



The Rise of Online Intermediaries in the European Hotel Distribution: Implications for Hotels in the Czech Republic

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Prague, November 21, 2014



An early conclusion

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



An early conclusion

2. 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 this battle, but have to work on their (e)Fitness



Agenda

- **View on the customer: travel search and booking trends**
- **Hotel distribution in Europe**
- **7 hotel distribution trends**
- **Challenges and recommendations for the hospitality sector**

View on the customer (travel search and booking trends)



1900

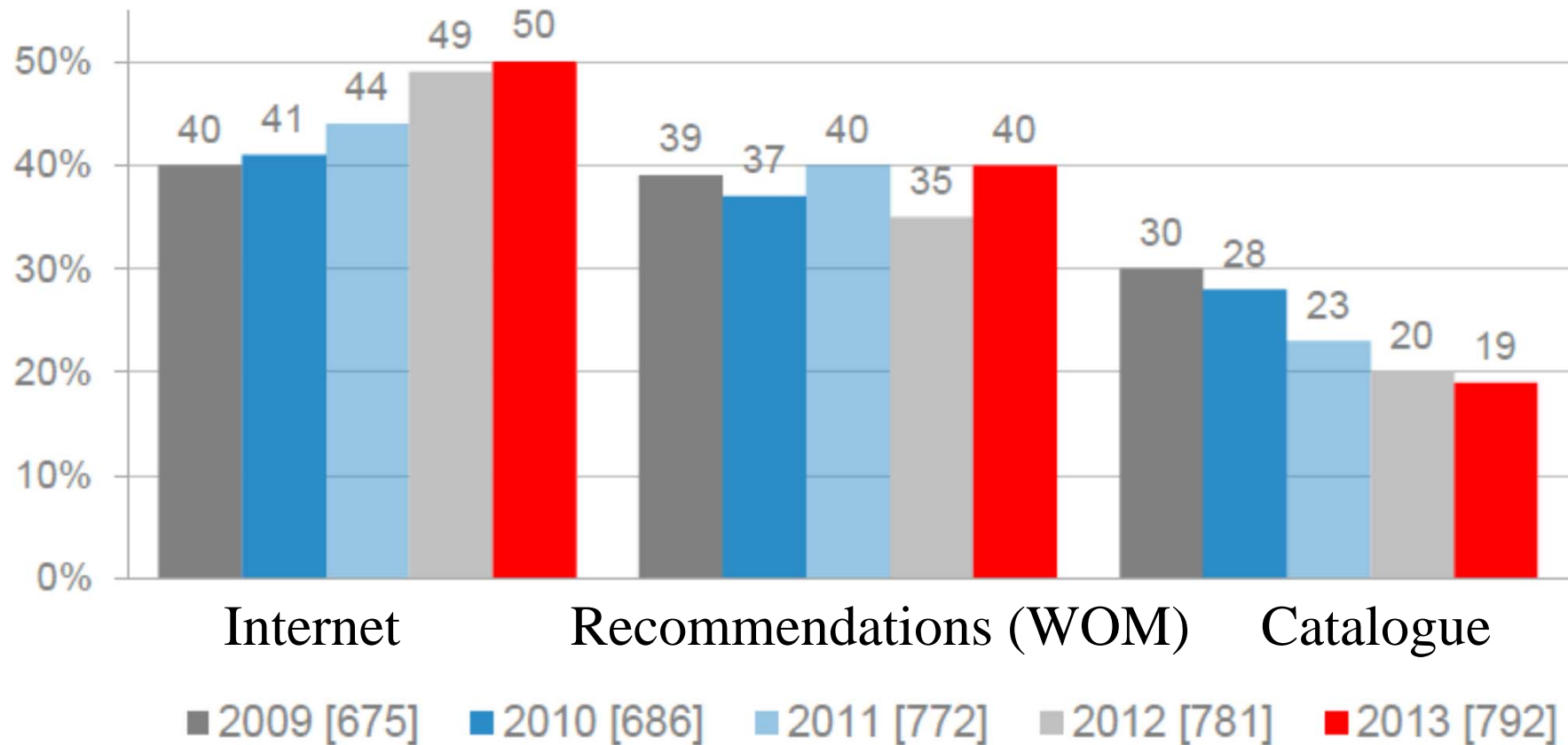
2000



View on the customer (travel search and booking trends)



Top information sources for travel bookings in Switzerland (2009-2013)

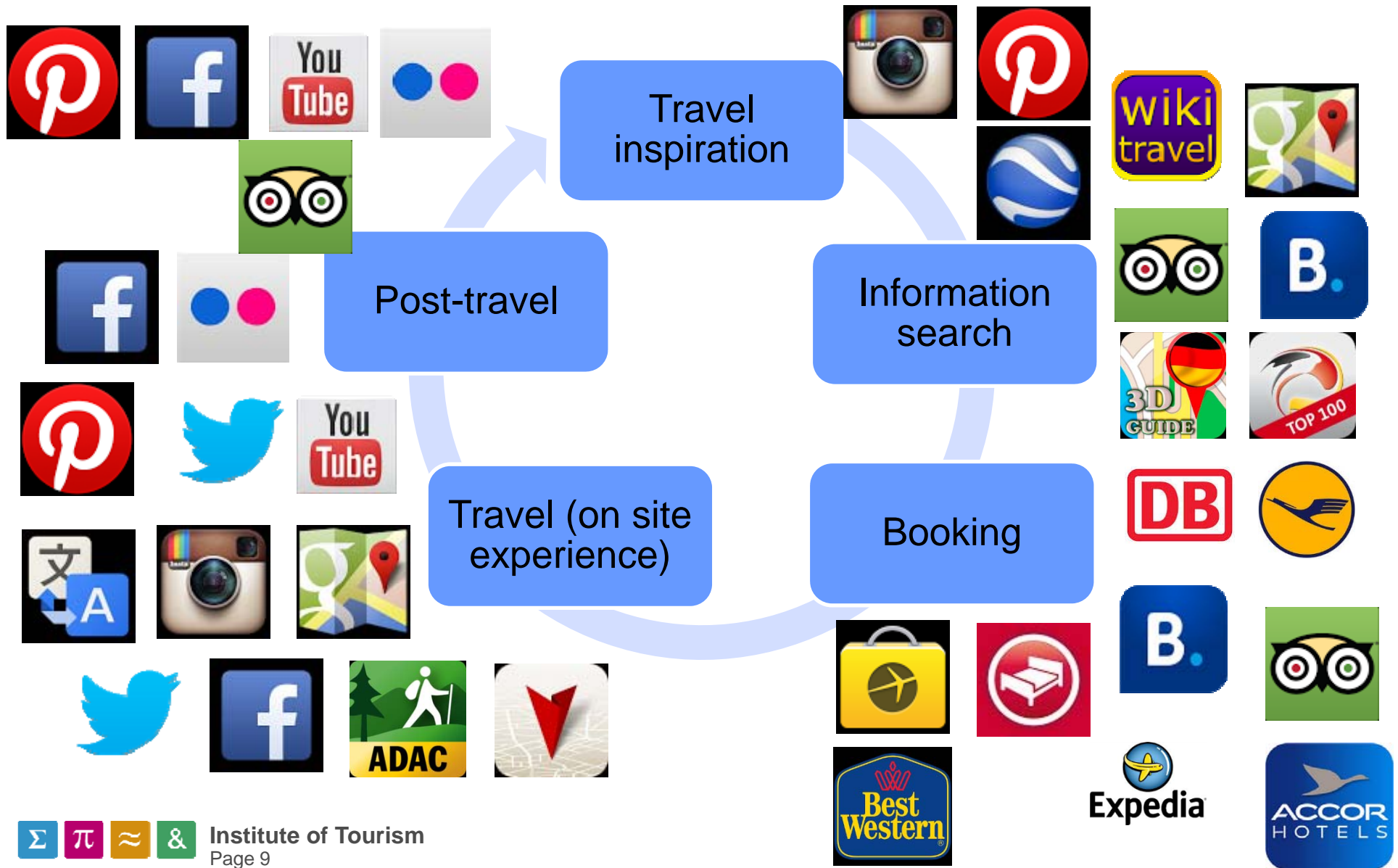


Frage: Worauf stützen Sie in der Regel Ihren Buchungsentscheid?

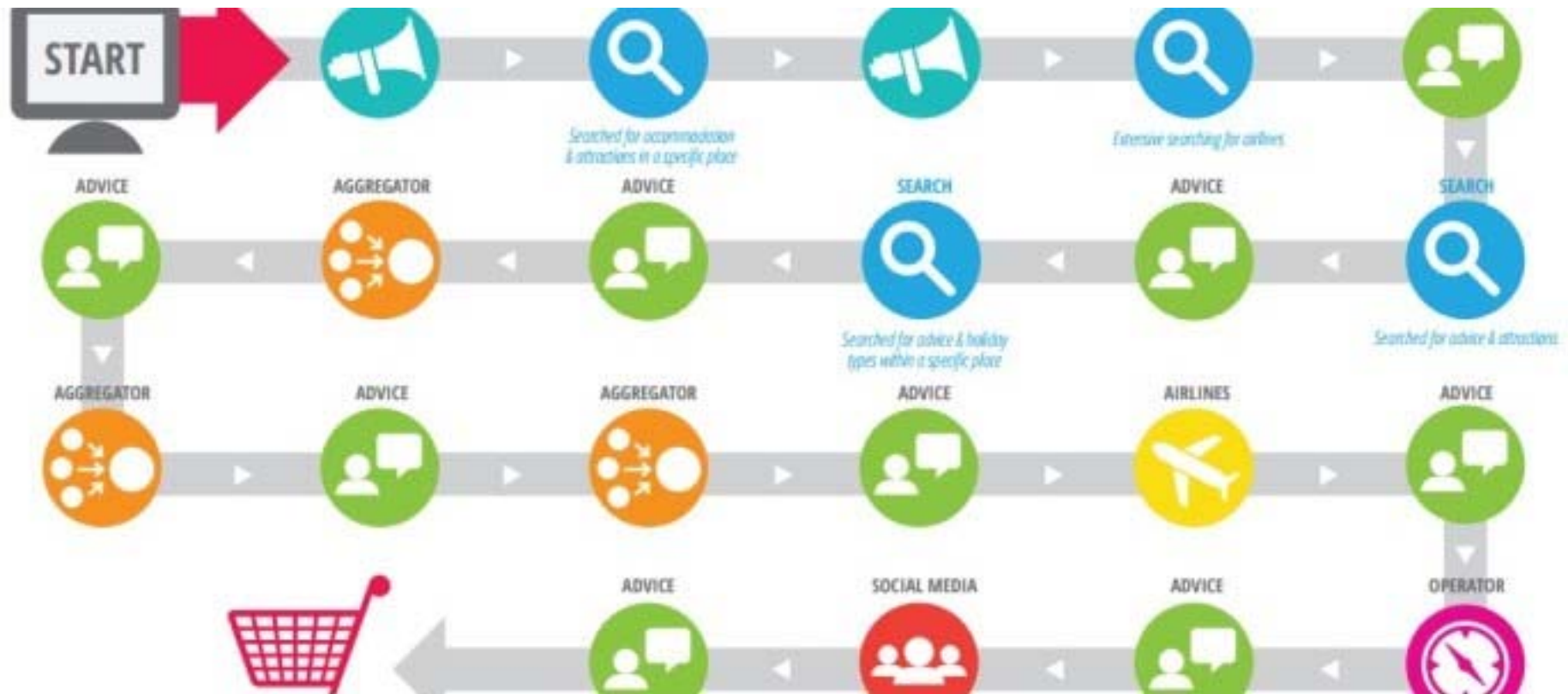
Source: Buchungs- und Reiseverhalten © Allianz Global Assistance 2014



