

THE HOTEL DISTRIBUTION REPORT  
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# THE HOTEL DISTRIBUTION REPORT 2016

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## Contents

Section	Section title	Pages
	<b>Part I</b>	
1	Introduction	3
2	Overview of the Hotel Industry	4-12
3	Issues in the Market	13-29
4	Distribution Channel Breakdown and Cost	30-38
	<b>Part II</b>	
5	Mobile	41-44
6	Global Distribution Systems (GDS)	44-48
7	Managed Business Channel	49-50
	<b>Part III</b>	
8	Online Travel Agencies (OTAs)	52-70
9	Google	71-76
10	TripAdvisor	76-81
	<b>Part IV</b>	
11	Facebook	84-89
12	Sharing Economy or Access Economy?	90-96
13	Hotel Distribution Consultancies	97-100

### This report looks at the following areas:

1. How will TripAdvisor's instant booking or Google's Book Direct evolve given that they compete directly with the big OTAs, who, at the same time, are the most important clients of TripAdvisor and Google, due to their spending on online advertising?
2. Are the big hotel chains succeeding in harnessing their loyalty programmes to attract more direct bookings?
3. The two big OTAs have reacted in a hostile fashion to the stepped up direct booking campaigns of the major hotel chains. How will this standoff evolve?
4. What is the potential for Facebook, Instagram and other social networking platforms as advertising and even booking channels for hotels? What about Facebook messaging bots, could they be useful?
5. How is the so-called 'sharing economy' impacting the hotel sector and will Airbnb's growth be stymied by increased regulation and enforcement?

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## Executive Summary

Things are moving fast in the hotel distribution space. So much has happened just in the past year. Consolidation –both in the hotel sector itself and amongst distribution intermediaries- has gone forward at a furious pace. Scale and financial resources are needed more than ever to stay competitive in the current hospitality landscape. Online travel agents (OTAs) continue to maintain their stranglehold on the independent hotel sector, but appear to be losing their grip on the big international chains. Indeed, the major hotel companies finally seem to be successful in harnessing their loyalty programmes to convince (or bribe) consumers to book direct and get lower rates than they could elsewhere, as well as other privileges like free Wi-Fi, late check-out, etc. Now the question becomes: will the two big OTAs want to play hardball with the half dozen or so international chains that are pushing their direct booking programmes, but at the same time represent about a quarter of the world's quality hotel stock? The likely outcome of this standoff will be lower OTA commissions, a trend already in place since several years, especially visible in Expedia's results.

The hot fast-growing channel, if it can be termed as such, is mobile (tablets and smartphones), which is displacing desktops for searching and booking hotels, at a breakneck pace, virtually worldwide, but especially in Asia, where the trend is even more advanced than in the west. The rise of mobile has prompted Google to change its search algorithm, making mobile compatibility a priority for hotels and chains.

Meanwhile, the long-existing GDS (global distribution systems) channel keeps chugging along producing good rates and maintaining its share in its core market of large urban hotels. New booking channels, that have been launched over the past two years, like Google's Book Direct and TripAdvisor's instant booking, are tentatively trying to corral independent hotels, but are still heavily dominated by OTAs (viz. Booking.com's collaboration with TripAdvisor's instant booking platform). In fact, TripAdvisor's future relationship with OTAs is a big question mark, as the company depends on Expedia and Priceline Group for almost half of its revenue, but at the same time is promoting itself as a separate hotel booking platform.

Maybe the hotel sector will finally be able to harness Facebook with its 1.6 billion active members as a distribution channel. So far, efforts in this direction have not met with great success, but the company is bringing out new features which could make it work. Now returning to planet earth, it shouldn't be forgot that still roughly half of hotel bookings worldwide arrive via conventional channels (e.g. walk-ins, telephone, fax, email, etc.) and only about a fifth of hotels in China and India are bookable through online channels.

