Hotel Distribution Study Switzerland: Results for the Reference Year 2015

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Direct distribution important, but still decreasing

- **Direct bookings** (telephone, fax, walk-ins, e-mail, Web form) without intermediaries are still the dominant channels in 2015 for hotels in Switzerland, even though their proportion has been steadily decreasing for a couple of years.
  - In 2015, **60.7% of the overnights** in Switzerland were generated via direct sales channels, compared with 63.7% in 2013.

- **Traditional booking** channels such as telephone, letter or fax, as well as sales through tourism partners (travel agencies, tourism boards) have been declining for 10 years, although the process is progressing slowly.
  - Market share of **tourism organisations** has continually decreased and is situated in 2015 at **2.1% of the overnights** in Switzerland compared to 2.5% overnights in 2013 (back in 2002, nearly 10% of bookings were made through tourism organisations).
  - The share of **real time bookings on hotels' own websites** generated **7.5% of overnights** in 2015.

Growing Shares of Online Distribution Channels

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- **Online distribution** has become an important channel for the Swiss hotel industry. Overall, nearly **one third of overnights** are generated real-time through online channels (OTA, GDS). **OTAs** are clearly dominant (20.6% of overnights). They have multiplied their market shares in the last few years and seem to grow continuously.
- **27% of the hotels generate more than 30% of overnights via OTA** and every sixth hotel has OTA sales of more than 40% of overnights underlining the strong dependency of many operators in Switzerland on these intermediaries.

Growing Shares of Online Distribution Channels

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- **OTA market shares** by hotel segment
  - **5 star hotels** have a significant lower OTA share (11%) than all other hotel categories.
  - There is only a small difference between **business** (19.5%) and **leisure** (21.6%) hotels.
  - Hotels in **bigger cities** (>50'000 inhabitants) tend to have higher OTA shares (>23%) than hotels in smaller cities and villages (<20%).
  - **Chain hotels** have smaller OTA shares (15%) than **independent** hotels (20.7) or properties from hotel cooperations (22.4%).

The OTA-hotel commercial relationship

- 95% of the surveyed Swiss hotels say that they have not received any reductions of OTA commissions since summer 2015.
- Based on responses of 121 hotels, the share of OTA commissions in the overall cost structure could be estimated. The **average OTA distribution costs are at 9.3%** (median value at 6%) which is a substantial proportion when compared to the 42% costs for the staff. For 31.4% of properties these costs are between 10% and 20%.
- Nearly **two third of hotel owners (64.1%) have seen an increase in distribution costs** in the last 5 years, whereas one third of the respondents report a stable situation. Actually only 3.2% of the hotels have seen a decrease in distribution costs.
- The **OTA commission rates** have been **increasing for 37.8%** of hotels in our sample within the last 5 years, whereas 58% report a stable situation.

The OTA landscape in Switzerland

- On average, we estimate that in 2015 already more than **one out of five overnights** was generated by Online Booking Agencies (OTA), mainly through Priceline (booking.com, Agoda), Expedia (incl. eBookers, hotels.com, Orbitz, Venere) and HRS (incl. hotel.de, Tiscover) which together account for 94.1% of this market.
- Priceline has 71.3% of the OTA market in Switzerland, Expedia 14.2% and HRS 8.6%.
- Relative OTA market shares of Priceline, Expedia and HRS in different hotel segments:
  - Priceline has higher market shares within the OTA market in leisure (76.4%) than business (65%) hotels, whereas the situation is the opposite for HRS (14% business versus 4% leisure) and Expedia (17% business versus 12% leisure).
  - HRS (11%) and Expedia (27%) are more popular with chain hotels than independent hotels, whereas Priceline is more used by independent hotels (74%) than by chain hotels (57%).

Distribution Technology: Channel Management

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- **Two third** of Swiss hotels use a **channel manager** and **one third a CRS system** to maintain rates and availabilities in the different distribution channels.
- Yet nearly one of four hotels (23.5%) still manages distribution channels in a **manual way**. This proportion is higher in the 1-3 star hotels and in independent hotels than other hotel segments.
- **Chain hotels** and properties associated with hotel cooperations use mainly channel managers and/or CRS systems.
- There is no significant difference between business and leisure hotels.

Distribution Technology: Meta-Search Engines

- About half of the hotels have a **direct junction / interface with meta-search engines** such as Kayak or Tripadvisor. Nearly one out five hotels does not know this option whereas the rest of the respondants is not interested by this option.
- TripAdvisor (70.1%), Trivago (52.3%) and Google (Hotel Ads) are the main players in this field.

The survey

The survey: background

- In order to draw a more precise picture of the current situation of distribution (online as well as offline) within the European hotel industry, especially in relation to the role of online travel agencies (OTA), **HOTREC**, the umbrella association of Hotels, Restaurants and Cafés in Europe, has decided to conduct an online survey together with hotel associations from HOTREC member countries (e.g. hotelleriesuisse and Gastrosuisse for Switzerland) across Europe for the **reference year 2015**.
- In Switzerland, the survey is mainly based on responses from members of hotelleriesuisse and to a smaller extent on a sample from GastroSuisse.

The questionnaire

- The online questionnaire asked for market shares of different direct and indirect distribution channels (in terms of **overnights** as in our former study for the reference year 2013) as well as the specific market shares of the OTAs (such as Booking.com, Expedia, and HRS).
- Further questions queried how hoteliers manage online distribution channels and the use of interfaces with meta-search engines.
- The final part comprises questions covering characteristics of the hotel property (star rating, the size of the hotel in terms of rooms offered, amount of overnight stays, its location, main target group, etc.)

➢ See **annex** for a copy of the questionnaire

Methodological remarks: sampling

- The Institute of Tourism (ITO) of the University of Applied Sciences Western Switzerland Valais (HES-SO Valais) in Sierre conducted an online survey in order get insights into distribution trends in the hospitality sector in Switzerland.
- The online survey for the reference year 2015 was conducted in March-April 2016 among 1986 member hotels of hotelleriesuisse and 542 members of Gastrosuisse
- The results presented here are based on 230 responses (206 hotels from hotelleriesuisse members and 24 responses from Gastrosuisse members). This corresponds to an overall response rate of 9% (10.4% hotelleriesuisse, 4.4% Gastrosuisse).
- The sample reflects the structure of members of hotelleriesuisse regarding the classification of hotels.

Methodological remarks: confidence intervals

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- As not all hotels have answered all the questions, the indicated total number of observations changes from one question to another.
- **Measure of accuracy**
  - A **confidence interval gives an estimated range of values which is likely to include an unknown population parameter**, the estimated range being calculated from a given set of sample data. (Definition from Valerie J. Easton and John H. McColl's Statistics Glossary v1.1). -> A confidence interval tell you the most likely range of the unknown population average.
  - We used the **bootstrap** approach with a **95% confidence interval**: This gives the **probability** that the interval produced by the bootstrap method includes the true value of the parameter in the population.
  - We used: Wessa P., (2015), Bootstrap Plot for Central Tendency (v1.0.14) in Free Statistics Software (v1.1.23-r7), Office for Research Development and Education, URL http://www.wessa.net/rwasp_bootstrapplot1.wasp/

Distribution channels

Market shares (overnights) of distribution channels 2015

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Unweighted sample: n=226	Market share		confidence interval (bootstrap)	
Direct - Phone	19.9	60.7	19.0	20.8
Direct - Mail / fax	2.0		1.7	2.3
Direct - Walk-In (persons without reservation)	4.7		4.3	5.1
Direct - Contact form on own website (without availability check)	5.0		4.4	5.6
Direct - Email	21.6		20.7	22.5
Direct - real time booking over own website with availability check	7.5		6.9	8.0
Destination Marketing Organization (DMO) / trade associations	1.4	2.1	1.2	1.6
National Tourism Organization (NTO)	0.7		0.6	0.9
Tour operator / Travel agency	4.6	10.3	4.0	5.2
Hotel chains and cooperations with CRS	1.1		0.7	1.5
Wholesaler (e.g. Hotelbeds, Tourico, Gulliver, Transhotel, etc.)	2.3		2.0	2.6
Event and Congress organizer	2.3		2.0	2.6
Online Booking Agency (OTA)	20.6	24.3	19.5	21.7
Globale Distributionssysteme (GDS)	3.4		2.9	3.8
Social Media Channels	0.4		0.1	0.7
other distribution channels	2.5	2.5	2.2	2.8

Confidence intervals are stated at the 95% level. Market shares in % of **overnights**.

