Google AdWords in Q3 alone

November 08, 2013 | Online Travel

- **Estimation: Booking.com spent probably 1.2 billion US$ in 2013 for the online marketing of some 424'000 properties worldwide**
  - **Average of 3'000 US$ per hotel**
- **January 2014 (skift.com):**
  - **booking.com: 166 million monthly visitors on website**
  - **Expedia: 60 million on websites**
- **555'000 transactions handled each day on booking.com**

Source: http://www.travolution.co.uk/Articles/2014/02/21/7573/big+interview+booking.com+still+on+the+runway+says+marketing+chief.html

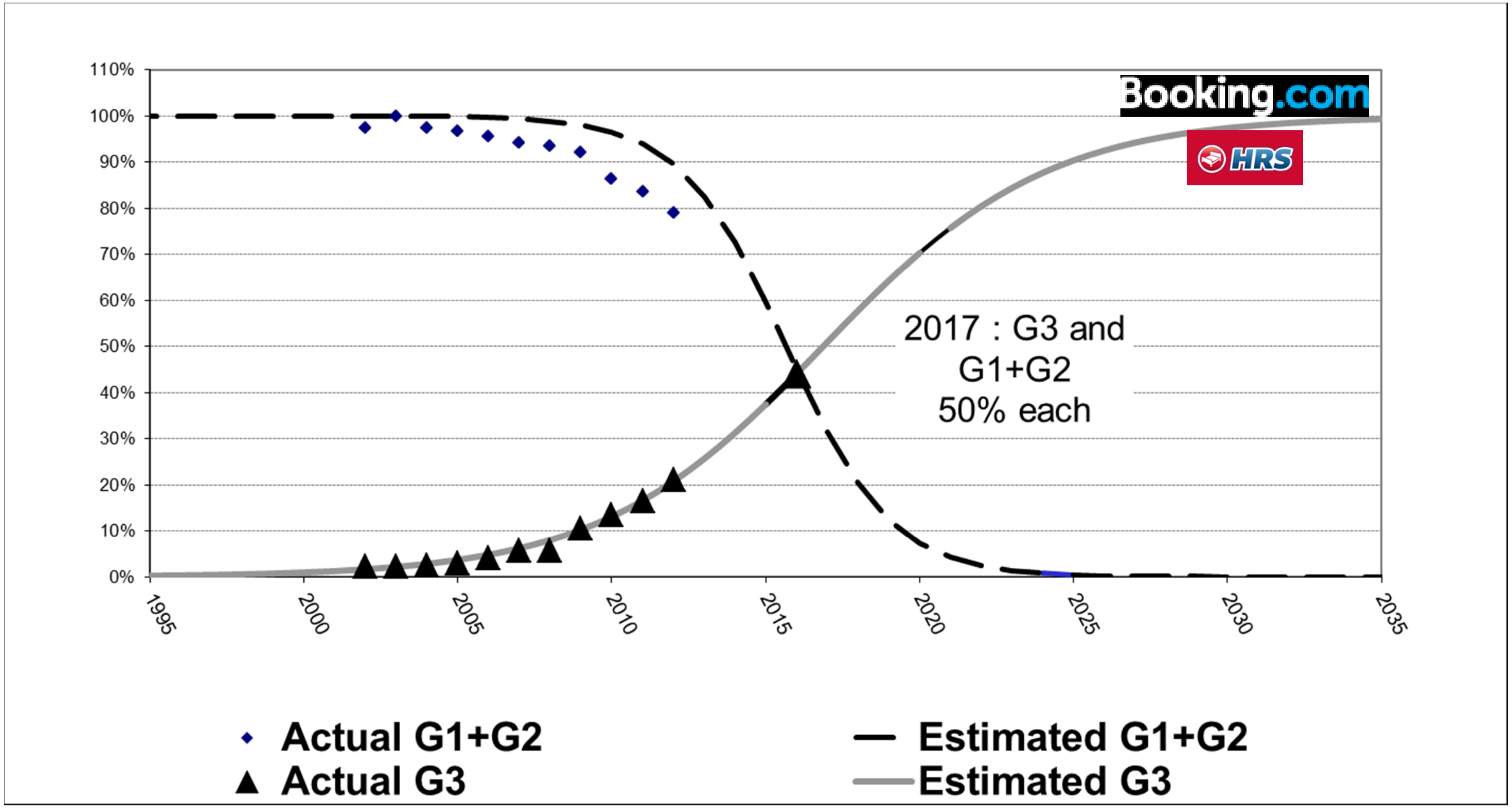
Future Evolution of Distribution Channels: a Simulation Approach

- **G1 - Generation 1 (traditional channels)**: Telephone, fax, letter, travel agency, tour operator, DMO (local, regional or Swiss Tourism), conference organizers, CRS of hotel chain or franchisee, GDS, others.
- **G2 - Generation 2 (online direct channels)** : E-mail, reservation form on website, real-time booking on the property website.
- **G3 - Generation 3 (new online intermediaries)** : OTA, social media channel.