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# Part I

## 1.Introduction

### 1.1 Objective

The objective of this updated report is to identify key trends in the distribution of hotel services and to project how they will evolve. In order to accomplish this goal, the various hotel distribution channels are analysed, regional differences are investigated and the varying distribution profiles of the different segments of the hotel industry are evaluated. In conclusion, it is intended that the report will serve as a valid basis for more detailed analysis and decision-making regarding an individual hotel or chain's distribution strategy.

### 1.2 Structure

The report is divided into four parts as follows. Part I includes: an overview of the outlook for spending on travel and tourism and of the structure of the international hotel industry in terms of major chains and brand value; a review of key issues impacting hotel distribution currently; and a breakdown of distribution channels and their cost. Part II presents an evaluation of the growing mobile channel and the continuing role of global distribution systems and the managed business travel channel in hotel distribution. Part III includes a thorough analysis of online travel agents worldwide, as well as Google and TripAdvisor. Part IV evaluates the potential of Facebook and analyses the impact of the so-called sharing economy on the hotel sector. A sample of hotel distribution consultancies is also reviewed.

## 2. Overview of the Hotel Industry

The oft-cited Phocuswright figure for global travel spending of about US\$1.4 trillion in 2016 is substantially understated. Travelport, the biggest player in the GDS sector, estimates that there is over US\$2 trillion of direct spending on travel annually, of which US\$810 billion is booked through indirect channels, whereby travel intermediaries pay travel providers. Meanwhile, the WTTC (World Travel & Tourism Council) advances an even higher estimate of over US\$4.7 trillion for the year 2015, as shown below in Figure 1.

### 2.1 Outlook for spending on travel & tourism

Worldwide expenditure on travel and tourism should grow by over 50% in real (inflation-adjusted) terms over the period 2015-2026, according to the WTTC (World Travel & Tourism Council). Cross-border spending is expected to grow slightly faster, rising by more than 57% over the period which is good news for hoteliers, since hotels are more likely to be used by international travellers than those on domestic trips. On the other hand, business travel spending is projected to grow at a noticeably slower than average pace which is relatively unfavourable for hotels, since business travellers are typically heavier than average users of hotel accommodation.

FIGURE 1: SPENDING<sup>1</sup> ON TRAVEL & TOURISM IN WORLDWIDE, 2014 & 2025 (US\$ BILLION)

Type of T & T spending	2015	2026 (fore)	Average annual growth rate <sup>1</sup> (%)	% change <sup>1</sup> 2015-2026
Incoming receipts	1,308.0	2,056.0	4.3	57.2%
Domestic spending	3,419.9	5,245.5	4.0	53.4%
Leisure travel spending <sup>2</sup>	3,621.9	5,645.8	4.2	55.9%
Business travel spending <sup>2</sup>	1,106.9	1,658.8	3.7	49.9%
Total spending	4,728.8	7,304.6	4.0	54.5%

Note: <sup>1</sup>calculated at constant prices & exchange rates; <sup>2</sup>Includes domestic and incoming expenditure.

SOURCE: WTTC

#### 2.1.1 Africa

Although spending on travel and tourism in Africa should grow at a well above average rate, rising by almost 63% from 2015 to 2026, the total will still represent less than 3% of the global figure in a decade's time. Incoming receipts should outpace spending on domestic tourism over the period.

FIGURE 2: SPENDING<sup>1</sup> ON TRAVEL & TOURISM IN AFRICA, 2015 & 2026 (US\$ BILLION)

Type of T & T spending	2015	2026 (fore)	Average annual growth rate <sup>1</sup> (%)	% change <sup>1</sup> 2015-2026
Incoming receipts	46.7	77.6	5.1	66.2%
Domestic spending	77.0	123.8	4.5	60.8%
Leisure travel spending <sup>2</sup>	86.6	141.3	4.7	63.2%
Business travel spending <sup>2</sup>	37.1	60.1	4.6	62.0%
Total spending	123.7	201.4	4.5	62.8%

Note: <sup>1</sup>calculated at constant prices & exchange rates; <sup>2</sup>Includes domestic and incoming expenditure.