Market shares (overnights) of distribution channels: 2013 vs 2015

	Market share 2015		Market share 2013		DELTA	
Direct - Phone	19.9	60.7	20.6	63.7	-0.66	-3.00
Direct - Mail / fax	2.0		2.2		-0.21	
Direct - Walk-In (persons without reservation)	4.7		5.9		-1.15	
Direct - Contact form on own website (without availabilty check)	5.0		6.4		-1.36	
Direct - Email	21.6		21.2		0.39	
Direct - real time booking over own website with availabilty check	7.5		7.5		-0.01	
Destination Marketing Organization (DMO) / trade associations	1.4	2.1	1.4	2.5	0.04	-0.31
National Tourism Organization (NTO)	0.7		1.1		-0.35	
Tour operator / Travel agency	4.6	10.3	4.6	10.0	0.08	0.29
Hotel chains and cooperations with CRS	1.1		1.3		-0.17	
Wholesaler (e.g. Hotelbeds, Tourico, Gulliver, Transhotel, etc.)	2.3		2.7		-0.39	
Event and Congress organizer	2.3		1.5		0.77	
Online Booking Agency (OTA)	20.6	24.3	19.4	22.5	**1.21**	1.82
Globale Distributionssysteme (GDS)	3.4		2.8		0.54	
Social Media Channels	0.4		0.3		0.07	
other distribution channels	2.5	2.5	1.3	1.3	1.21	1.21

Confidence intervals are stated at the 95% level. Market shares in % of **overnights**.

Trends in Booking Channels in Swiss Hotels 2002-2015

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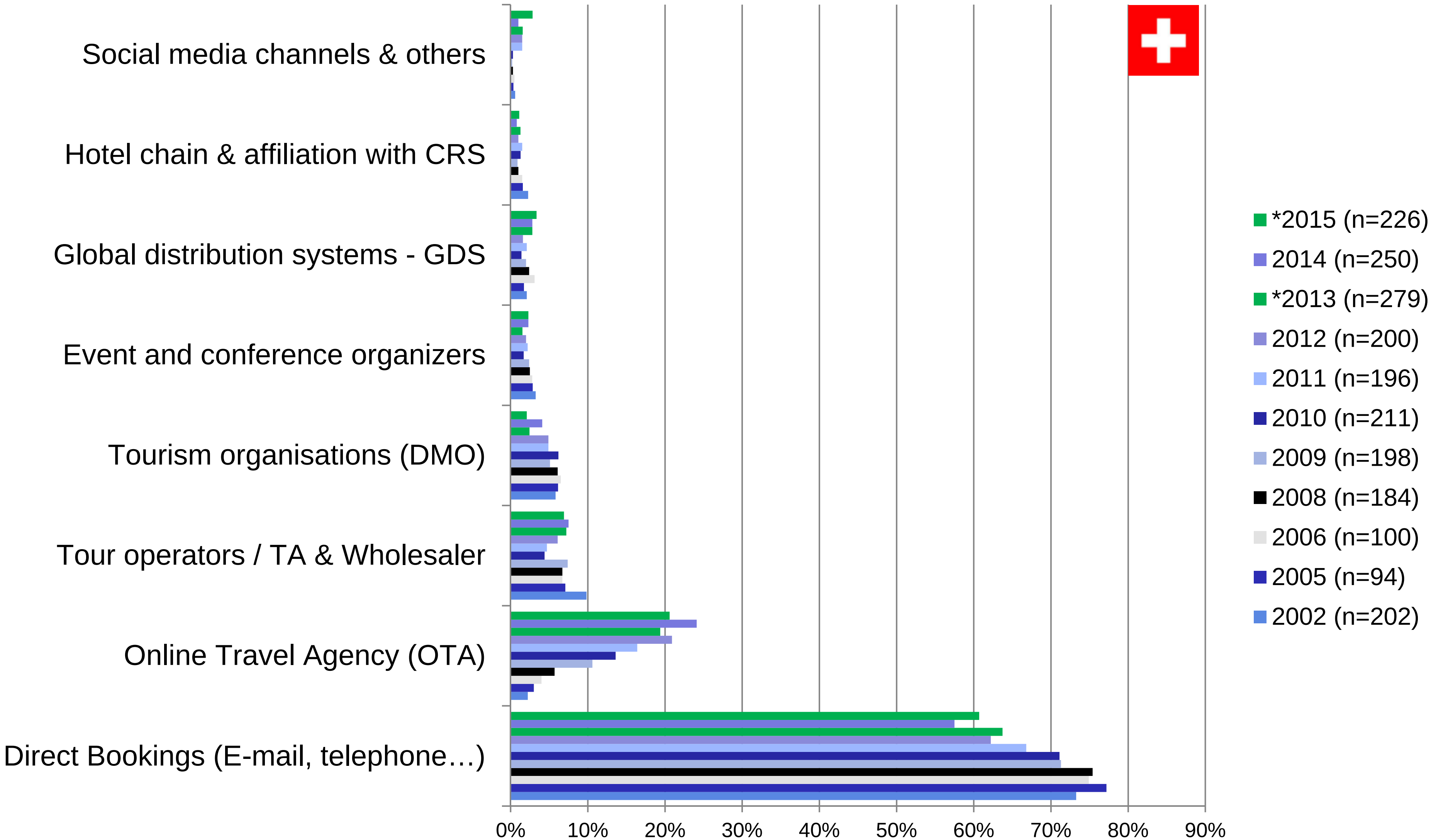

Attention: Market shares in % of ***bookings*** for 2002-2012 & 2014 and in % of ***overnights*** in *2013 and *2015 !

Trends in Booking Channels in Swiss Hotels 2006-2015

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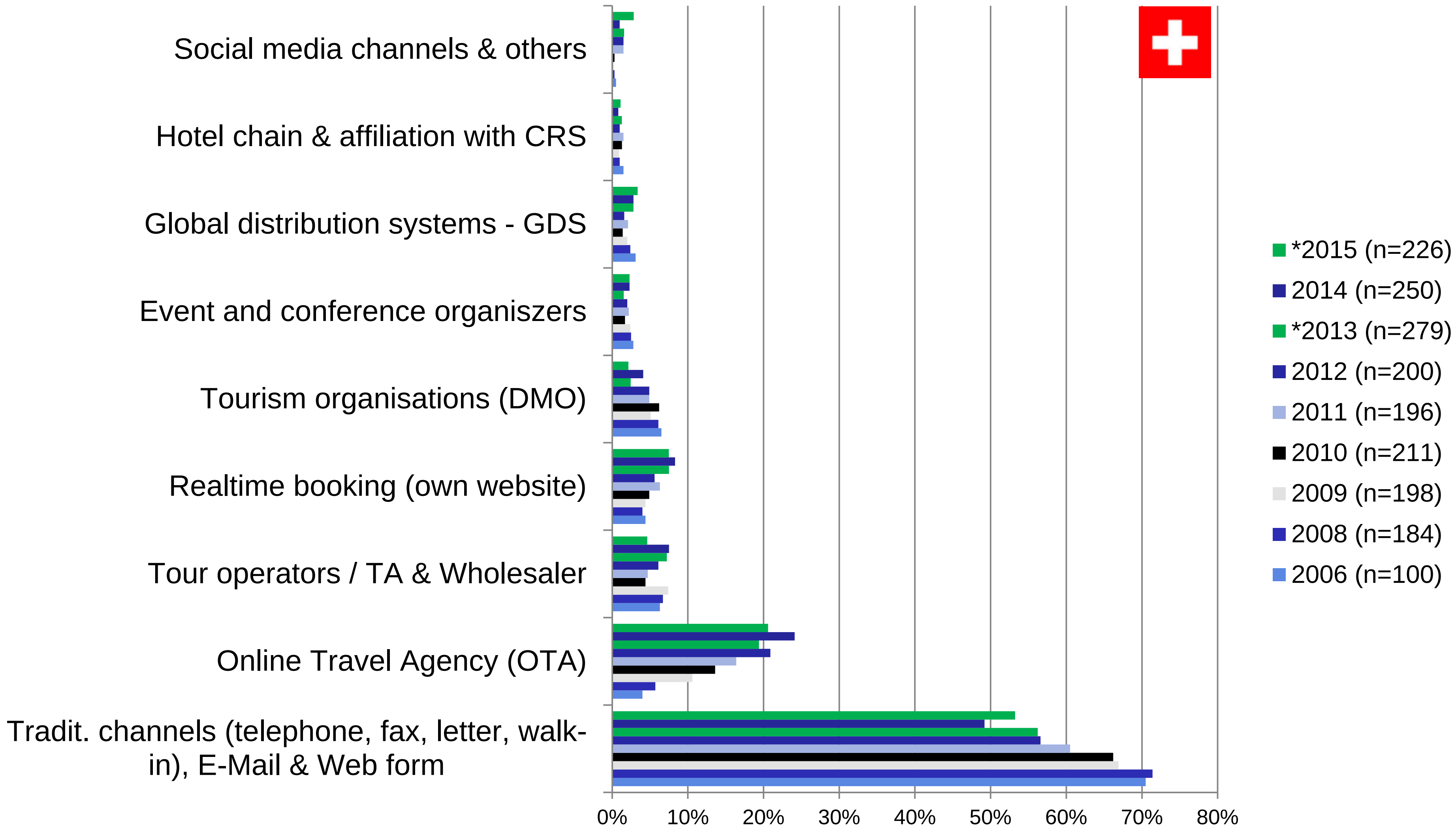