Travel Cycle



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: the stats

Online buyers:

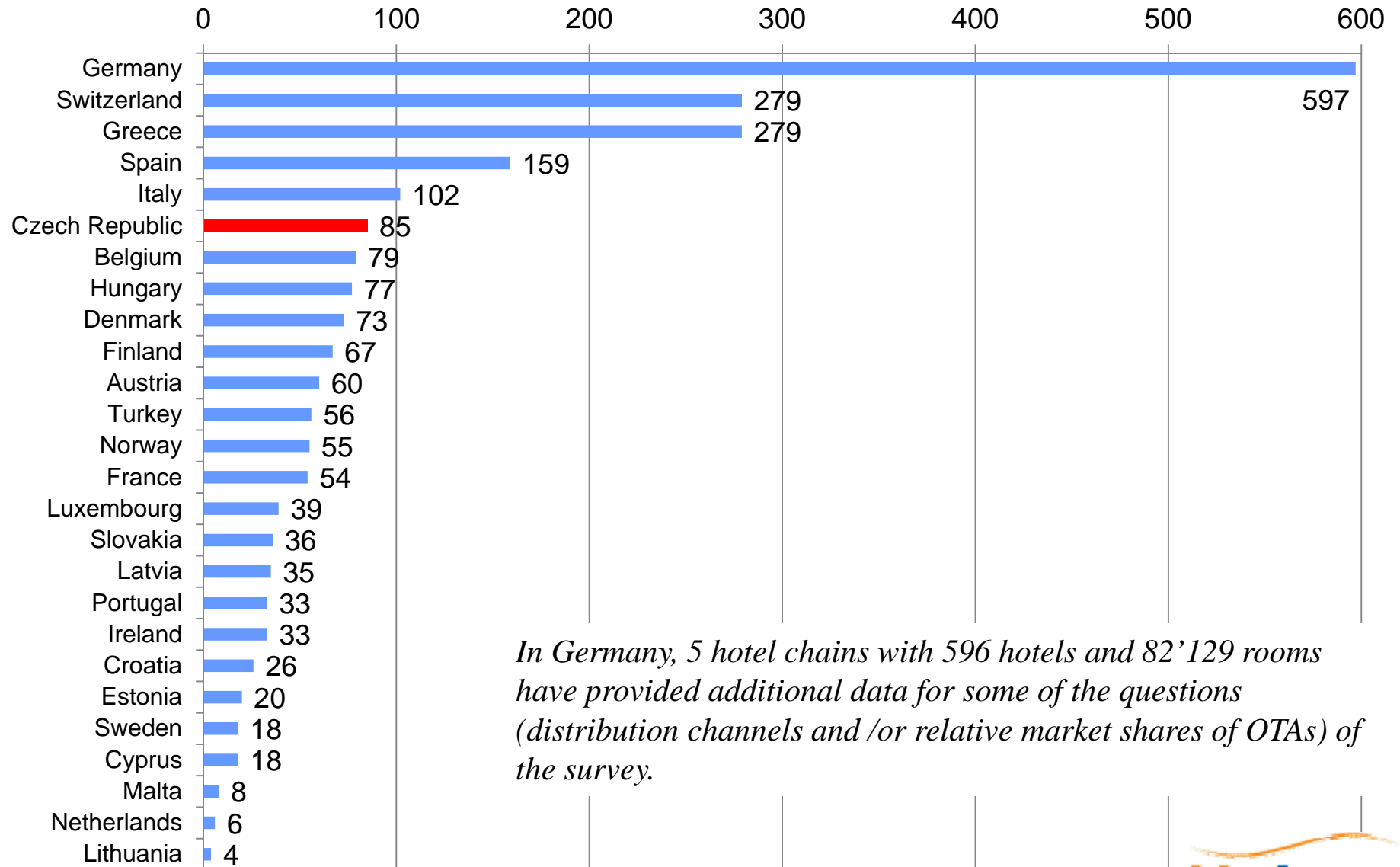
- **Number of search sessions – 16.7**
- **Overall time spent – 129 minutes**
- **Number of sites visited – 32.5**
- **Days of activity over a 73-day period – 13.8 days**

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

Distribution Channels in the European Hotel Industry



Number of survey responses by country (total n=2'298)



In Germany, 5 hotel chains with 596 hotels and 82'129 rooms have provided additional data for some of the questions (distribution channels and /or relative market shares of OTAs) of the survey.

Market shares of distribution channels in Europe 2013: weighted sample

<i>Weighted overall sample: n=2'169</i>		Market share
Direct - Phone	19.41	55.94
Direct - Mail / fax	2.66	
Direct - Walk-In (persons without reservation)	5.79	
Direct - Contact form on own website (without availability check)	5.50	
Direct - Email	14.91	
Direct - real time booking over own website with availability check	7.67	
Destination Marketing Organization (DMO) / trade associations	0.95	1.35
National Tourism Organization (NTO)	0.39	
Tour operator / Travel agency	9.59	16.50
Hotel chains and cooperations with CRS	1.63	
Wholesaler (e.g. Hotelbeds, Tourico, Gulliver, Transhotel, etc.)	3.54	
Event and Congress organizer	1.74	
Online Booking Agency (OTA)	22.50	
Globale Distributionssysteme (GDS)	1.89	24.81
Social Media Channels	0.42	
other distribution channels	1.40	1.40



Based on results of 25 countries (data from hotel chains in Germany not included). Market shares in % of overnights.

Market shares of distribution channels: Czech Republic

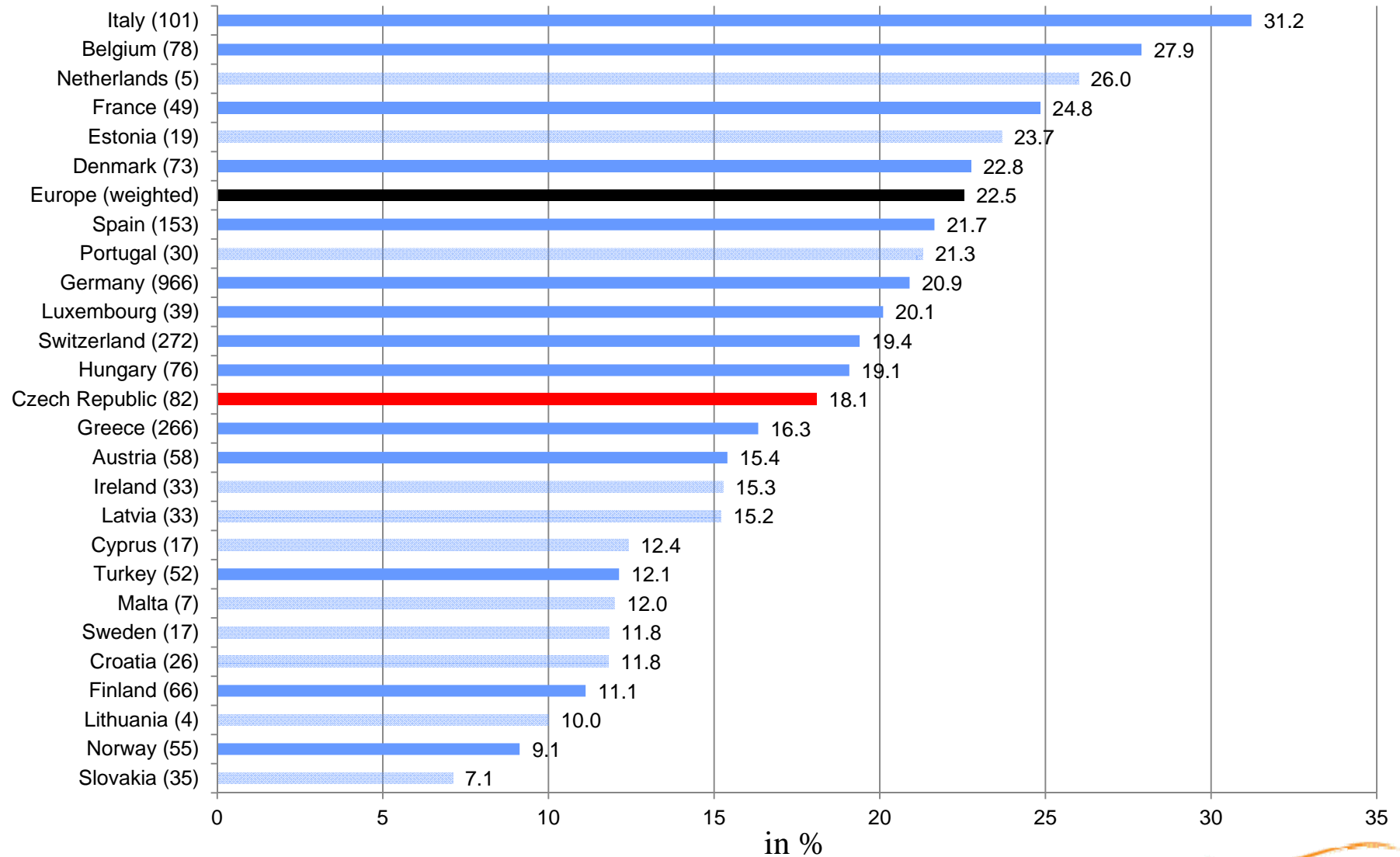


<i>Unweighted sample: n=82</i>	Market share	
Direct - Phone	17.4	58.0
Direct - Mail / fax	0.9	
Direct - Walk-In (persons without reservation)	6.1	
Direct - Contact form on own website (without availability check)	8.3	
Direct - Email	18.8	
Direct - real time booking over own website with availability check	6.5	
Destination Marketing Organization (DMO) / trade associations	0.8	0.9
National Tourism Organization (NTO)	0.1	
Tour operator / Travel agency	12.7	19.9
Hotel chains and cooperations with CRS	1.7	
Wholesaler (e.g. Hotelbeds, Tourico, Gulliver, Transhotel, etc.)	2.0	
Event and Congress organizer	3.6	
Online Booking Agency (OTA)	18.1	
Globale Distributionssysteme (GDS)	1.1	19.6
Social Media Channels	0.4	
other distribution channels	1.7	1.7