SOURCE: WTTC

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## 3. Issues in the market

Hotel Analyst has identified four key issues that are currently impacting hotel distribution, including: rate parity clauses in OTA contracts which prevent hotels to list lower rates on non-OTA channels; hotel chain direct booking campaigns which offer enhanced enticements to loyalty programme members to book direct with the chain's hotels; changes to Google's algorithm which now favours mobile and advertisers in search results;

### 3.1 Rate parity clauses under pressure

The issue surrounding rate parity concerns clauses in the contracts between hotels and OTAs that forbid hotels to charge lower rates to their customers through direct channels than those offered on the OTA's site. Originally in the 1990's when online distribution first became an important channel, it was the hotels which insisted on rate parity so as to prevent OTAs from undercutting their direct rates. However, the issue has come full circle, as hoteliers now wish to have the freedom to offer lower rates to their customers through direct channels (including their own websites) than those they provide to the OTAs. Another aspect of the contractual relationship with major OTAs restricting hoteliers is the interdiction to offer more rooms via other channels than with the OTA in question, as well as to guarantee a certain volume of rooms on a regular basis.

While rate parity requirements remain legally intact in the Anglo-Saxon countries, they have been outlawed in several Continental European countries. Germany's Bundeskartellamt (Federal Cartel Office) got the ball rolling in late 2014 when it forbade HRS, Germany's leading OTA to require rate parity in its contracts, a move that was upheld in the German courts in early January 2015 following an appeal by HRS. In April 2015, Booking.com, the European market leader, with an overall share of about 60%, reached an agreement with national competition regulators in France, Sweden and Italy that the OTA would drop price, availability and booking parity restrictions with respect to other OTAs, as well as to offline direct channels (i.e. walk-ins, telephone, fax, etc.).

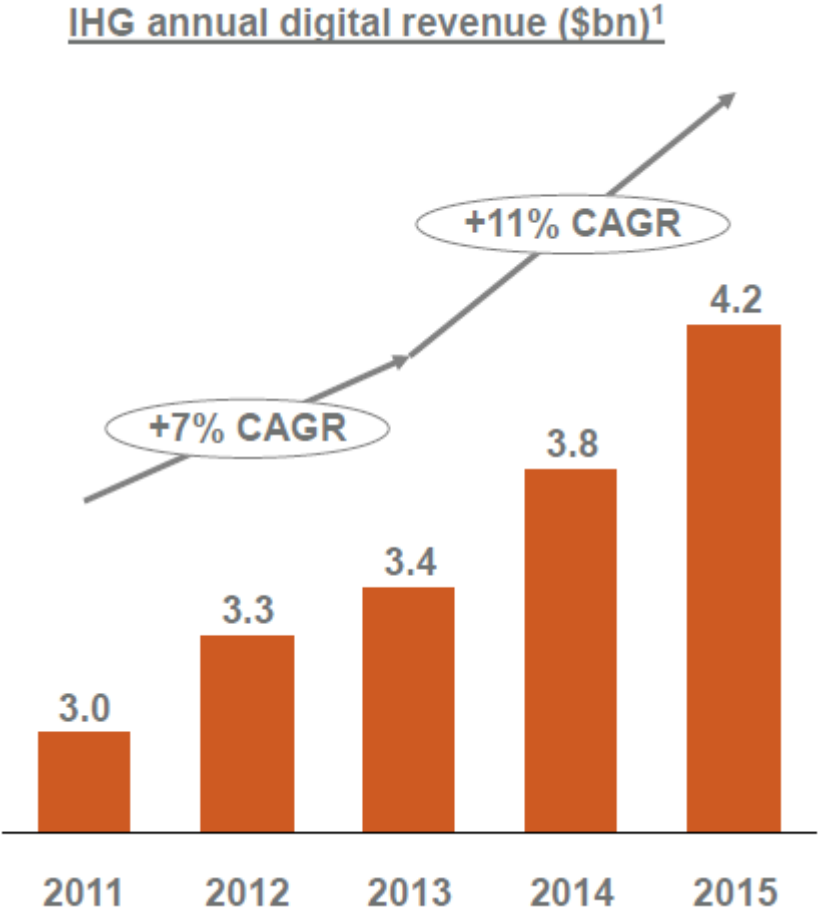
However, for the most part, hotels have continued to be subject to price parity requirements with respect to their own websites. Even this requirement was finally outlawed by the French Parliament in July 2015 when the do-called Macron Law was voted, which effectively forbade any price parity requirements in OTA/hotel contracts. Meanwhile, in Germany, the courts decreed that OTAs cannot have a price parity clause in their contracts with German hotels and that all OTA contracts had to be amended by 31 January 2016. An Italian version of the French Macron law was voted in October 2015 by the Chamber of Deputies, but as of mid-2016, had yet to come into force. The rule was included in the so-called Competition Draft Law, which the Parliament was expected to approve before the end of 2015, but nothing has happened thus far. As of early 2016, a final vote on the law had been delayed indefinitely, according to parliamentary sources.