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Distribution Trends in the Swiss Hotel Sector 2002-2015

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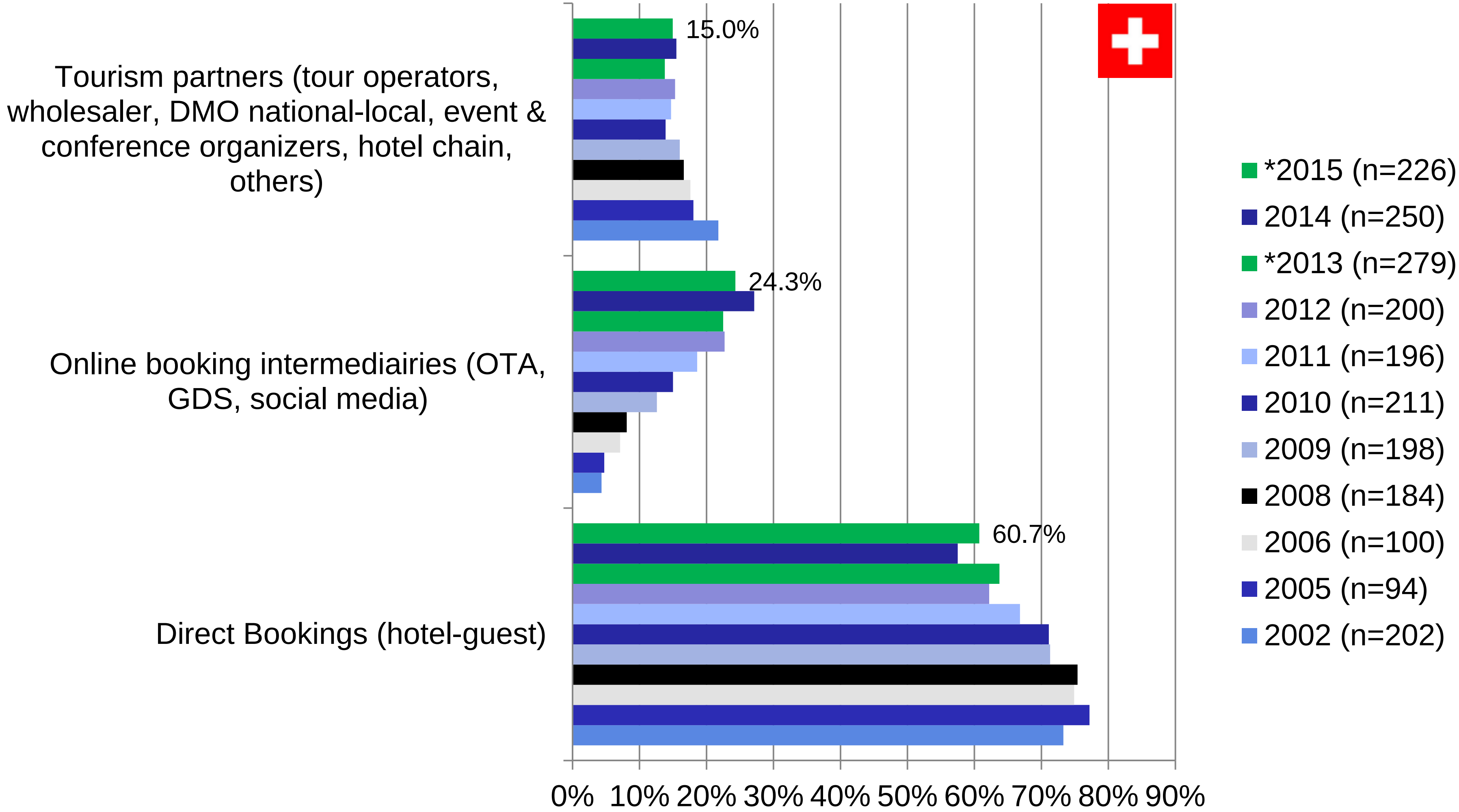

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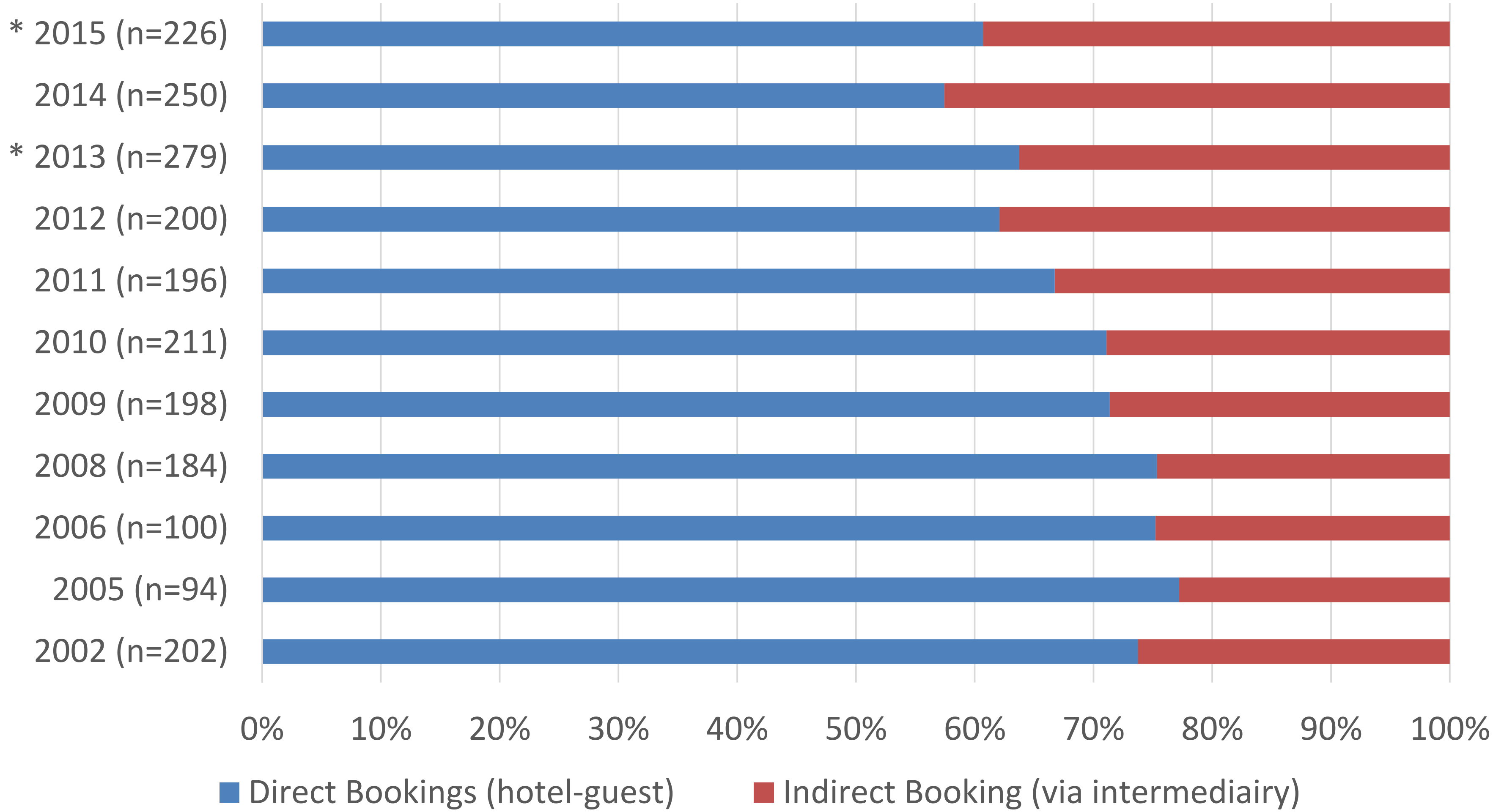