Fisher & Pry (1971) diffusion model -> Substitution effects show the evolution of the share of each generation when it is replaced by a new one

Source: Schegg & Scaglione (2014). Substitution effects across hotel distribution channels. ENTER 2014.

Future Evolution of Distribution Channels: a Simulation Approach for Switzerland



Source: Schegg & Scaglione (2014). Substitution effects across hotel distribution channels. ENTER 2014

Mobile distribution

PhoCusWright estimates that by 2015, mobile will account for one-quarter of U.S. online travel sales, driving $US40 billion in revenue. In Europe mobile will account for one fifth of bookings by 2015.

TripAdvisor To Take Direct Hotel Bookings on Mobile Apps In 2014

Source: http://www.businessinsider.com.au/briefing

OTAs and automobile manufacturers invest in mobile

Priceline Partners With Chevrolet to Give Hotel Recommendations While You Drive

26 FEBRUARY 2014 - 9:25AM | POSTED BY RYAN HALL | 1 COMMENT

How Ford will let you listen to Spotify, book a hotel and order a pizza from behind the wheel

- **This kind of partnership is the next step in same-day, mobile hotel bookings.**

Source http://skift.com & http://www.thedrum.com

Consolidation - Cooperation: Expedia & Travelocity & HomeAway (2013)

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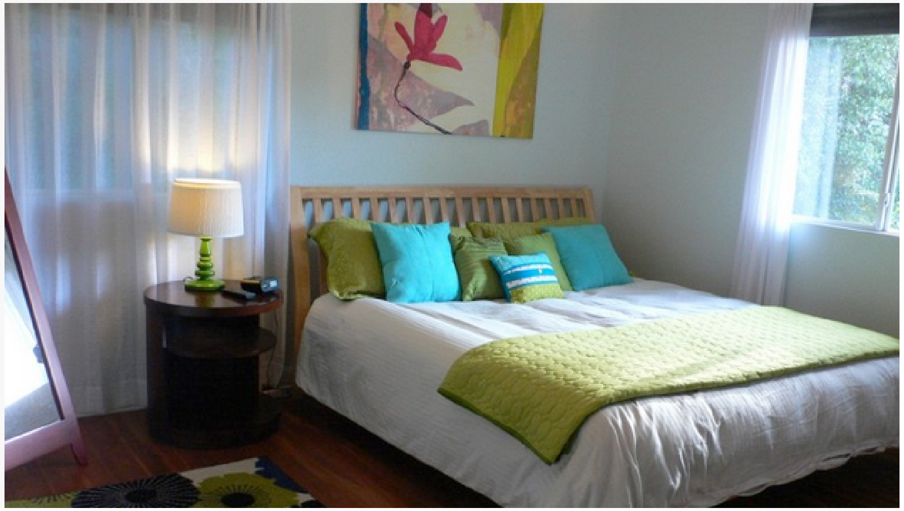
Expedia Partners With HomeAway To Offer Vacation Rentals



Source: http://skift.com/2013/10/22/expedia-partners-with-homeaway-to-offer-vacation-rentals/

Cooperation - Diversification: booking.com & Interhome (2013)

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Exclusive: Booking.com is HomeAway's new vacation rental competitor

Interhome, which professionally manages some 32,000 apartment hotels and vacation homes worldwide, seems to have hundreds of apartment and holiday home listings available on Booking.com these days.