#### 3.1.2 OTA regulation back on the agenda in the UK

In the UK, an investigation into suspected breaches of competition law "relating to discounting restrictions in arrangements between hotels and online travel agents" was initiated by the CMA (Competition and Markets authority) in September 2014, but was closed inconclusively a year later on the grounds of "administrative priorities".

However, in late April 2016, the issue was revived when the House of Lords issued an 878-page report demanding an urgent investigation into alleged anti-competitive practices in the online travel sector. The report by a House of Lords Select Committee states that online travel intermediaries lack

FIGURE 16: IHG'S DIRECT ONLINE REVENUE BOOKED, 2011-2015 (US\$ BILLION)



Note: <sup>1</sup>includes direct web and mobile bookings

Source: "Full Year Results Presentation 23 February 2016", IHG

**3.2.2.1 IHG Rewards Club Exclusive Rates**

In early May 2016, IHG moved to reinforce the appeal of booking direct on the chain's websites. The group has proceeded to roll out its global promotion, 'Your Rate by IHG Rewards Club', an exclusive rate offered to IHG Rewards Club members when they book direct. IHG Rewards Club is the world's oldest (originally dates from Holiday Inn's loyalty scheme launched in 1983) and largest hotel loyalty programme, with over 92 million members worldwide. IHG Rewards Club had already been offering benefits such as no blackout dates on Reward Nights, mobile check-in and extended check-out times. 'Your Rate by IHG Rewards Club' was launched at IHG hotels in the Americas and Europe in May 2016, and is to be rolled out across the remainder of IHG's portfolio in Asia, the Middle East, Africa and China later in the year. A study of British consumers commissioned by IHG found that over 75% of travellers book with OTAs because they believe that they get a better rate. Furthermore, the same research found that only 10% of consumers book their accommodation on a hotel website.

Exclusive hotel rates are available when members book direct via IHG branded websites, the IHG App or phone reservations through IHG's global call centres. These rates may also be booked by select travel partners on behalf of any IHG Rewards Club Member through eligible channels. A quick check of rates at the Holiday Inn Bristol City Centre for the night of 25 May 2016 carried out on 3 May 2016 revealed a price discrepancy of £4.12 or about 3% with Booking.com offering their cheapest room at £136, while the IHG Rewards price on the chain's website had the same room at £131.88.

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### 3.2.3 Hilton's "Stop Clicking Around" campaign

Already in October 2015, Hilton began offering discounted rates of up to 10% to HHonors members in select markets, which were later matched by Starwood. In mid-February 2016, the chain launched a major campaign to promote booking on its direct channels, dubbed "Stop Clicking Around", which featured a 30-second video aired on TV with the iconic Rolling Stones tune (I can't get no) Satisfaction as background music. According to iSpot.tv estimates, Hilton spent US\$1.3 million on the television commercial, which had 49 national airings from 15 to 17 February in the US. The main objective of the initiative, which has been billed as biggest promotional campaign in the company's history, is to drive home the point that clients can get the cheapest rates on Hilton.com.