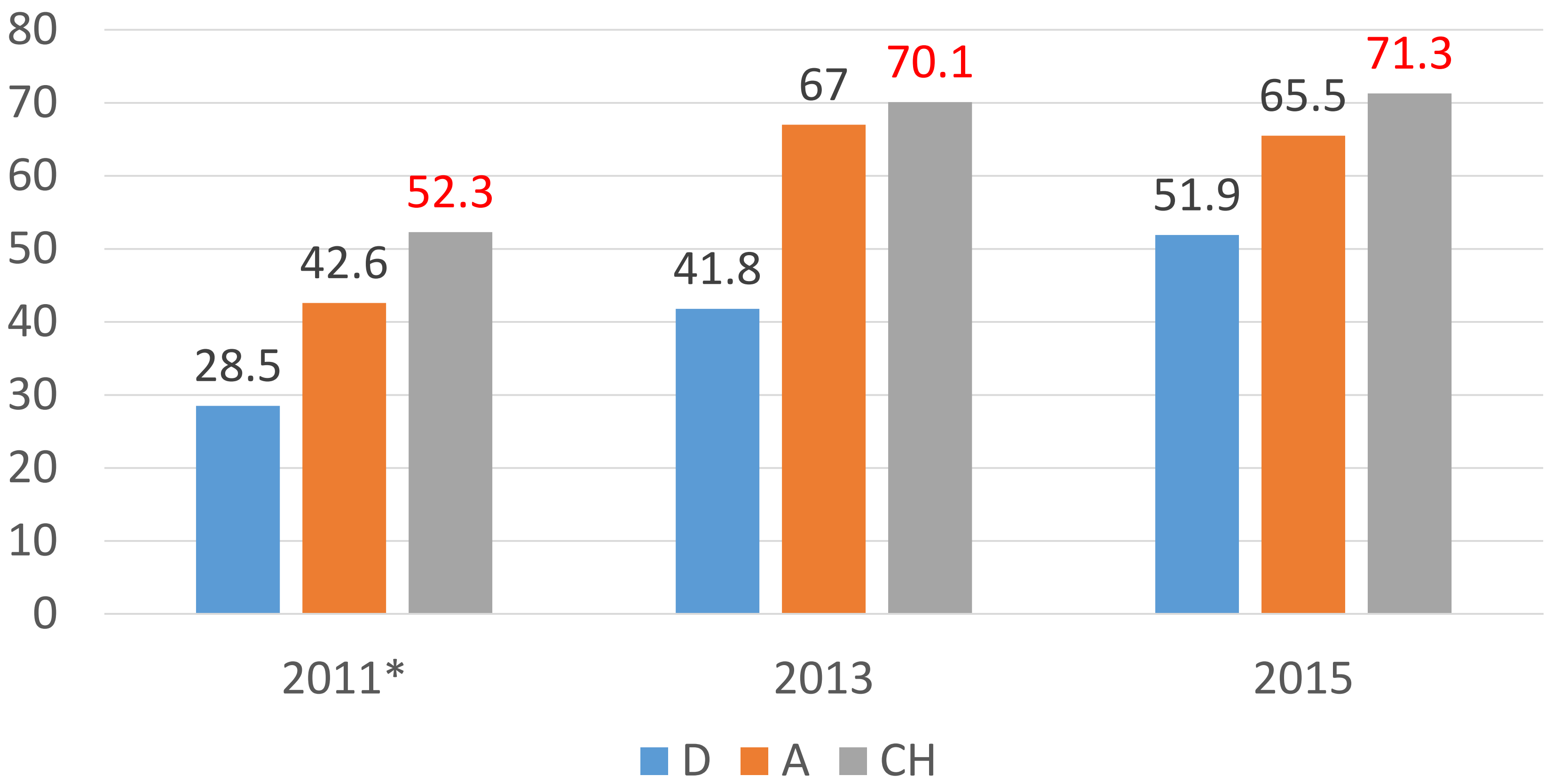
Attention: Market shares in % of ***bookings*** for 2002-2012 & 2014 and in % of ***overnights*** in *2013 and *2015 !

OTA Landscape

OTA Landscape DACH 2015

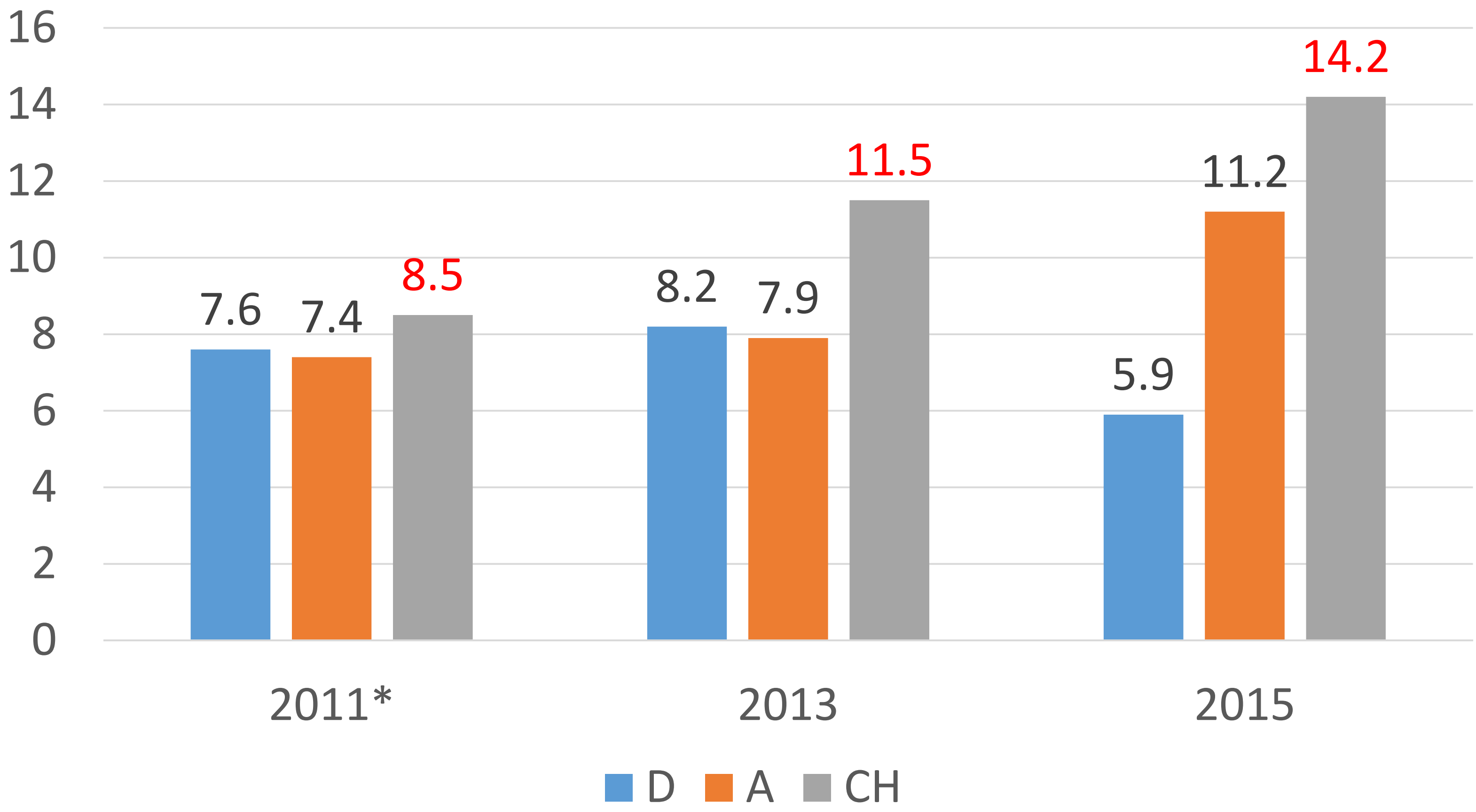
	Priceline	Expedia	HRS	**Total (%)**
D	51.9	5.9	36.4	**94.2**
A	65.5	11.2	12.8	**89.5**
CH	71.3	14.2	8.6	**94.1**