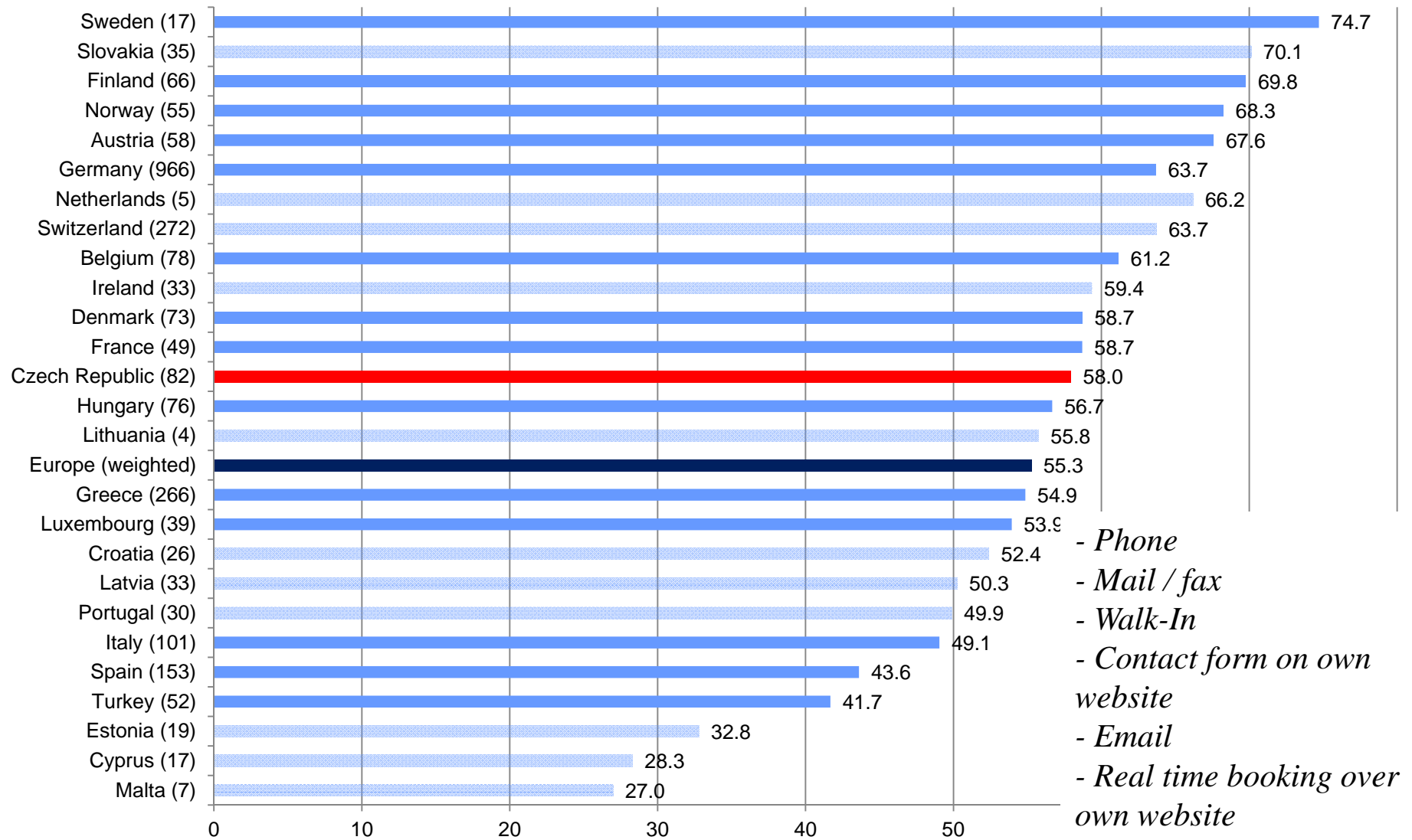
Confidence intervals are stated at the 95% confidence level. Market shares in %.

OTA market shares in Europe



Less than 30 observations -> weak validity of mean value, less than 10 values -> no validity. For Germany the weighted mean between individual and branded hotels is used.

Market shares of direct booking channels in Europe



Arithmetic means based on sample data.

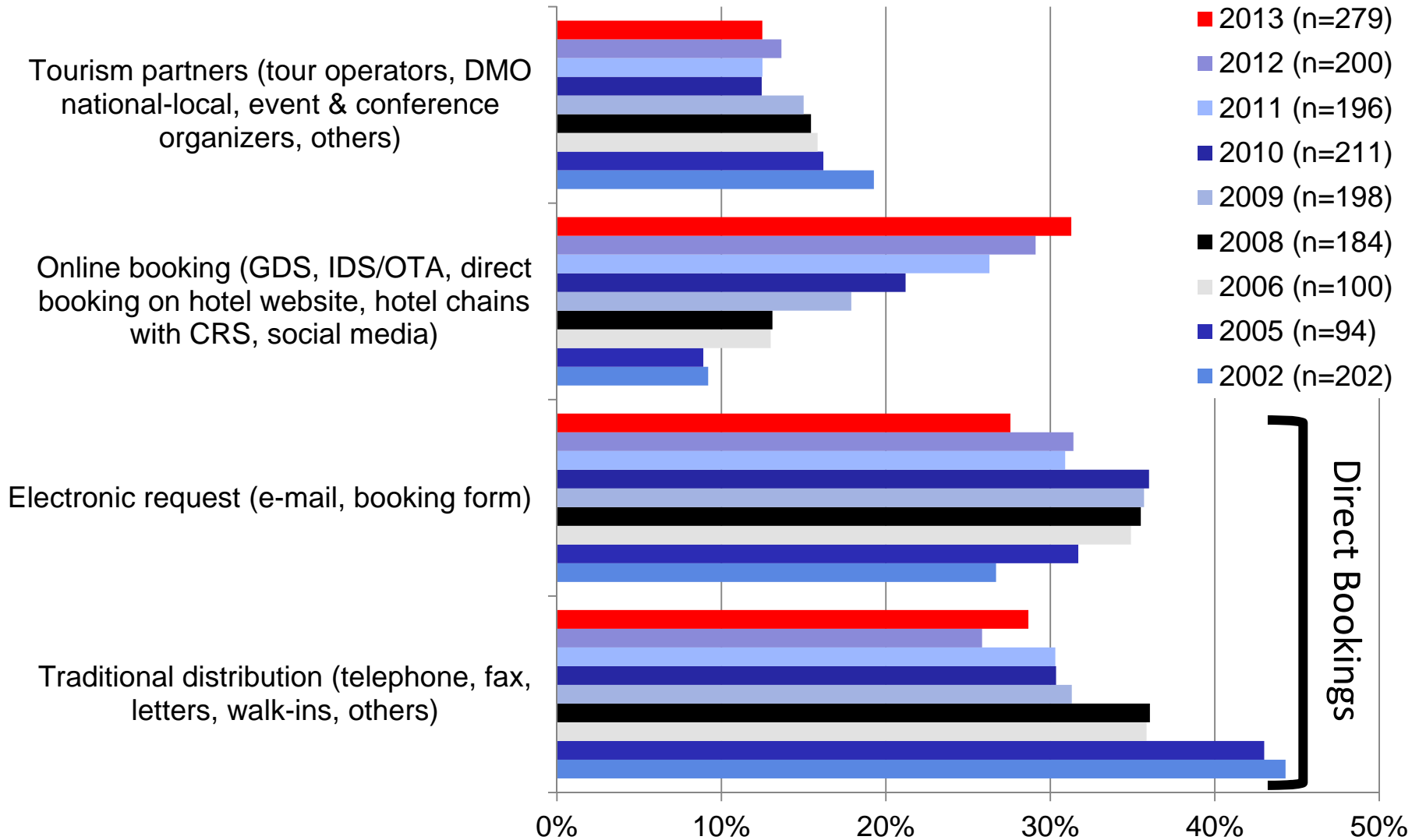
in %

Less than 30 observations -> weak validity of results, less than 10 observations -> no validity

Evolution of Hotel Distribution Channels between 2002 and 2013: example Switzerland