Geraldine Calpin, SVP and global head of marketing & digital at Hilton notes that there is widespread belief among travellers that OTAs offer the lowest prices. Indeed, according to the chain, 57 billion Hilton HHonors Points went unused in 2015 because guests booked through a third party, equating to more than 1.6 million free nights lost. While hotel groups have offered various incentives, such as free Wi-Fi and free breakfast, to convince consumers to book directly, such promotions often have had minimal effect because consumer behaviour is so entrenched in the OTA booking ecosystem. Now Hilton Honors loyalty programme members are being offered a discount of as much as 10% on room rates if they book direct as well as occasional flash sales offering up to 25% off for members. In fact the discount varies according to booking window and date. For instance, as explained by Calpin, "If you are trying to book a weekend three weeks out from now, you will get 10% off. If you're trying to book for tomorrow night, you will still get a discount but it will be 2-3 % off".<sup>8</sup>

Reportedly the company is planning to cut travel agency commissions on these bookings from 10% to somewhere between 5% and 8%. Hilton's campaign had previously been welcomed by The American Society of Travel Agents, which congratulated the company on offering the discounts not only when booking through its own channels, but also through preferred corporate travel partners and approved travel agents<sup>9</sup>.

#### 3.2.3.1 Hilton's new video ad campaign

In late April 2016, Hilton added a new feature to its campaign to attract direct bookings, a 360-degree video that also enables direct bookings. While travel and tourism brands have been using 360-degree videos to inspire travellers, this is the first time they've been harnessed to convert direct bookings. For example, Facebook recently launched 360-degree videos on its platform with brands such as National Geographic and Tourism Australia. In contrast to other forms of 360-degree videos that can be viewed on a desktop, this video is only accessible on mobile devices<sup>10</sup>.

The mobile ad begins with a 16-second Hilton video, asking consumers, "Where will your story take you?" Once the high-definition video ad ends, a custom "end card" shows up with a link to an interactive 360-degree video, "Destination: Inspiration" that takes viewers on a "virtual vacation" to the Hilton Barbados Resort. When viewers rotate their mobile devices, the video views change to provide a full 360-degree perspective. Once a user is finished viewing the 360-degree video, which contains about four minutes' worth of content, an end card appears with a "Book Now" button. Clicking on the button prompts users to enter their preferred destination, which then pulls up hotels in that area via Hilton.com's reservation system<sup>11</sup>.

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### 3.4.2 OTAs accused of changing prices after customers booked

The publicly quoted OTA, On the Beach, who claim to have a 17% share of the UK online short-haul beach holiday market, have been accused by customers of raising prices after they booked, forcing them to either pay more or cancel their trips, charges which the company denies. However, the OTA did admit that "every now and again" it was unable to offer a holiday for the price shown online, but it said customers were always told if the price had gone up before they made a booking. The OTA blamed the 'odd' price discrepancy on a problem with the live data feeds from its suppliers, which it said sometimes didn't provide updated price information fast enough.

"However, customers are told the price has gone up before the booking is confirmed," said an On the Beach spokesman. "When they try to book online, if the price has gone up they are told of the increase and asked if they still want to go ahead before payment is taken," he said. He denied accusations in a *Daily Mirror* article that the company increases prices after bookings had been confirmed and paid for. The article quoted consumer advocacy group, HolidayTravelWatch, as saying that it regularly has received complaints from consumers who book with some online travel sites and then are requested to pay more because the price has gone up.