Evolution OTA Landscape DACH 2011-2015: Priceline (booking.com)



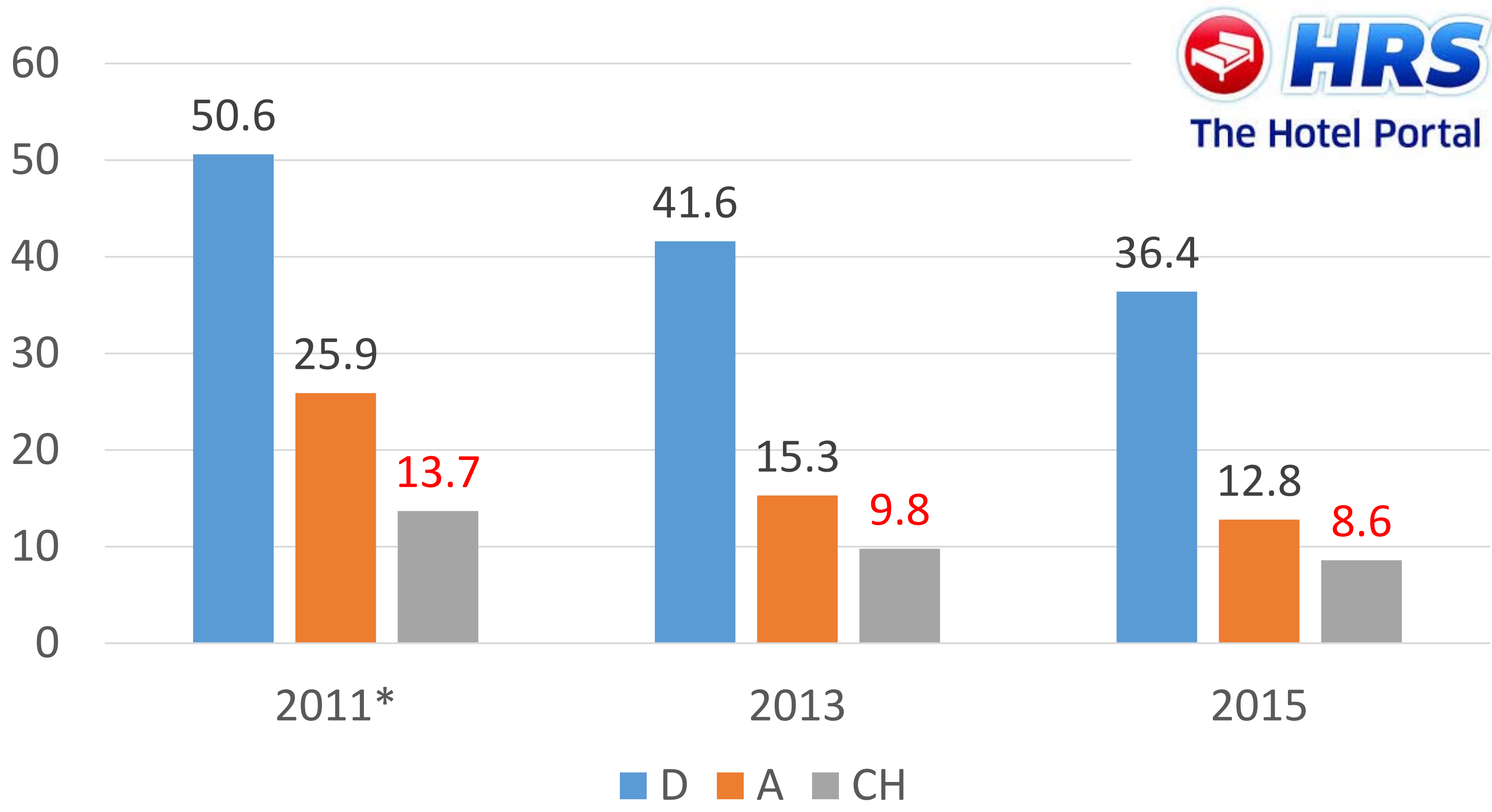
Relative OTA market shares in %

Evolution OTA Landscape DACH 2011-2015: Expedia



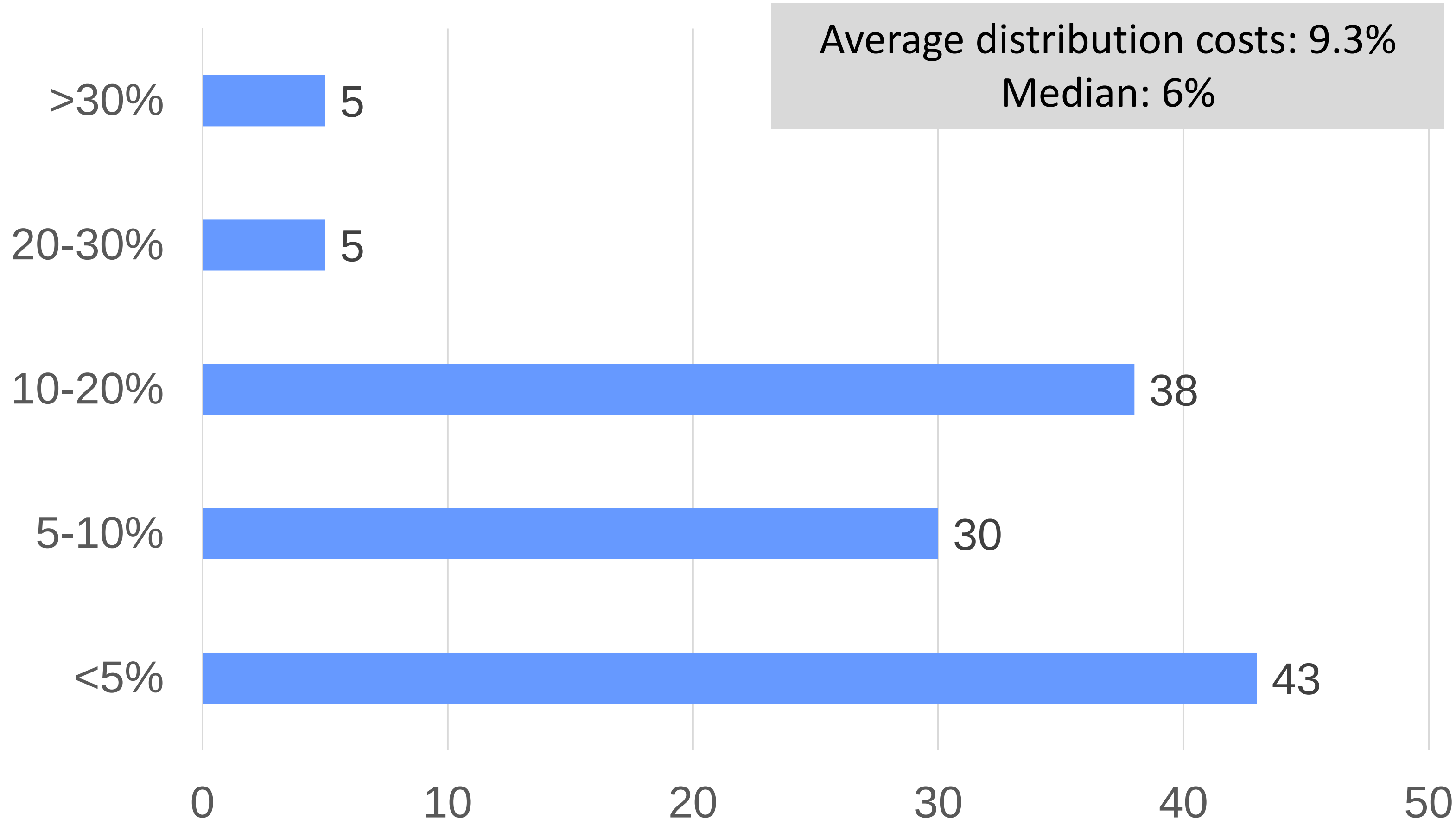
