Actual Developments and Trends in Hotel Distribution

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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.
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)

Source: Buchungs- und Reiseverhalten © Allianz Global Assistance 04.09.12
Online Information Channels

The Complex Path from Searching to Booking

Source: http://www.tnooz.com/article/travel-research-google-online-activity. 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

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-activity. 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

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

HRS | 6.5%
Hotel.de | 2.5%
Tiscover | 0.3%
Booking.com | 67.2%
Expedia | 3.6%
Venere | 3.3%
Hotels.com | 1.2%
Bergfex | 1.1%
GHIX (Global Hotel... | 4.0%
eBookers | 1.1%
Hotel.ch | 0.3%
sonstige Plattformen | 8.9%

Source: Schegg & Fux (2013)
Distribution trends in tourism
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-to-peer such as AirBnB, HouseTrip, HomeAway)
«Explosion» of interconnectivity in tourism

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.

Future Evolution of Distribution Channels: a Simulation Approach for Switzerland

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.
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.

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

Orbitz President: Expedia-Travelocity Deal Removes Clutter in the Marketplace

Expedia Partners With HomeAway To Offer Vacation Rentals

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

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.

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

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

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


Source: airbnb.com
Challenges and recommendations
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.”

http://www.hospitalityupgrade.com/_magazine/magazine_Detail.asp?ID=825
Direct bookings (II)

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.

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

Source: IBM Institute for Business Value
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Direct bookings: Accor (1)

• 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**

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.”