As explained by a company spokesman: "On the Beach customers have never been charged for a holiday and then asked to pay more. The problem is that hotels and airlines are sending out millions of prices to their suppliers and somehow, every now and again, they don't update fast enough. It's a technical issue and they are constantly trying to make the feed as fast as possible. There are holidays that can be booked at the price shown, but every now and again, between us getting a refreshed feed from the supplier and a new booking, the price has changed."<sup>31</sup>

### 3.4.3 OTA 'discounts' and misleading messages

While not technically fraudulent, the big OTAs like Booking.com and Expedia regularly post messages on hotel listings which are arguably misleading. For instance, on 30 April 2016, the 4-star Nash Airport Hotel in Geneva was listed on Booking.com at a price of CHF 140 for the night of 17 May 2016, which the site claimed was a 65% discount from the normal price of CHF 400 per night. In fact, the 'fine print' on a window which pops up when clicking on the '65%' (but cannot be copy/pasted), explains that the supposed discount "is based on the third highest price of the property for rooms with the same booking conditions in a 30-day window around your check-in date (15 days before and 15 days after)...." A quick check on the Nash Airport Hotel's own website revealed a price of CHF145. Thus, in reality the discount being offered by Booking.com was no more than 3.5%, not the 65% claimed on the OTA's listing page. The case of the 3-star Hotel Excelsior in Geneva is even more egregious. The rate of CHF178.50 offered on the hotel's website for the same date with the same non-refundable conditions was actually 18% lower than the Booking.com price of CHF 218.40 which was being advertised as a discount of 61%!

Another favourite tactic of the OTAs is to create a sense of urgency for online lookers, with messages such as "Booked 5 times today", which is ambiguous as it is not explained whether the property was booked for the exact date sought by the traveller or whether it was for other dates. Other distracting, potentially misleading messages include: "Only 3 rooms left on our site!" or "In high demand". For example, Booking.com showed a message stating "Only 1 room left on our site!" for the night of the 17 May 2016 in the Hotel Amiral in Geneva; meanwhile in reality at least 8 or roughly one-third of the hotel's 25 rooms were still available for that date directly from the hotel. Admittedly, while the OTA's message is technically truthful, it could have the effect of inciting a traveller to book with unnecessary urgency.

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## 3.5 Cyber security risks

Cyber security is posing increasing risks for hotels - both for the booking process and for onsite mobile apps, which can be particularly vulnerable to hacking if not properly protected. Over the past year or so, there have been a series of notable cyber-attacks on hotels, including those managed by Hyatt, Hilton and the Trump Hotel Collection. In late September 2015, Hilton conducted an internal investigation following a report from an independent expert that the chain had been victimised by a credit card breach at cash registers in gift shops and restaurants at several of its US-based properties and franchises. Hyatt discovered malware on its payment-processing network in late November and has now identified 250 hotels that were affected. However, one of the biggest cyber security risks at hotels may come from guests' mobile devices which are linked to hotel company apps.

### 3.5.1 Hospitality sector vulnerable to attack

The hospitality sector is particularly attractive to hackers due to the many ways guests can make purchases while on property. Attacks can be brand-wide, such as in Hyatt's case, or geographically concentrated, such as when a number of San Diego hotels fell victim to credit card hackers in July of 2015. The risk for hotels of a data breach is compounded by the potential liability incurred. In August 2015, a US appeals court decided that the Federal Trade Commission (FTC) has the power to regulate corporate cyber security and a lawsuit may be forthcoming between the FTC and Wyndham Worldwide for failing to adequately defend customer information.

#### 3.5.1.1 Hilton investigating hacking at its hotels

At the end of September 2015, Hilton stated that it was investigating claims that hackers had compromised registers in gift shops and restaurants at many Hilton Hotel and franchise properties across the US. According to a post by cyber-security blogger, Brian Krebs, Visa had sent confidential alerts to financial services companies warning of a breach at a business between 21 April and 27 July 2015. Sources at five different banks confirmed that the cards in the alert had all been used at Hilton, according to Krebs. The report stated that several unnamed financial industry sources told Krebs that hacking may still be ongoing and could have begun as early as November 2014.