Distribution Trends in the Swiss Hotel Sector 2002-2013



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



OTAs in Europe



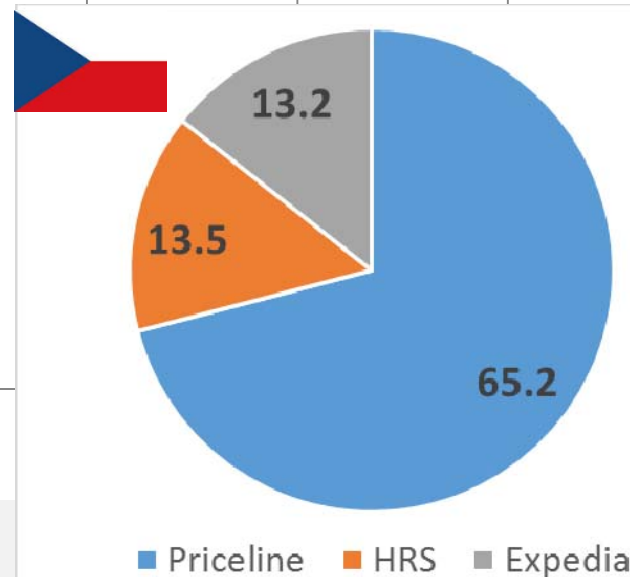
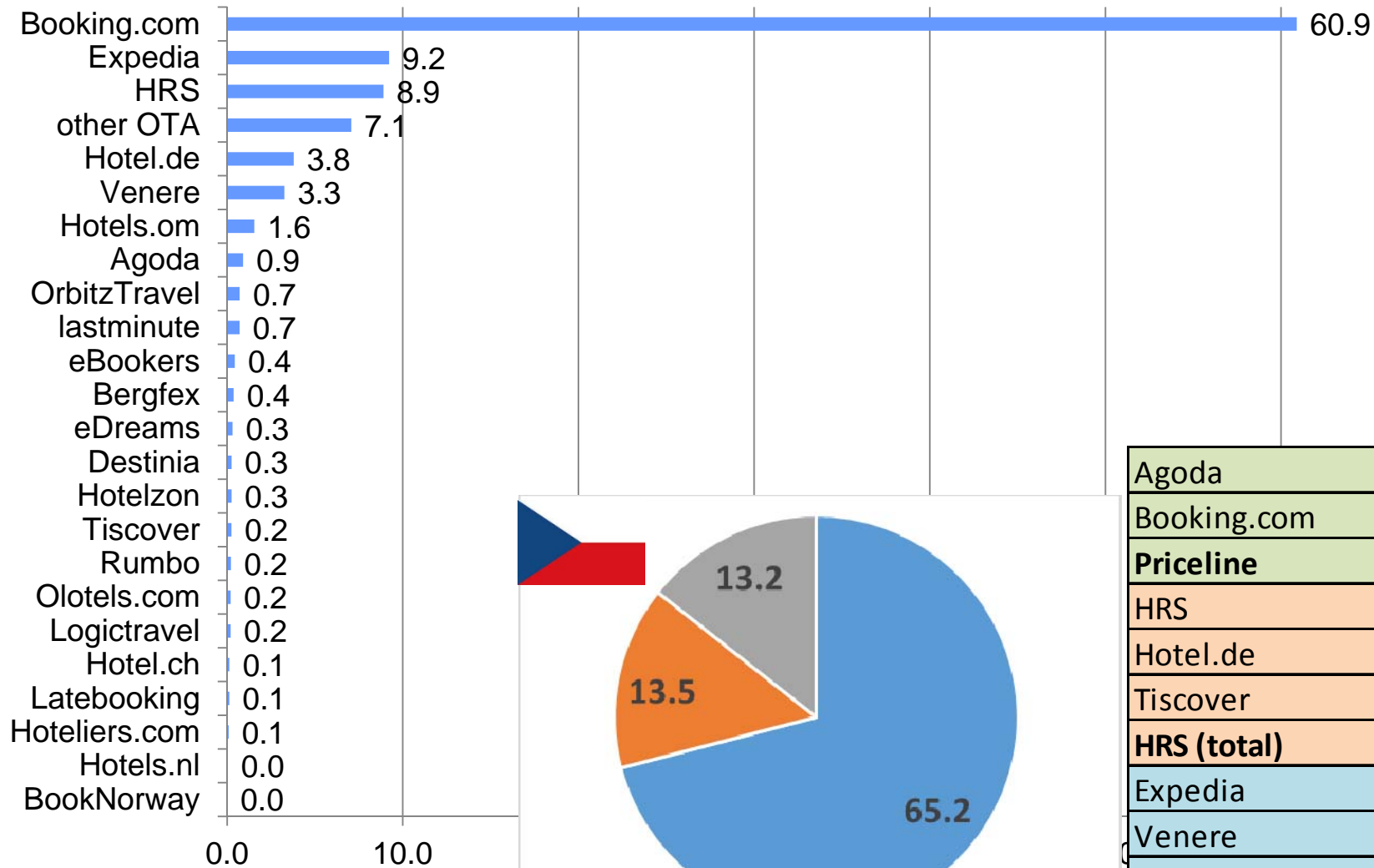
Booking.com

Expedia

HRS

Hotrec
Hospitality Europe

Weighted relative market shares of OTAs in Europe



Agoda	0.9
Booking.com	60.9
Priceline	61.8
HRS	8.9
Hotel.de	3.8
Tiscover	0.2
HRS (total)	12.9
Expedia	9.2
Venere	3.3
Hotels.com	1.6
Expedia (total)	14.0
Total of top 3	88.8

Based on 1736 observations from the survey. Values in %

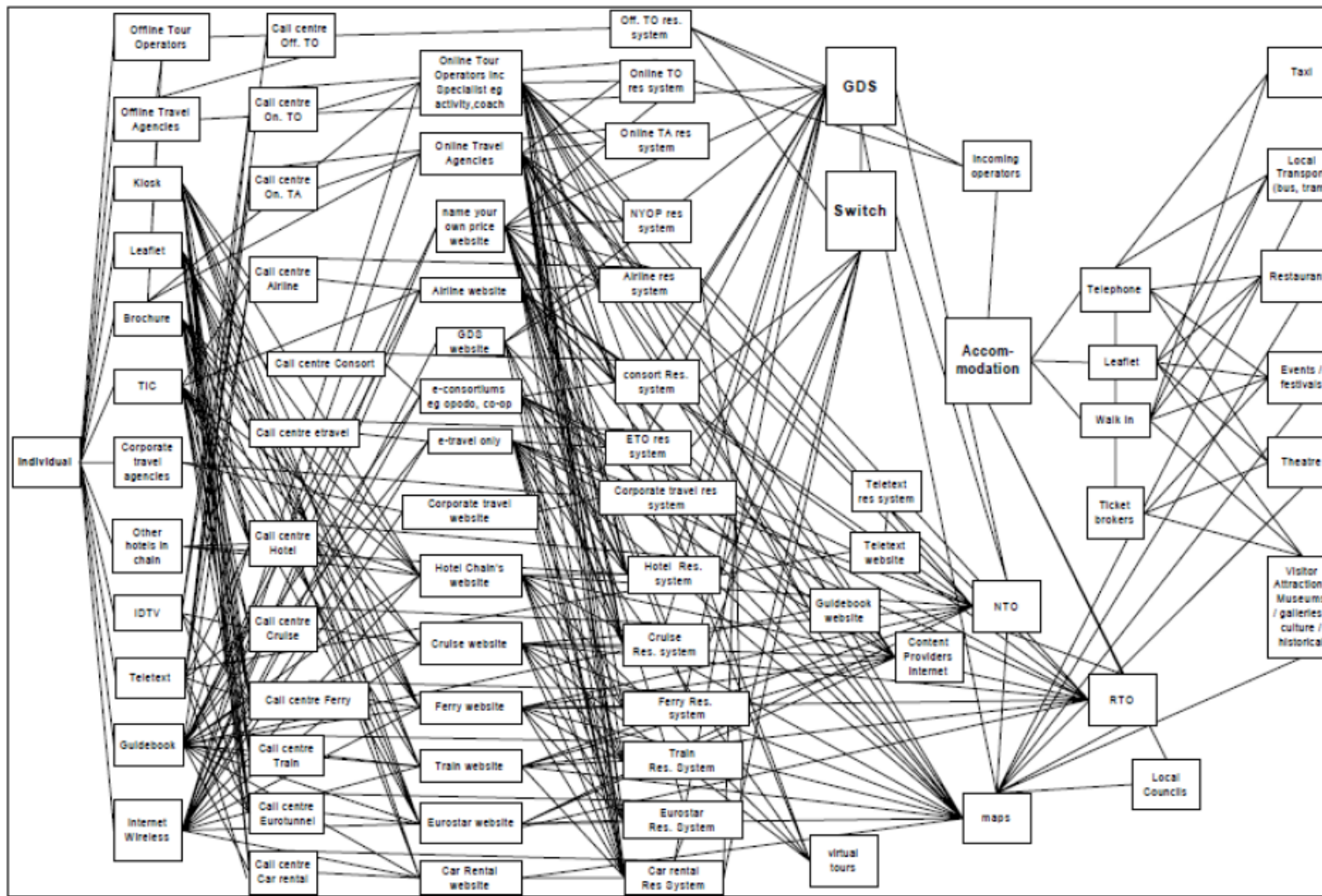
Distribution trends in tourism



7 Distribution trends in hospitality

- I. Increasing complexity of distribution landscape**
- II. Marketing power of OTAs**
- III. Growing OTA market shares**
- IV. Mobile booking**
- V. Consolidation in online market & product diversification of OTAs**
- VI. Metasearch Sites (Kayak, Trivago, TripAdvisor Meta Search, Google Hotel Finder)**
- VII. Social media/sharing economy: New entrants (P2P peer-2-peer such as AirBnB, HouseTrip, HomeAway)**

I. Complexity of Distribution Landscape or the «Explosion» of Interconnectivity in Tourism



Source: Buhalis D., and O'Connor, P., 2005, *Information Communication Technology - Revolutionising Tourism, Tourism Recreation Research*