Relative OTA market shares in %

Evolution OTA Landscape DACH 2011-2015: HRS

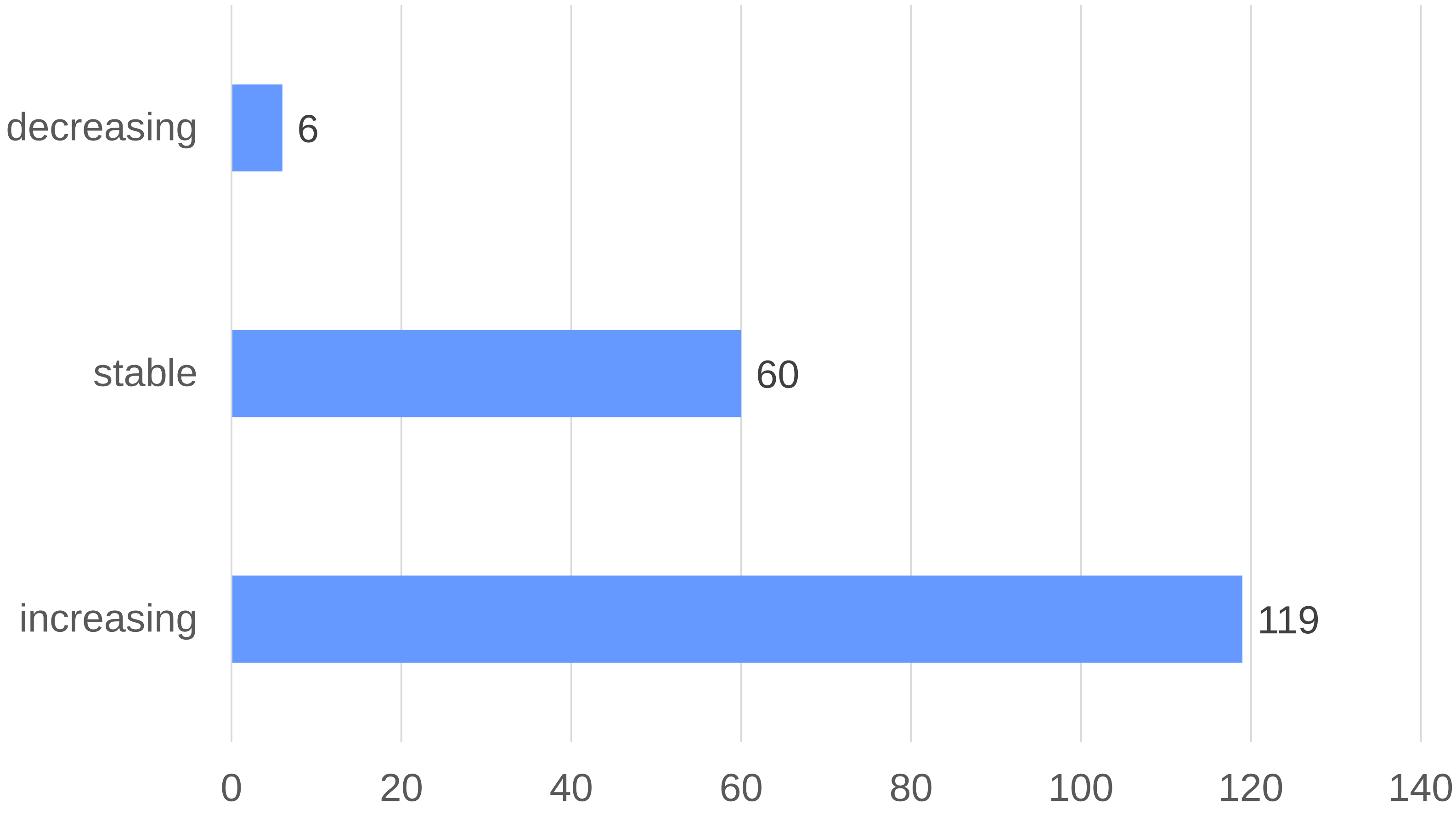


Relative OTA market shares in %

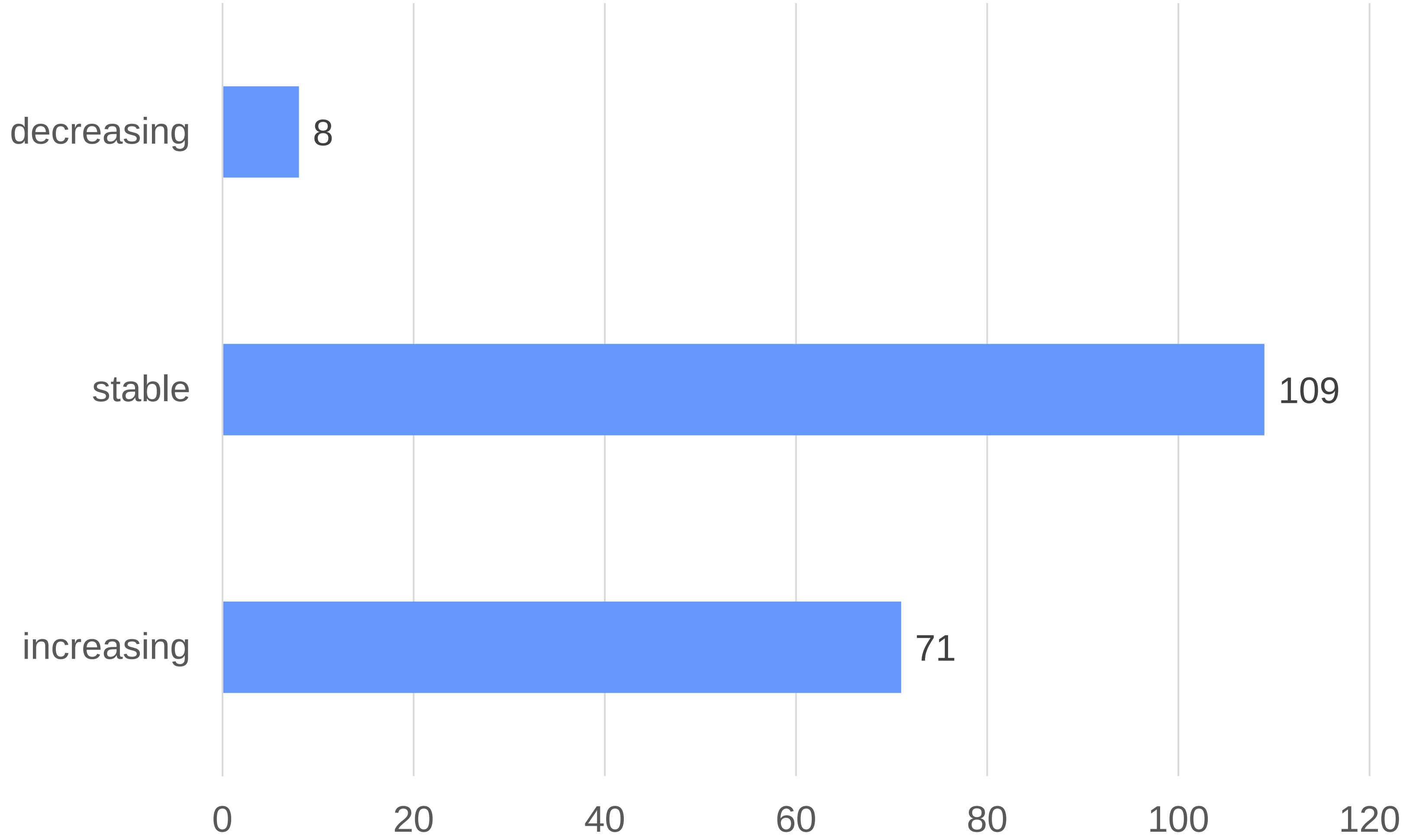
Distribution Costs as Percentage of Total Costs