"Unfortunately the possibility of fraudulent credit card activity is all too common for every company in today's marketplace," a Hilton spokesman said in a statement, adding that, "We take any potential issue very seriously, and we are looking into this matter." The spokesman declined to elaborate on his statement. Krebs, who broke the news of a massive 2013 breach at the retailer, Target Corp, a day before the company announced it, stated that the cards had been used at the McLean, Virginia-based company's flagship Hilton locations as well as at Embassy Suites, Doubletree, Hampton Inn and Suites properties, and the upscale Waldorf Astoria Hotels & Resorts.

#### 3.5.1.2 250 Hyatt hotels in data breach

At the end of 2015, it was discovered that a number of Hyatt Hotel properties had been attacked by hackers who placed malware on the computers running payment processing systems at several of the group's managed hotels. While the company had not initially released information on the number of hotels affected by these attacks, in mid-January 2016, the *Wall Street Journal* reported that Hyatt admitted to having found malware in 250 of its hotels worldwide. The malware attack was conducted over a four-month period in 2015, and affected about 40% of Hyatt's operating hotels, making it one of the largest hotel data breaches ever.

## 4. Distribution channel breakdown

It is impossible to generalise about the breakdown of distribution channels in the hotel industry. Location and affiliation heavily influence the distribution profile of any given hotel. Independent hotels in secondary and resort locations are more likely to depend on third-party intermediaries like travel agents – both online and offline – and tour operators. Meanwhile, hotels affiliated to major chains, which are more likely to be situated in urban and prime resort locations generally succeed in getting a higher proportion of reservations through direct channels, including the chain's website or call centre.

### 4.1 Channel breakdown in top 50 markets worldwide

TravelClick data from the world's 50 leading hotel markets show that properties in this category, which are most likely affiliated to major brands, get about 60% of their bookings in monetary terms through direct channels. The biggest single channel remains direct bookings by conventional means, which include walk-ins, meetings/groups, direct call-in. Surprising to many no doubt is the fact that the GDS (global distribution systems) channel remains a more important channel than the OTAs for hotels in major urban markets, which have a significant business traveller clientele who still tend to book via the major GDS like Sabre, Galileo, Worldspan, Amadeus. The OTAs (e.g. Expedia, HRS, Priceline/Booking.com) are in fact a rather marginal channel for this category of hotels, accounting for only 12% of bookings in value terms. The role of the OTAs, as suggested above, can be much more important in independent hotels in secondary locations where they may provide as much as 70% to 80% of total bookings. In any case, branded hotels in major urban markets get almost two-thirds of their online bookings through direct channels (hotel property or brand website). Another 12% of total booked revenues are booked through CROs (central reservations offices) via voice (call centres) chat or email.

FIGURE 17: BREAKDOWN OF REVENUE\* BY CHANNEL (IN US\$) FOR THE YEAR 2015

Channel	Direct conventional	GDS	OTA	Web direct	CRO
% of total	37.9%	16.1%	12.0%	21.8%	12.1%

Note: \*Top 50 hotel markets worldwide from TravelClick data participants

Source: TravelClick Demand 360

#### 4.1.1 Comparison between international and North American markets

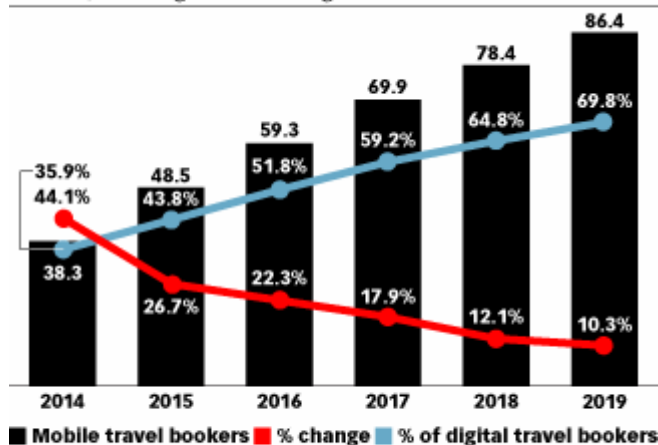
The degree of chain consolidation in the North American hotel market explains most of the difference in the distribution profile between the two regions. Particularly striking is the much higher web direct share and lower OTA share in North America, where large chains like Hilton, Marriott, Starwood, Wyndham and Choice dominate the hotel landscape. However, properties outside the North America get almost half their bookings by direct conventional channels (telephone, fax, email, walk-ins). Once all the direct channel shares are added up (including CRO), both regions arrive at the same proportion of direct bookings at about 72%.