Source: http://skift.com/2012/12/28/booking-com-is-homeaways-new-vacation-rental-competitor/

OTAs play the “Meta-Game”: Expedia-Trivago & Priceline-Kayak

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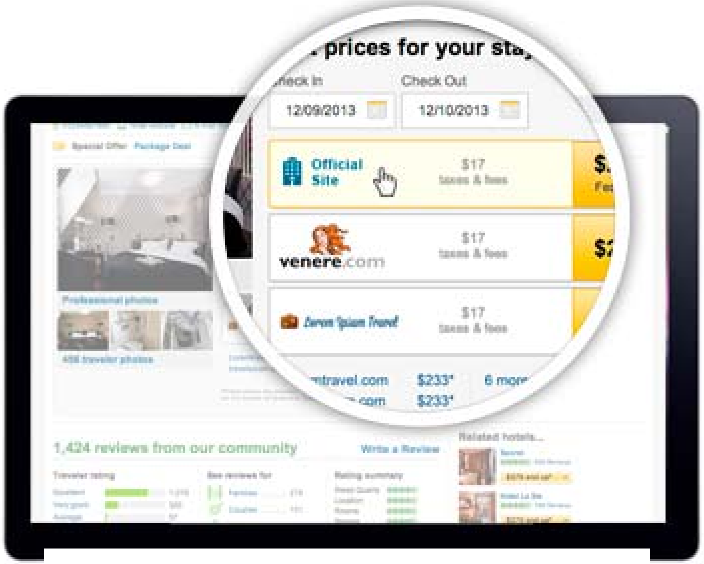

tripadvisor® for business

Google Hotel Finder

Priceline buys Kayak for $1.8 billion

Expedia pays $632 million for majority stake in Trivago, let the travel search games begin

Source: http://skift.com/2013/09/19/after-big-mergers-when-will-priceline-and-expedia-take-the-next-big-steps/

Social Media/sharing economy: New entrants such as AirBnB

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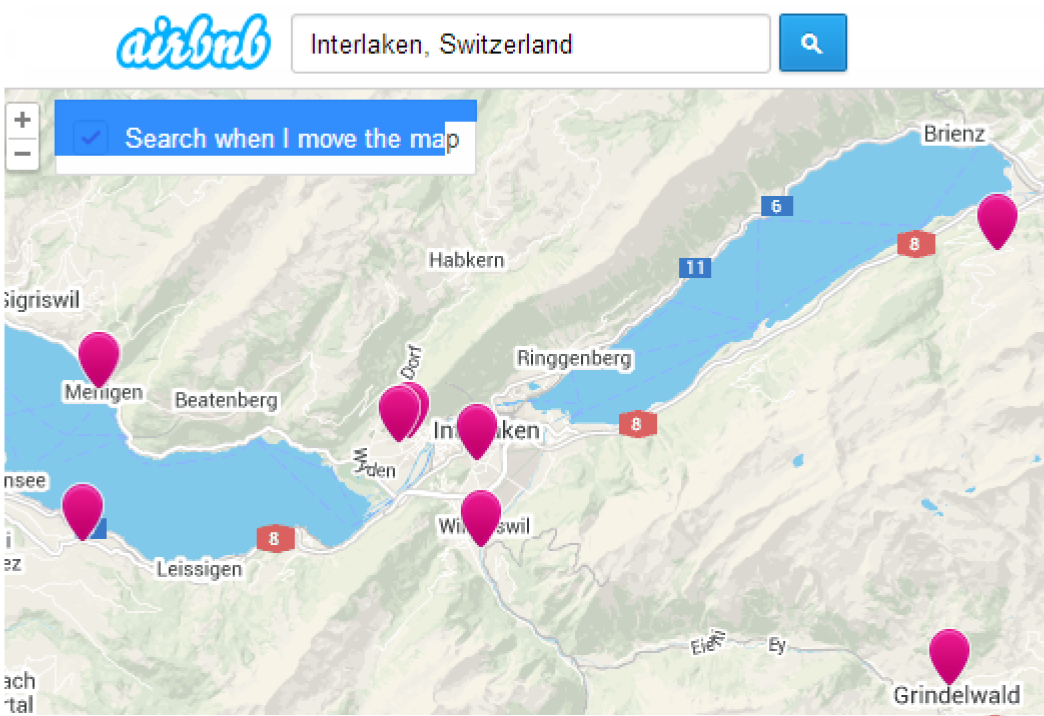
New Study: Airbnb Generated $632 Million in Economic Activity in New York

Hospitality Company Supports More Than 4,500 Jobs, Airbnb Guests Spend More Time and Money in New York Than Typical Tourists



Source: airbnb.com

Challenges and recommendations

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Direct bookings (I)

- The foreseen very **high market share of OTAs** is a serious threat for the lodging sector, already identified in 2003…
  - "OTAs have become increasingly powerful in recent years and this development puts hotels in a difficult position of having to sell steadily growing portions of their inventory at (often) discounted rates and with high commission rates through third party intermediaries" (Carroll & Siguaw, 2003).
- … but it has become an even hotter topic today (Green 2013):
  - "The hospitality industry has reached an **inflection point**. On one hand, the **many intermediaries** involved in travel have **driven the cost of business acquisition to record levels**; on the other hand, the opportunities to tap this base of third-party partners for competitive advantage is growing in leaps and bounds. **Changes in consumer behavior** have **altered the business dynamic** more than most hoteliers yet realize."