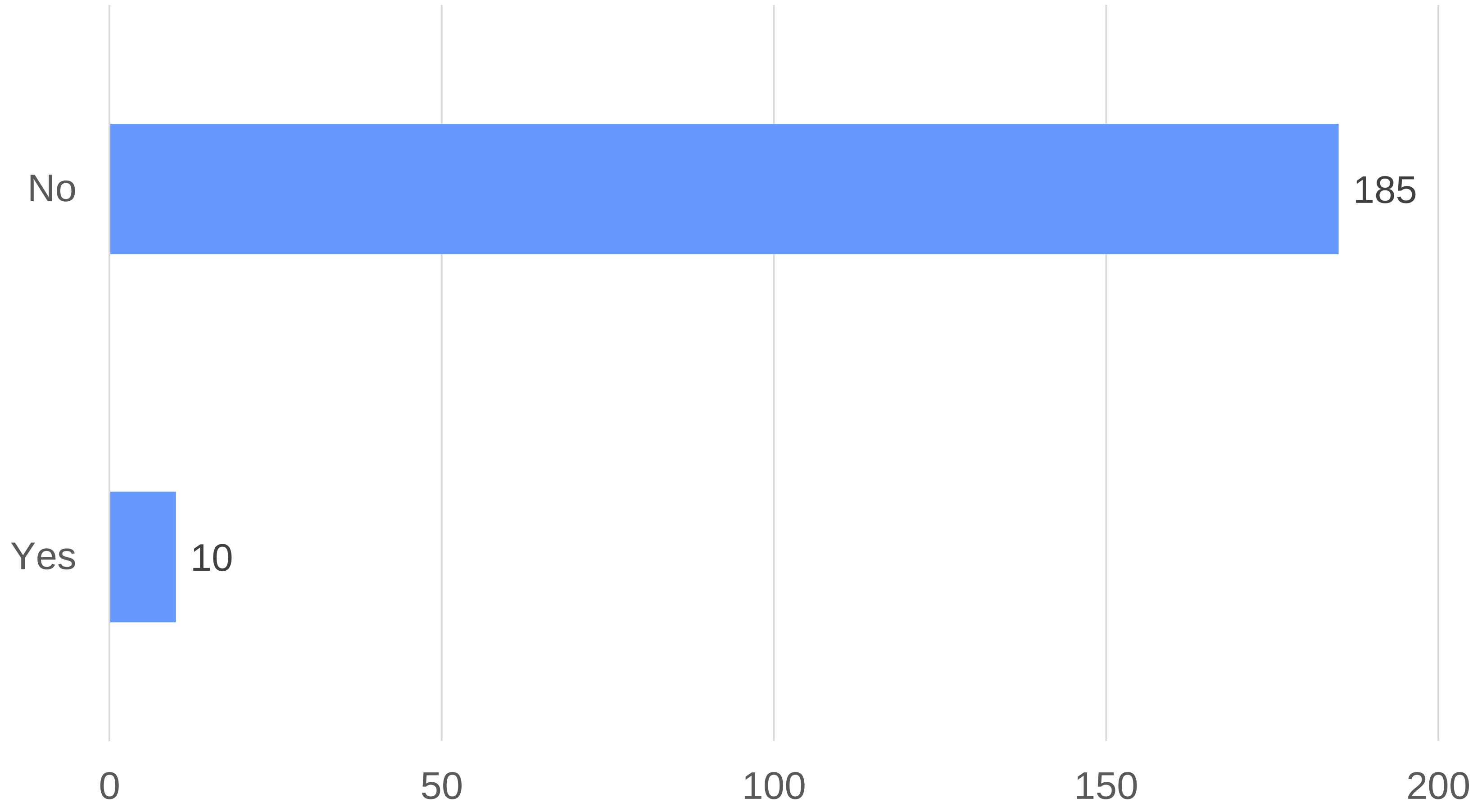
Evolution of Distribution Costs in the last Five Years



Evolution of OTA Commission Rates in the last Five Years



Have you received a reduction of OTA Commission Rates since summer 2015



Distribution channel management

How do you maintain your rates and availabilities on the online booking channels?

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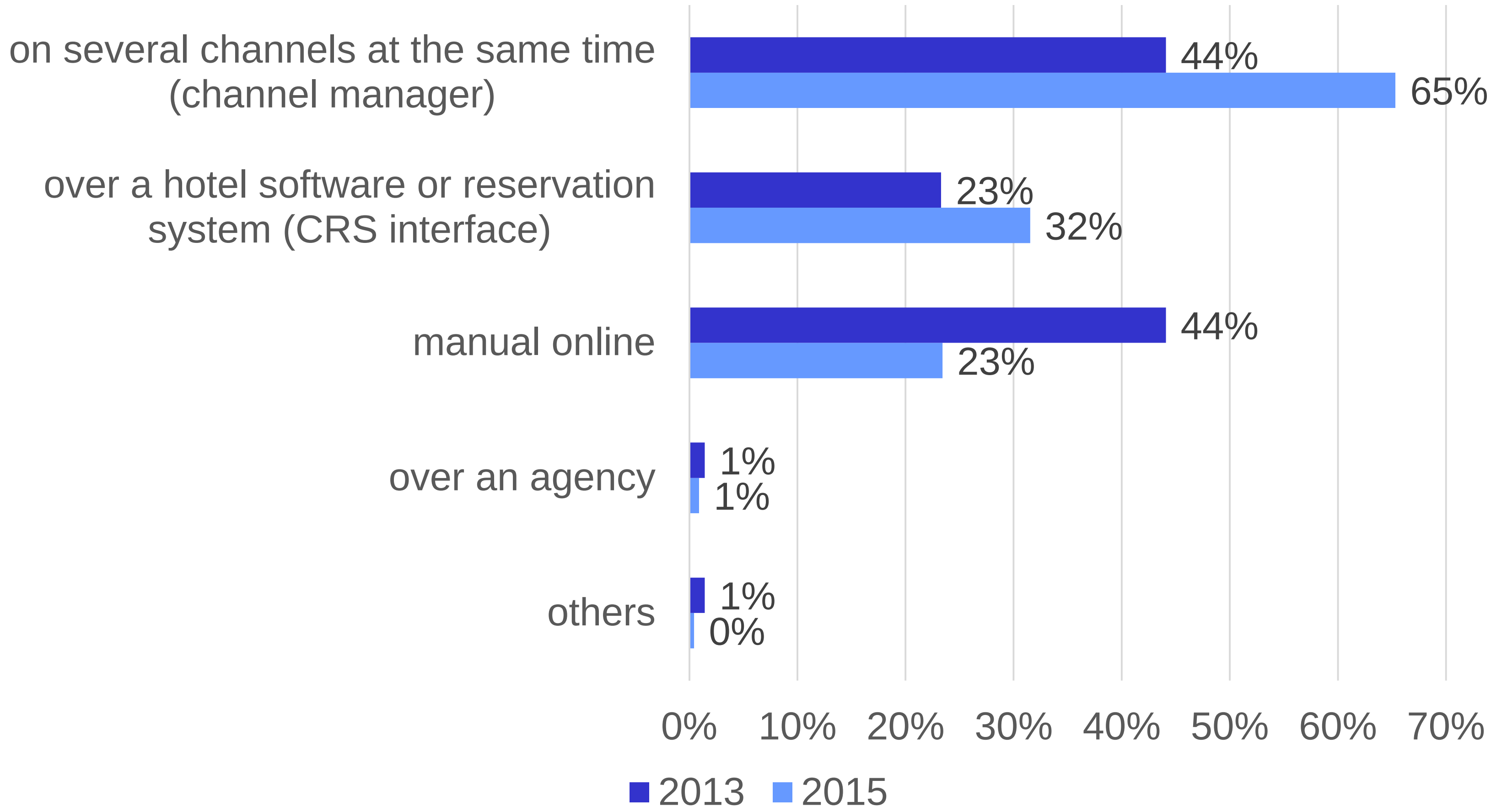