II. Marketing Power of OTAs

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

November 08, 2013 | Online Travel

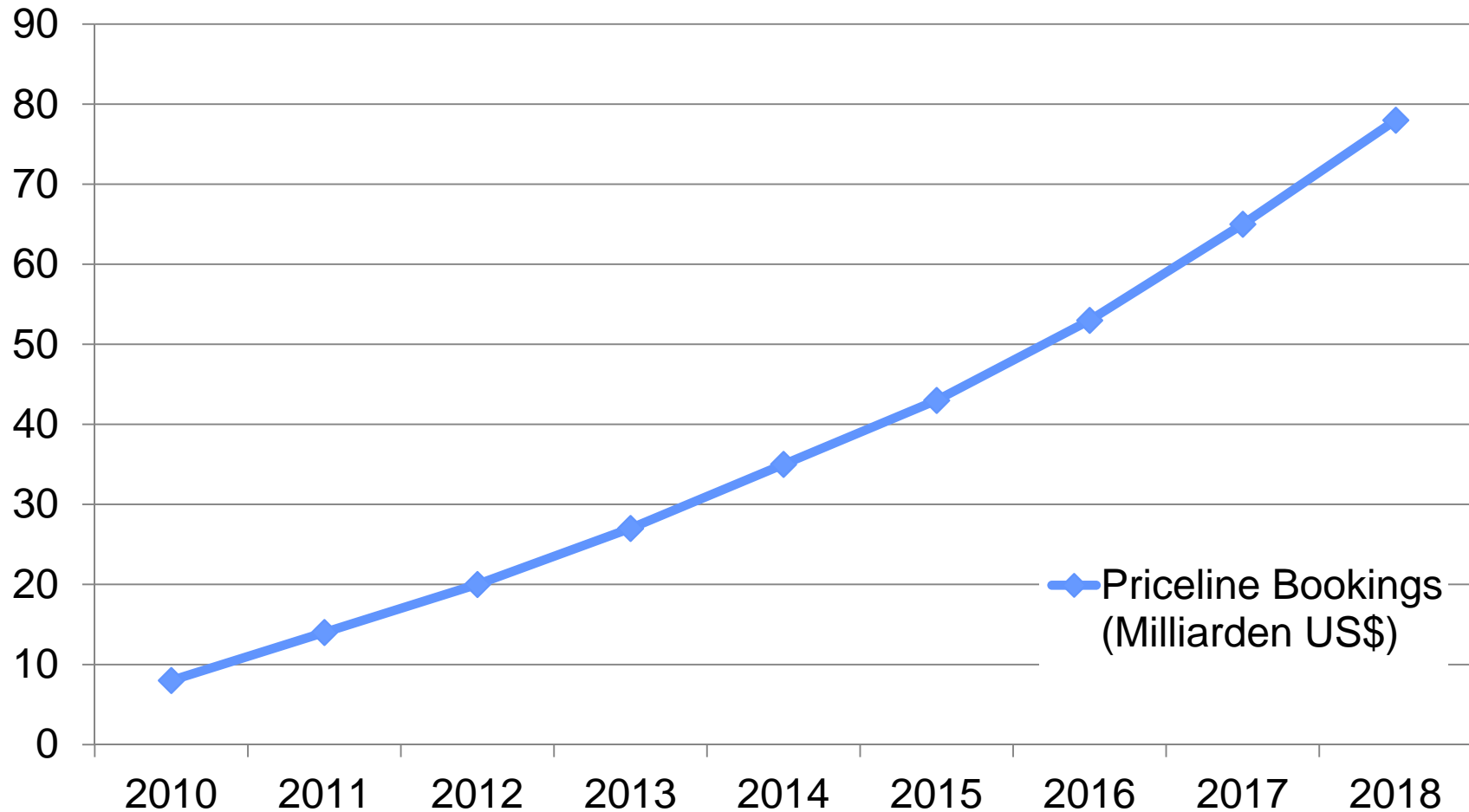


- **Estimation: Priceline spent probably 1.8 billion US\$ in 2013 for the online marketing of more than 420'000 properties worldwide (> 4000 US\$ per hotel).**
- **555'000 transactions handled each day on booking.com**
- **Website traffic OTAs in May 2014 (skift.com):**
 - **booking.com: 200 million monthly visitors on website**
 - **TripAdvisor: 160 million**
 - **Expedia: 63 million**

Source:

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

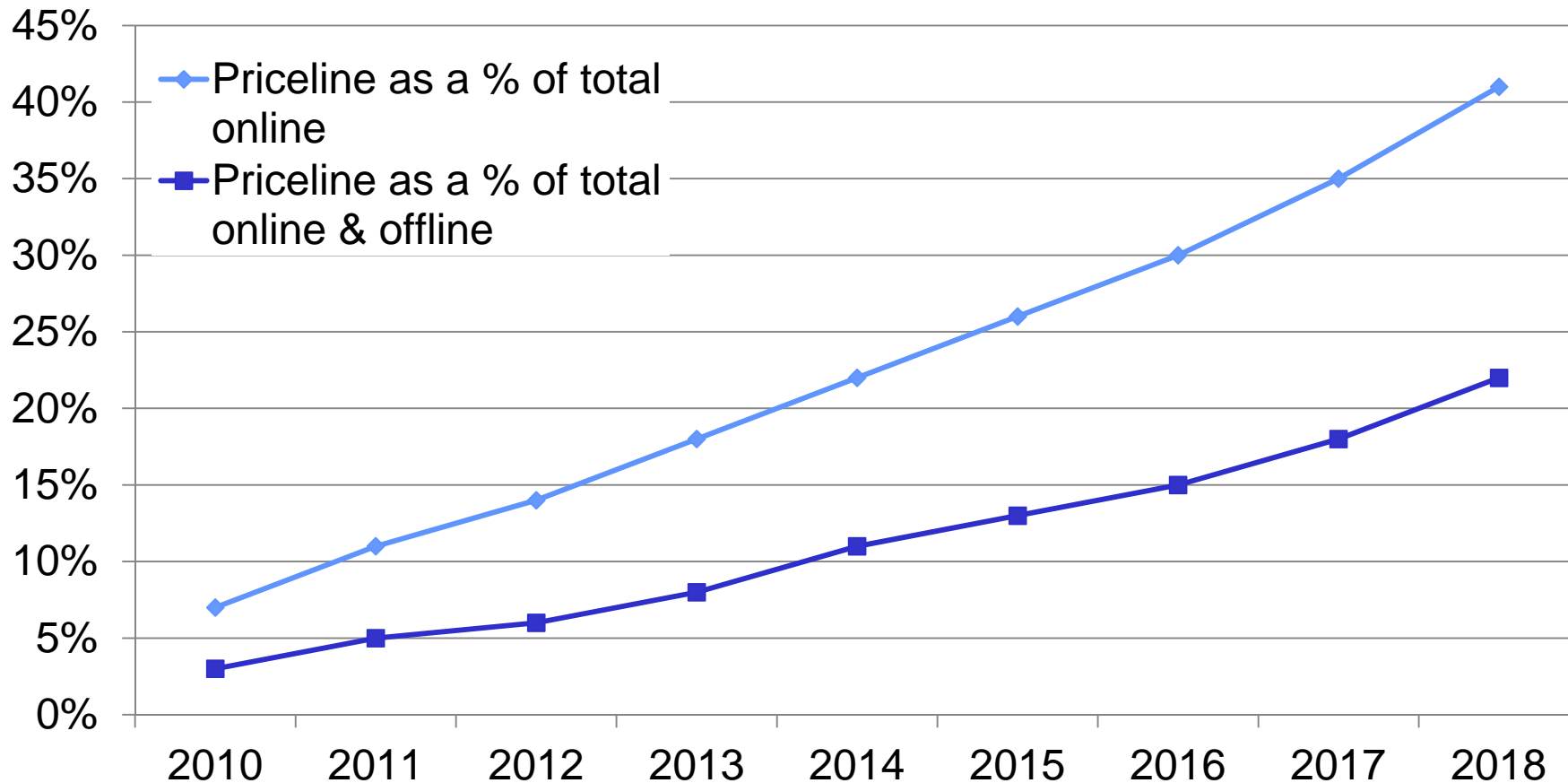
III. Future Evolution of OTAs in Europe: Priceline (booking.com)



Source: <http://skift.com/2014/04/16/the-big-growth-opportunity-left-for-the-worlds-biggest-travel-company/>
Expedia and Priceline company reports, eMarketer, Piper Jaffray Research