Source: Carroll, B., and J. Siguaw. 2003. The evolution of electronic distribution: effects on hotels and intermediaries. Cornell Hotel and Restaurant Administration
http://www.hospitalityupgrade.com/_magazine/magazine_Detail.asp?ID=825

Direct bookings (II)

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A leaf out of Accor's book: how to drive direct bookings to €2 billion

May 16, 2013

French hotel group Accor is aggressively aiming to increase its digital turnover by 45% within the next three years. It is also pushing for two-thirds of sales to come from the direct channel. That seems a big ask so EyeforTravel's Ritesh Gupta talks to Rémy Merckx, VP e-commerce sales and distribution, Accor about what's in store

ACCOR

Hotel Distribution in 2014: The Battle for Direct Sales

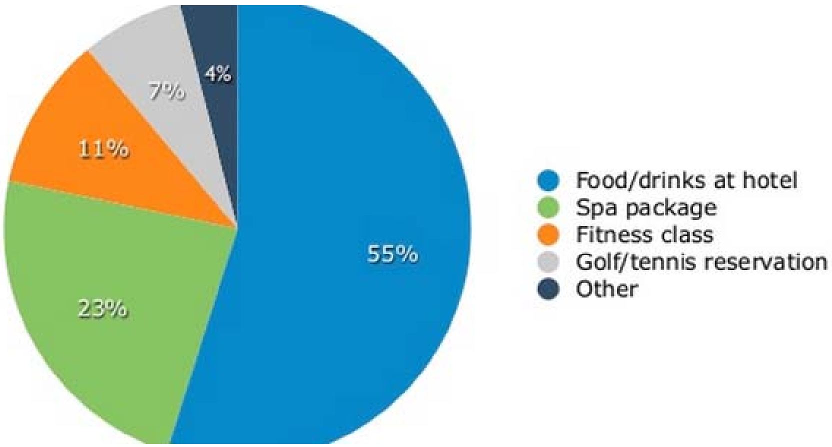
http://www.eyefortravel.com/distribution-strategies/leaf-out-accor%E2%80%99s-book-how-drive-direct-bookings-%E2%82%AC2-billion

Last but not least: Unique Selling Proposition (USP)

- Ask yourself:
  - Why should customers book directly?
  - What is my value proposition for them?

Last but not least: Unique Selling Proposition (USP)

- OTAs (still) sell commodities (rooms) -> therefore create unique and local products which cannot be replicated
- Generate higher revenue onsite through appropriate extra services and qualified personnel. Learn from airlines



Serve markets of me

Optimize each guest interaction according to unique segment-specific needs.

Give guests the keys

Empower guests to customize their experience beyond the segment level.

Be unique…every time

Deliver consistent products and services despite unique guest needs.

Source: IBM Institute for Business Value

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Direct bookings: Accor (1)

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- A very clear and straightforward acquisition strategy to increase the **overall traffic** to the group's sites with a healthy balance between **paid search**, **SEO** and **affiliation programmes**
- Users will get the guaranteed **best rates** and the **very last room** that could be available.
- A strong **merchandising** plan putting customer needs at the centre of the strategy
- The group relaunched its **loyalty programme** Le Club Accor hotels in March 2012 within the Accorhotels.com platform.
- Improve the usability of the group's **digital tools**
- Focus and significant increase in mobile investments through the launch of a new **mobile site**

http://www.eyefortravel.com/distribution-strategies/leaf-out-accor%E2%80%99s-book-how-drive-direct-bookings-%E2%82%AC2-billion

Direct bookings: Accor (2)

- Increase the group's **web/data analysis capabilities** to improve the usability experience on Accor's sites
  be savvy enough to take the guesswork out of designing websites in order to make sure relevant content
- **Keep it local**: The website is strongly adapted to meet the needs of each local market.
- "Each increase in the **conversion ratios** drives huge amounts of incremental business to our hotels. So we need to increase our capability to work in a more 'test and learn' environment as online pure players are doing.
  regular **A/B testing on websites** design and content
- "We continuously work all year long to make the booking funnel more adequate to our customer needs."

http://www.eyefortravel.com/distribution-strategies/leaf-out-accor%E2%80%99s-book-how-drive-direct-bookings-%E2%82%AC2-billion