Question with multiple answers, total can be > 100%

Use of meta-search engines

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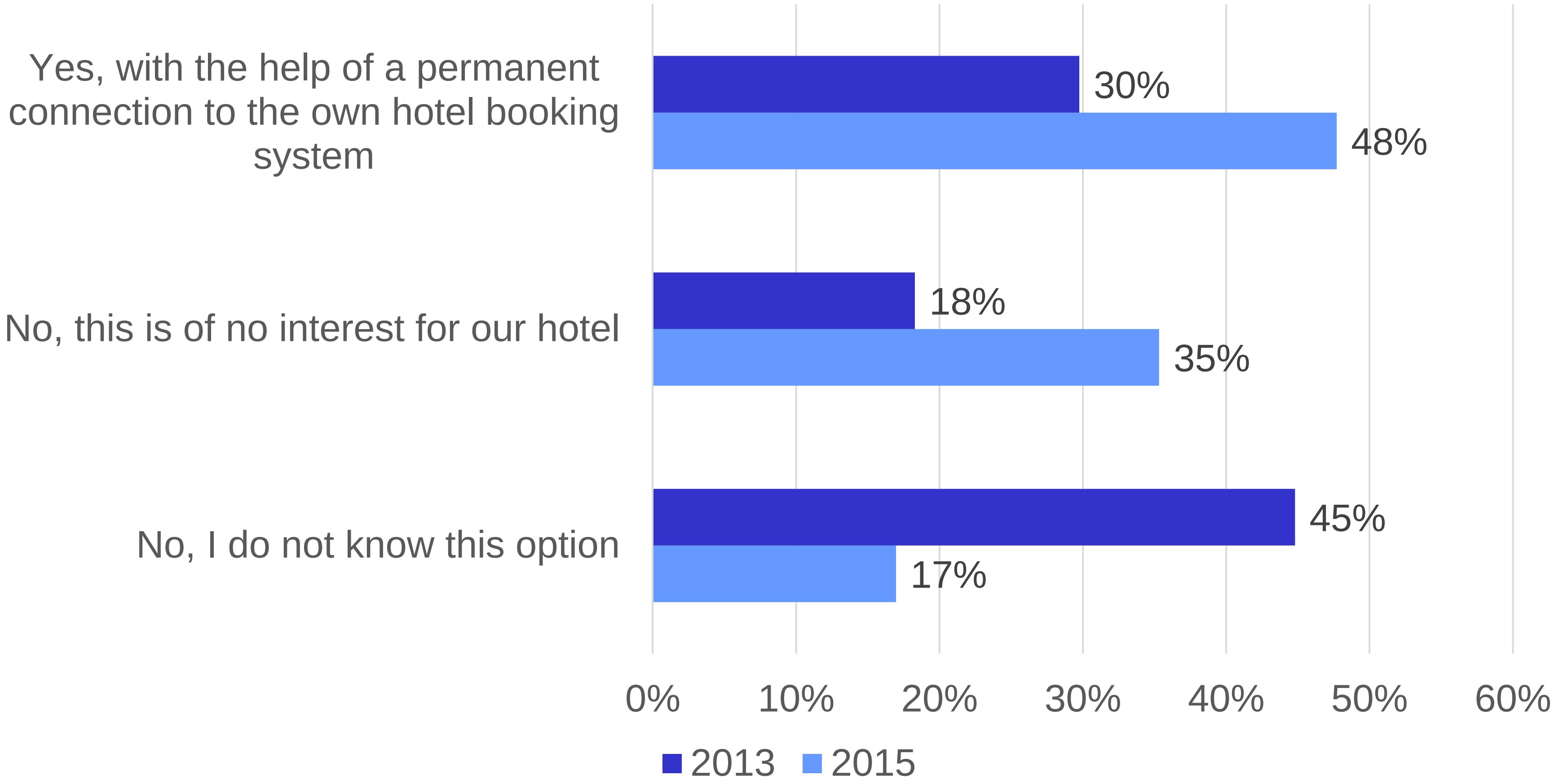
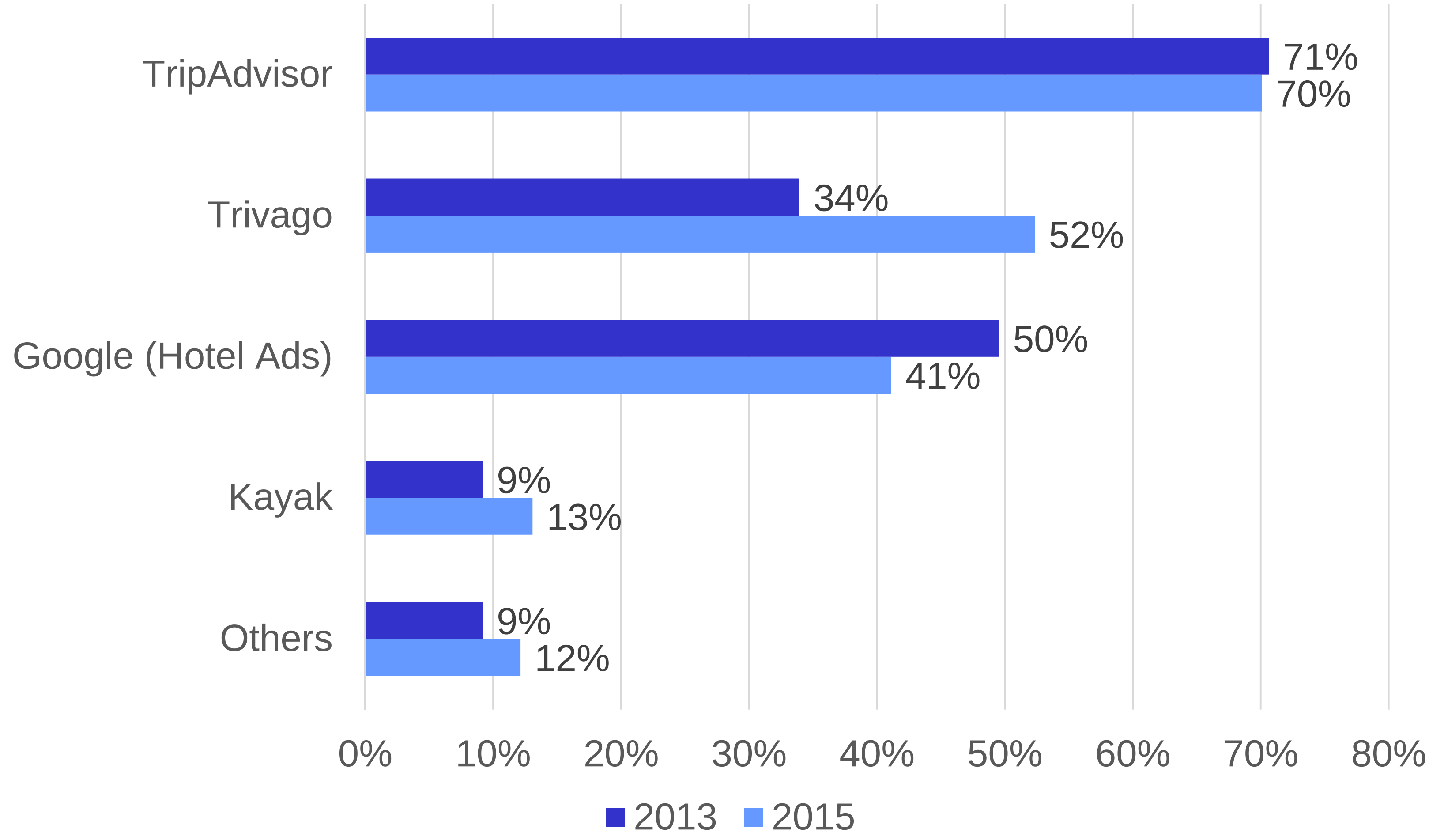
Are your rates and availabilities accessible with a direct interface with a meta-search engine?



Used meta-search engines



Question with multiple answers, total can be > 100%

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