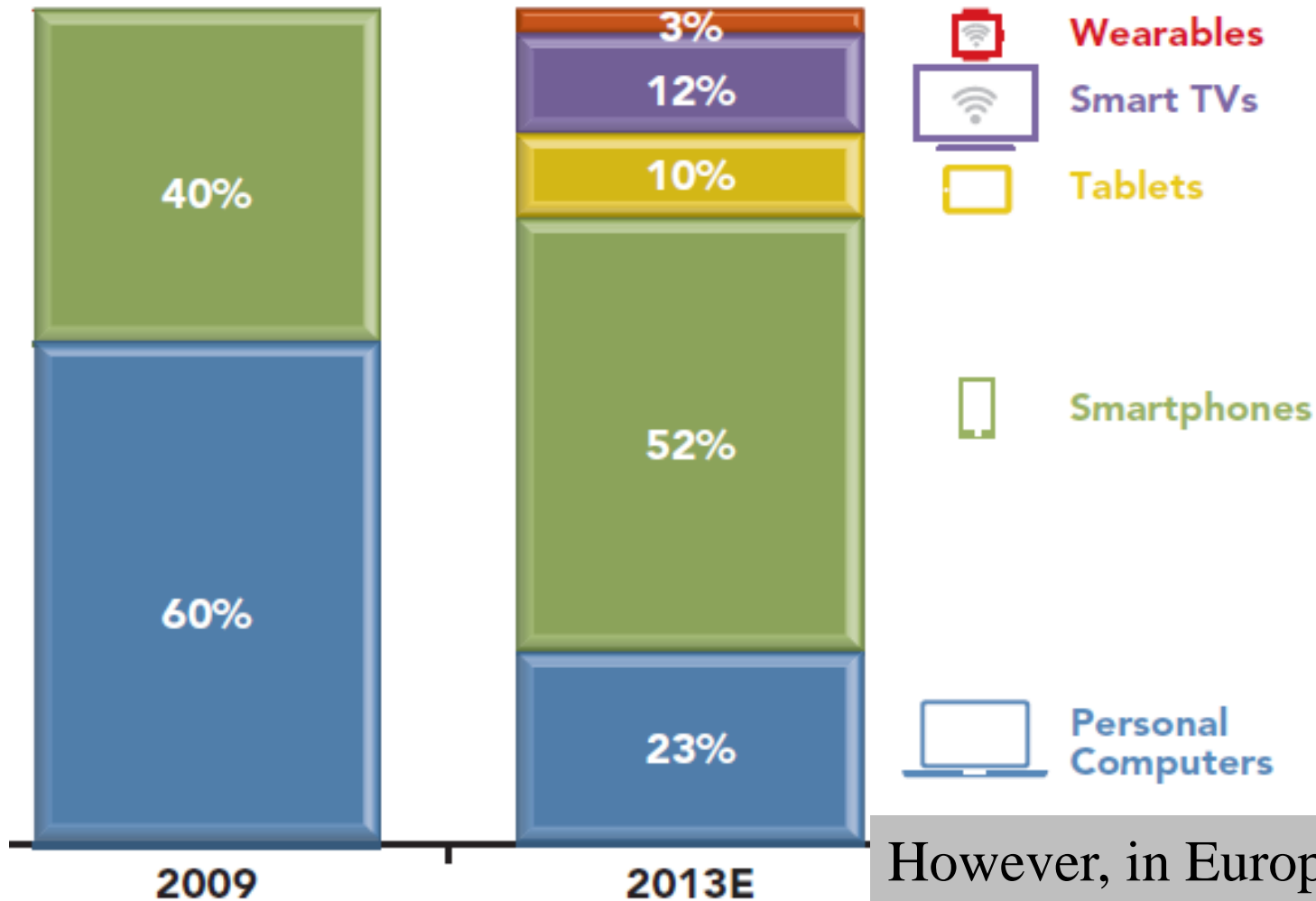
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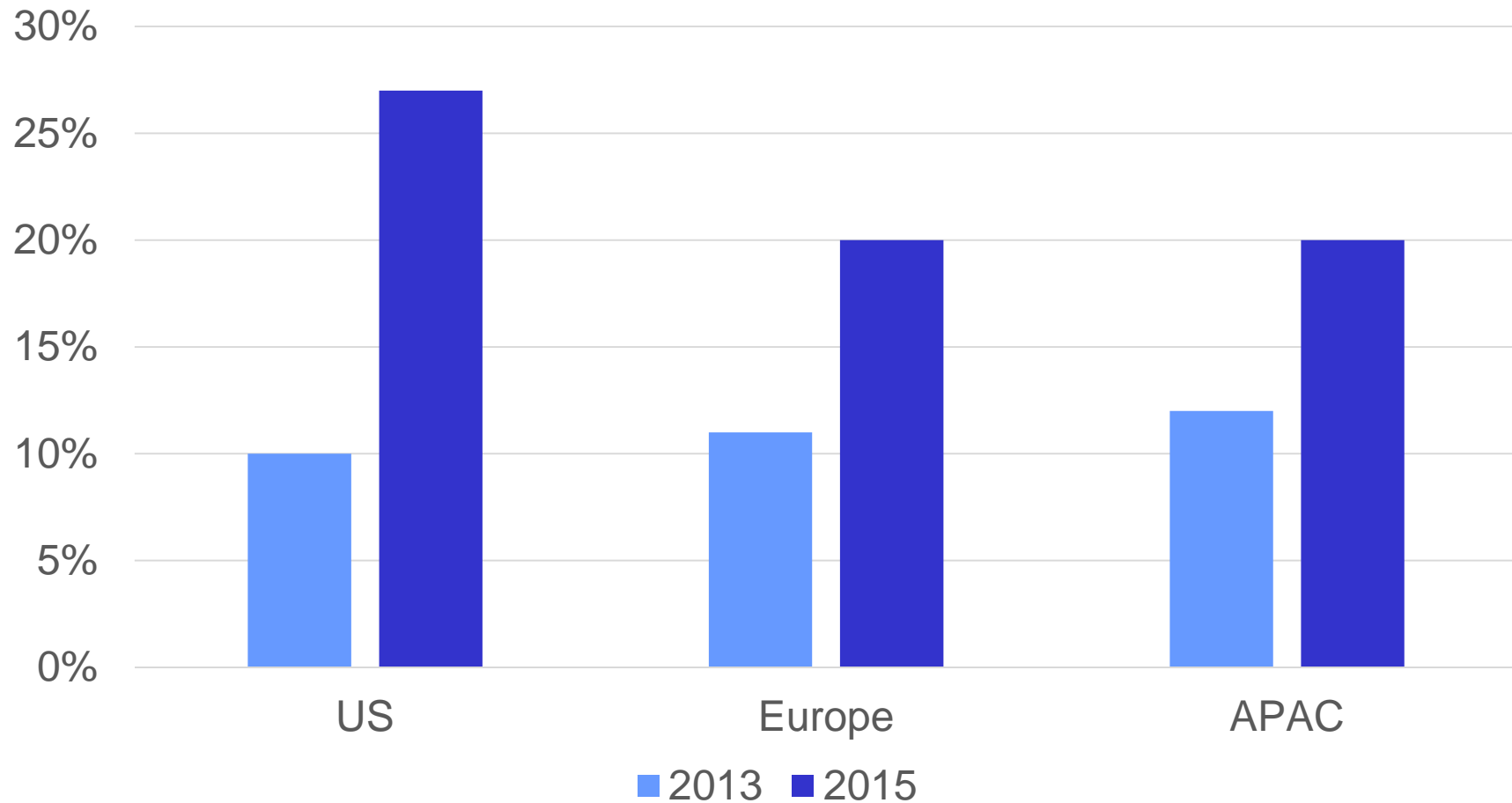
IV. Mobile Booking: Evolution of Internet Access Devices



However, in Europe only 28% of hotels have a mobile version of the website!
Hotrec study (Schegg 2014)

Source: PhocusWright 2014 based on Expedia and Business Insider

IV. Mobile Bookings as Share of Online Travel Bookings



Source: PhocusWright 2014



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

DIGITAL ► BOOKING SITES

Follow this topic

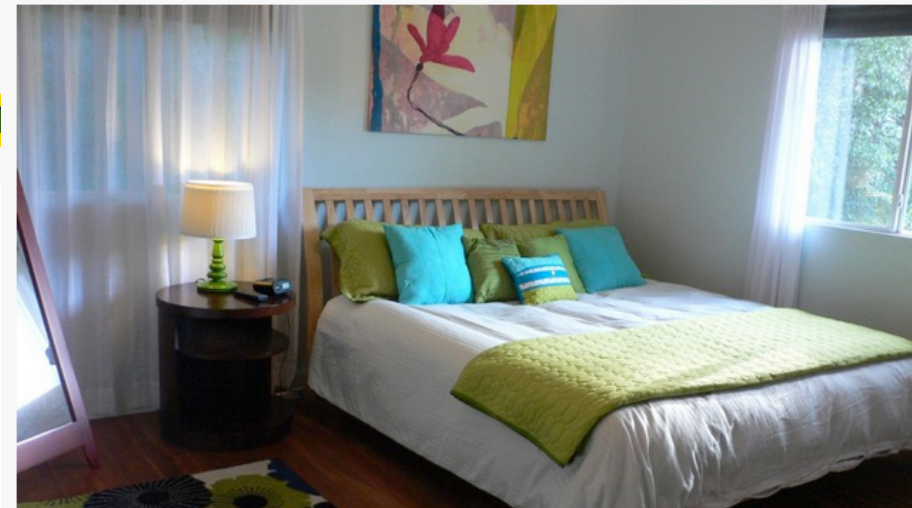
Orbitz President: Expedia-Travelocity Deal Removes Clutter in the Marketplace

Expedia Partners With HomeAway To Offer Vacation Rentals

Twitter Facebook LinkedIn Email

Enter email address

NEWSLET



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

V. Cooperation - Diversification: Priceline & OpenTable (2014)

Priceline Group to Acquire OpenTable for \$2.6 Billion

Dennis Schaal, Skift

@denschaal

Jun 13, 2014 8:07 am

SKIFT TAKE

The Priceline Group? Restaurants? Yes, the agreement to acquire OpenTable is about mobile, and the push by TripAdvisor and now Priceline to fully engage their customers on the go when they are already in a destination — or when they are traveling for business.

— Dennis Schaal



Priceline is getting into the restaurant reservations space with the announcement it intends to acquire OpenTable. Pictured is the Zentan Restaurant in a Kimpton Hotel in Washington, D.C. Kimpton Hotels

Source: <http://skift.com/2014/06/13/priceline-group-to-acquire-opentable-for-2-6-billion/>

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



Google Hotel Finder

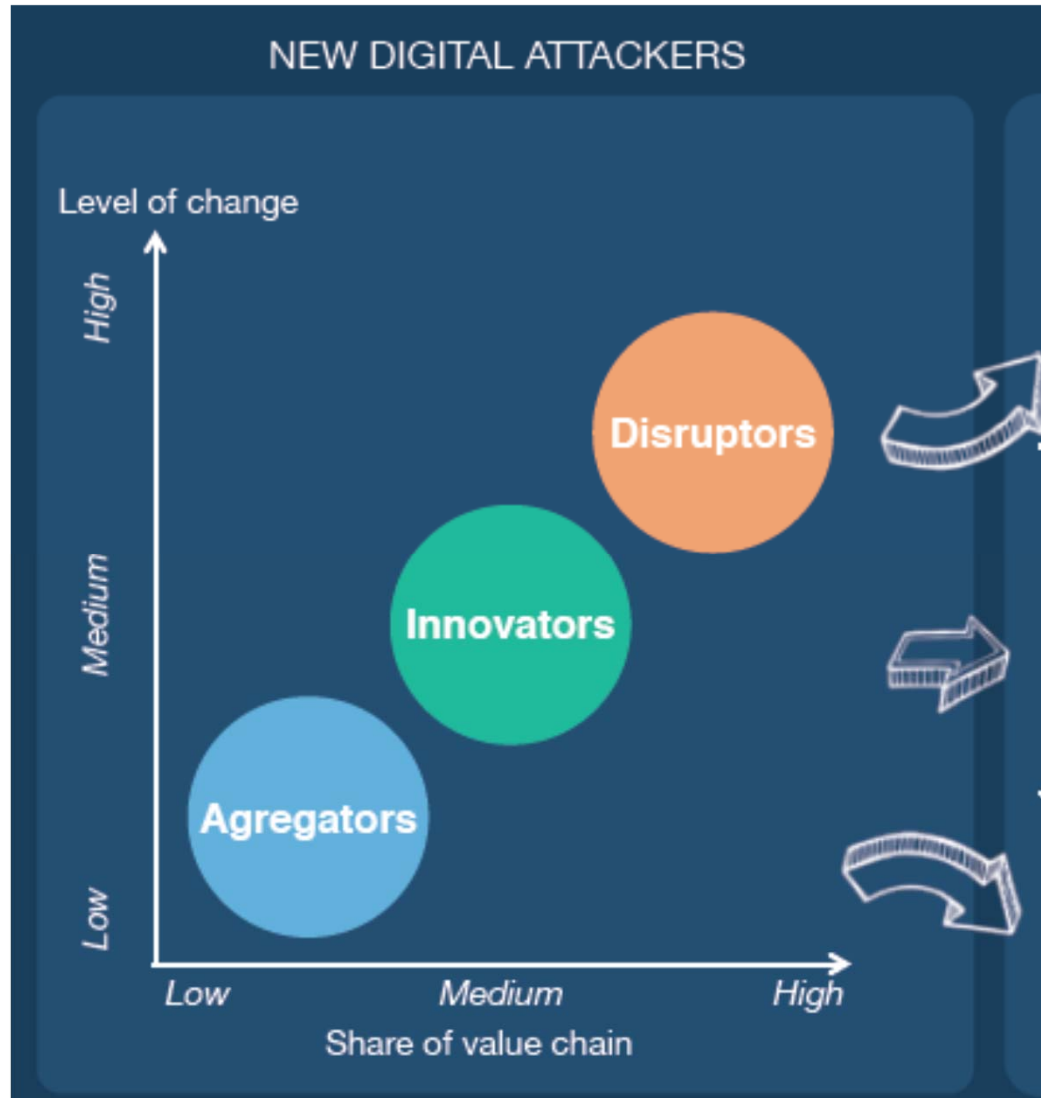
Priceline buys Kayak for \$1.8 billion

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/>



VII. Sharing Economy as Disruptor of the Hospitality Industry

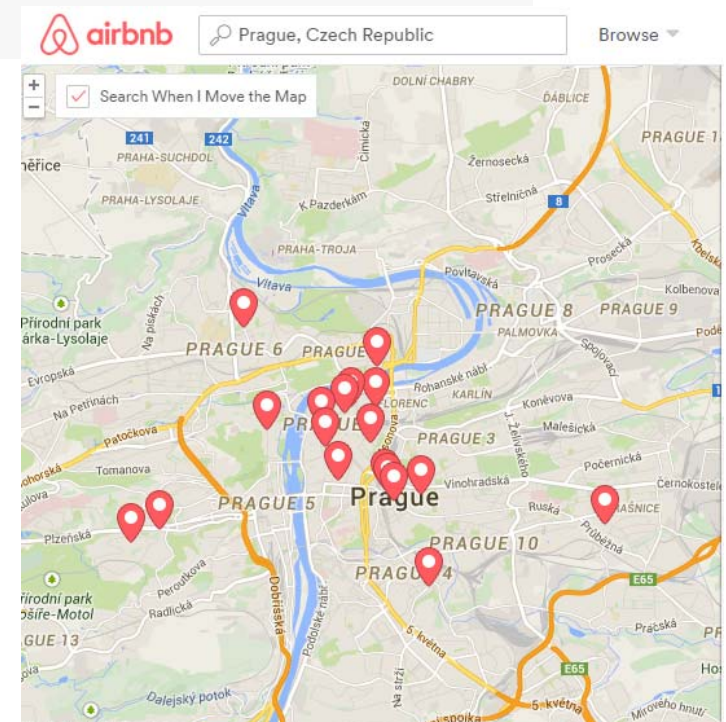


VII. Social Media/sharing economy: New entrants such as AirBnB

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

999 Rentals · Prague



Source: [airbnb.com](https://www.airbnb.com)

Challenges and recommendations



Direct bookings

- 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 & Sigauw, 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. Sigauw. 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: Accor's strategy 2013

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

May 16, 2013

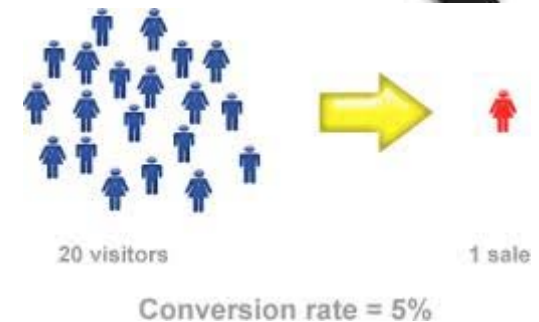
French hotel group Accor is aggressively aiming to increase its digital turnover by 45% within the next three years. It is also pushing for two-thirds of sales to come from the direct channel. That seems a big ask so EyeforTravel's Ritesh Gupta talks to Rémy Merckx, VP e-commerce sales and distribution,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



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

Direct bookings: Accor's strategy 2013

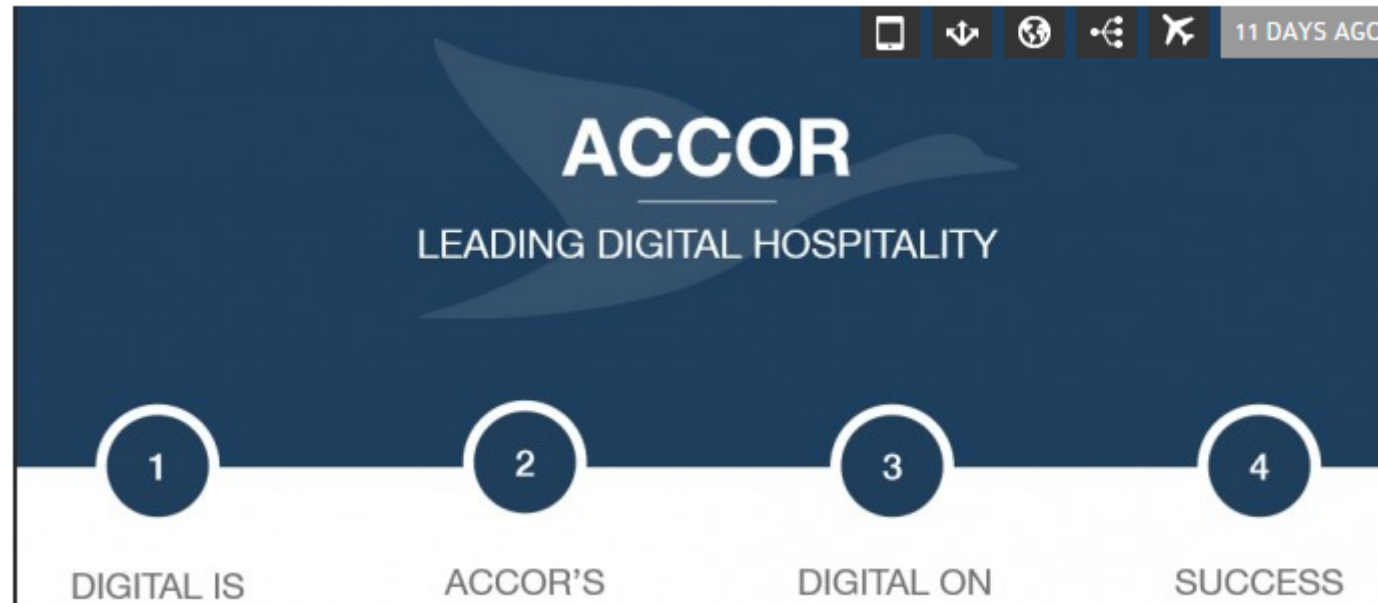
- **Website Traffic:**
 - paid search (**SEM**), **SEO**
 - **Website Usability**
 - **Conversion rate**
- **Best rates and very last room** for customers
- **Merchandising**
- **Club Accor: Loyalty program**
- Improving **digital Tools**
- **Mobile Site**



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



Accor's Global Digital Strategy 2014

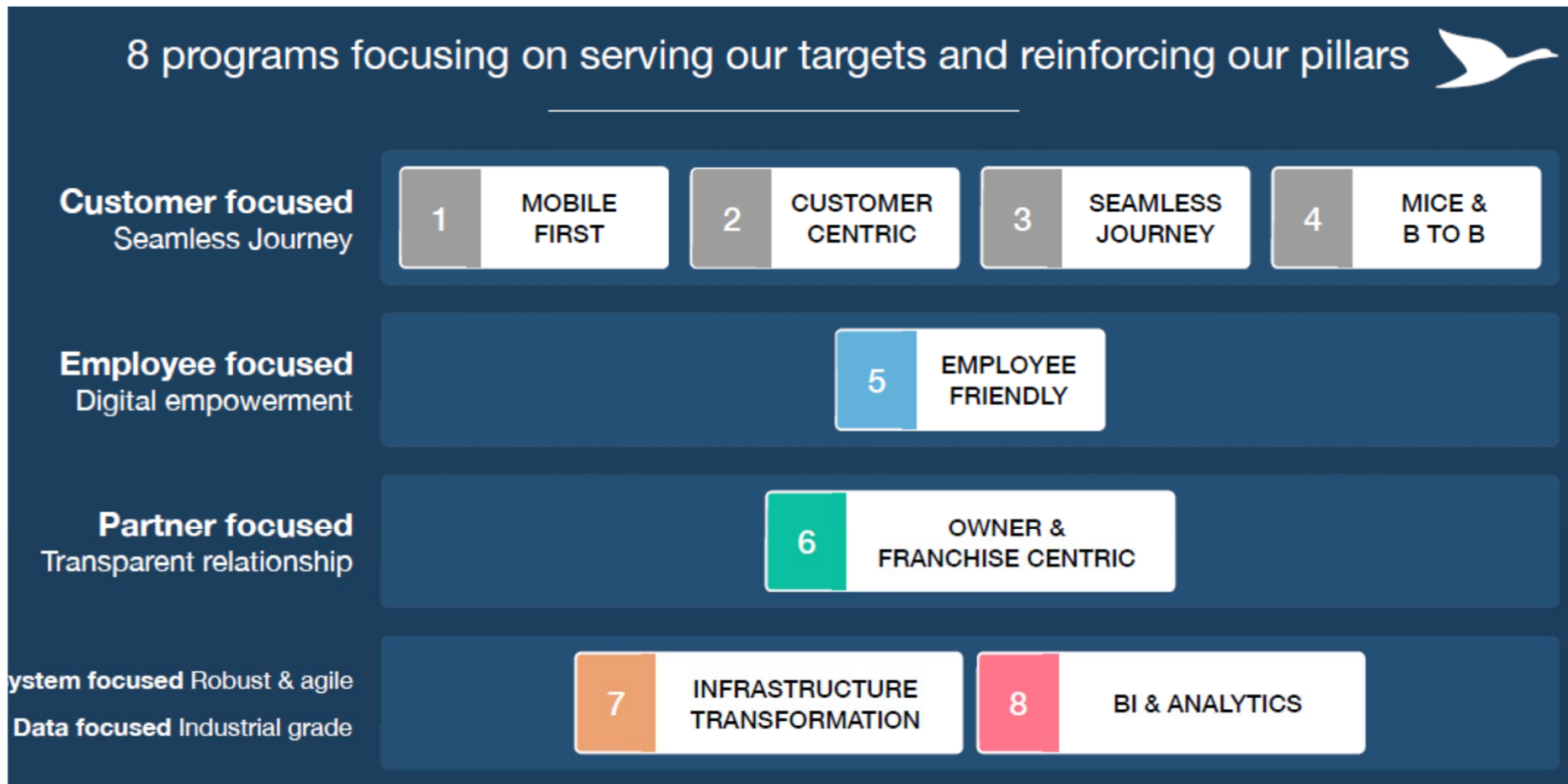


Digital revamp at Accor: mobile first, buys Wipolo, runs hacks

- Accor has allocated 225 million Euros over the next five years to fund a **company-wide digital transformation** which covers **guests, staff and hotels**.

<http://www.tnooz.com/article/digital-revamp-Accor-mobile-first-wipolo-hacks>

Global digital strategy: Accor's strategy 2014



http://www.accor.com/fileadmin/user_upload/Contenus_Accor/Finance/PDF/2014/UK/20141030_accor_leading_digital_hospitality_presentation.pdf

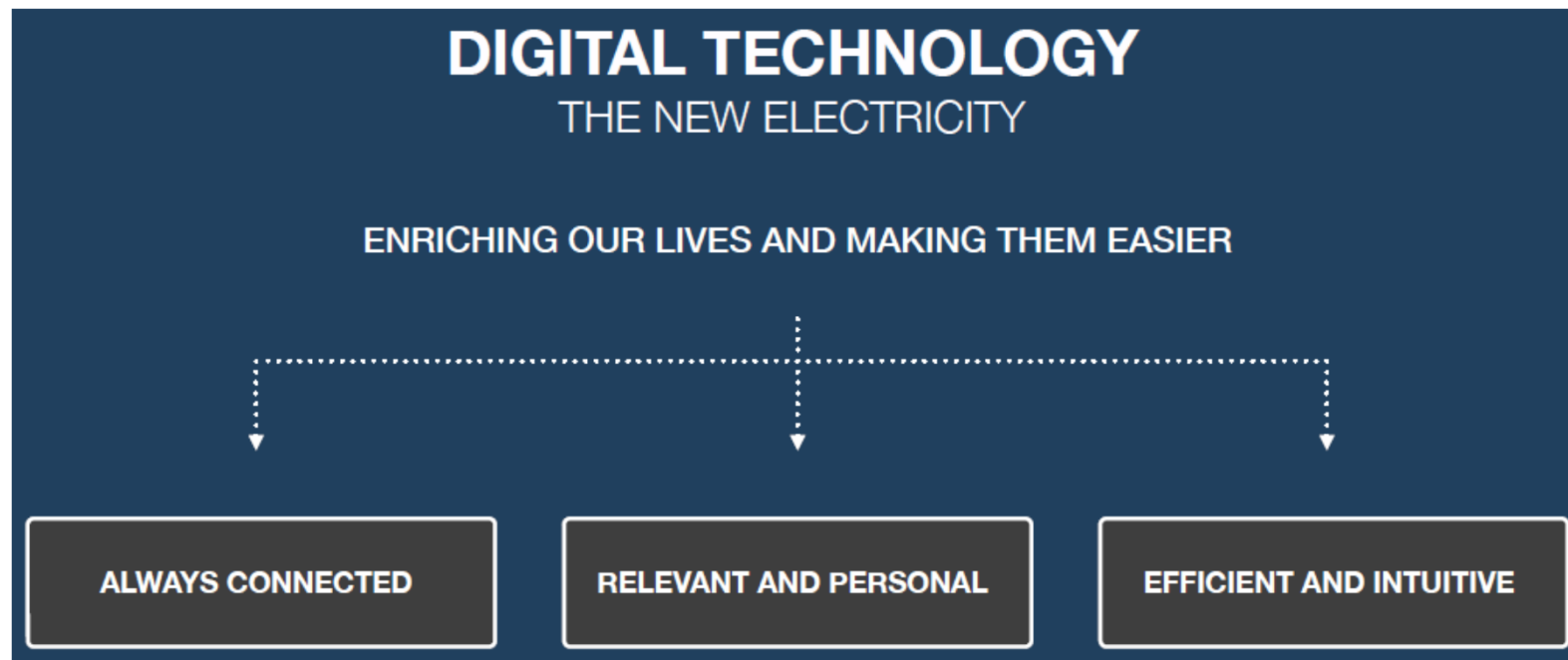
Last but not least: Unique Selling Proposition (USP)

- 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
- Leverage ICT



Source: IBM Institute for Business Value & Accor's Digital Day 2014

Differentiation strategy and customer focus: case Hotel Lugano Dante (Switzerland)

We want Guest Experience to begin before the arrival to:

- be different from the others
- «customize» the experience
- create expectations
- deliver the «promise»

... while not forgetting the basics:

- accurate reservation
- check-in in less than five minutes
- no problems during the stay
- no billing errors



Differentiation strategy and customer focus: Hotel Lugano Dante



HÔTEL LUGANO DANTE
 CH - 6900 Lugano - P.zza Ciceruè 5 - Tel. +41 (0)21 9103700 - Fax +41 (0)21 9105777

Chère Madame De Anne,

C'est avec plaisir que nous vous confirmons la réservation suivante:

	Clients	In	Out	Prix
1 Chambre double Executive	Mme. De Anne	11/09/08	14/09/08	CHF 380.-- 2 Nuits CHF 315.-- 3me nuit

Riche buffet pour le petit-déjeuner, TVA et service inclus. La taxe de séjour (city tax) de 1,45 CHF par personne et par nuit n'est pas comprise dans le tarif. Elle sera facturée à part. Prix par jour et par chambre.

* L'hôtel se réserve le droit d'effectuer un contrôle et/ou une pré-autorisation de la carte de crédit avant l'arrivée.


CONDITIONS D'ANNULATION ET DEPART ANTICIPE

Conditions d'annulation
 La réservation peut être annulée sans aucune pénalité jusqu'à 24 heures un jour

Christian Odio
 Guest Relations



my page
 by HOTEL LUGANO DANTE



Madame Dandrea,

nous vous remercions d'avoir choisi l'Hôtel Lugano Dante!

Nous vous invitons à accéder à votre MyPage, à partir de laquelle vous pourrez facilement personnaliser votre séjour et bénéficier de nombreux services exclusifs.

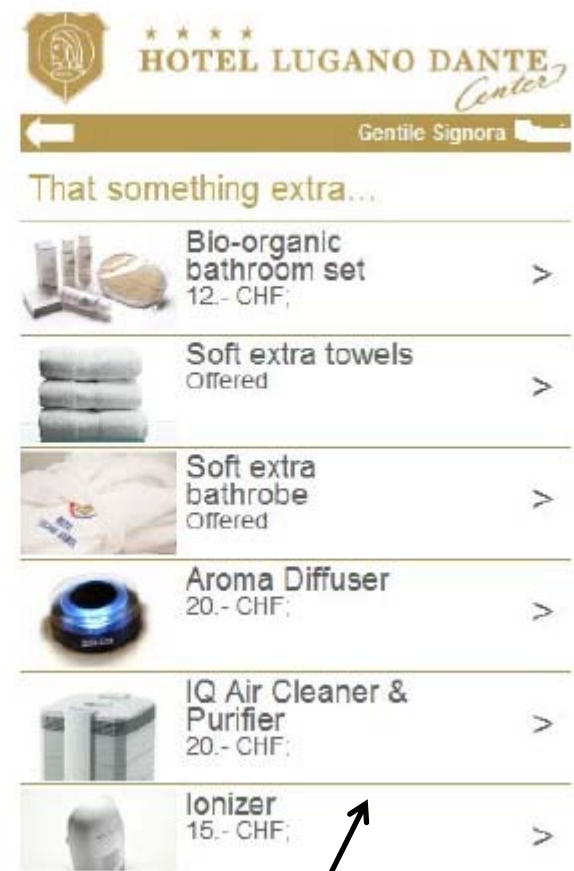
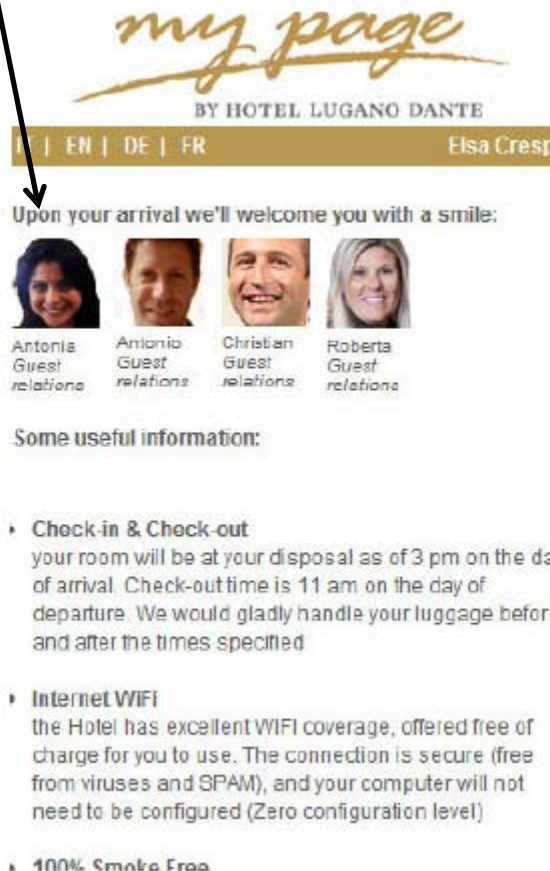
L'équipe d'hôte de vous accueillir à Lugano!

Personnalisez votre séjour



Differentiation strategy and customer focus: Hotel Lugano Dante

Personalized reception



Personalized services before arrival: free and paid extras



Thanks for your attention!

Prof. Roland Schegg

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