FIGURE 18: BREAKDOWN OF REVENUE\* BY CHANNEL FOR INTERNATIONAL (IN €) AND NORTH AMERICAN (IN US\$) MARKETS FOR THE YEAR 2015

Channel	Direct conventional	GDS	OTA	Web direct	CRO

### US Mobile Travel Bookers, 2014-2019

millions, % change and % of digital travel bookers



Note: ages 18+; mobile device users who have booked travel via mobile device at least once during the calendar year  
Source: eMarketer, Nov 2015

200397

www.eMarketer.com

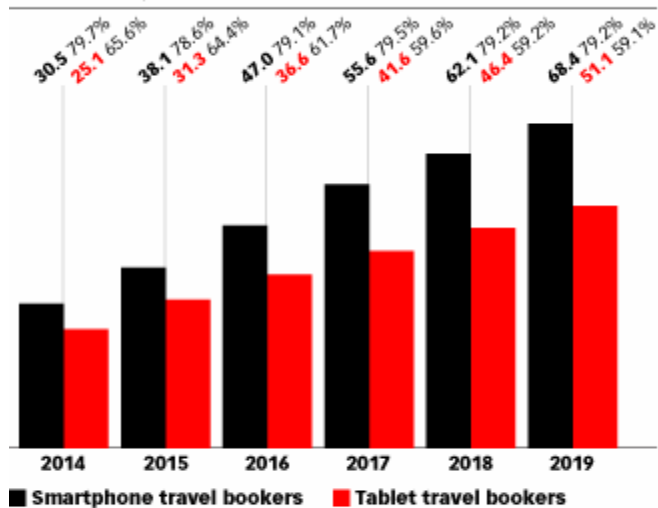
Source: eMarketer

Since its Q2 2015 forecast, eMarketer has raised its projection for smartphone bookers and lowered it for tablet bookers, as people appear to be increasingly willing to booking trips on small-screen devices. Of the 48.5 million US adults who booked trips via mobile in 2015, 78.6% (38.1 million) used a smartphone. Meanwhile, fewer travellers, 31.3 million, used a tablet to book a trip in 2015<sup>2</sup>.

FIGURE 27: US MOBILE TRAVEL BOOKERS BY DEVICE 2014-2019

### US Mobile Travel Bookers, by Device, 2014-2019

millions and % of mobile travel bookers



Note: ages 18+; mobile device users who have booked travel via mobile device at least once during the calendar year; numbers may not add up to 100% due to overlap among smartphone, tablet and other mobile device users  
Source: eMarketer, Nov 2015

200399

www.eMarketer.com

Source: eMarketer

While travel bookings via mobile devices continue to grow, desktop- and laptop-based sales have begun to decline in absolute terms. In 2015, travel booked via PCs is estimated at US\$115.91 billion, a

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Travelport provides chain hotel content to OTAs through direct XML (extensible markup language) connectivity. The group's growth strategy for hospitality distribution is also focused on delivering corporate access to aggregated hotel content, including both chain and independent hotels through a single point of sale. The Hotelzon solution also works well when a corporate hotel booking is not an 'add on' to an air booking, which is often the case for travel within continental Europe, where many business trips take place in the traveller's home country or to bordering countries and trains and cars are often the preferred method of transport rather than flights. Through Hotelzon's technology, privately negotiated rates for corporations can be added and accessed directly by the corporation and its employees.

#### **6.4.4 AXESS International Network**

AXESS International Network, the leading Japanese GDS, is connected to more than 290 hotel chains and over 90,000 hotel properties worldwide, located in 100 countries that can be booked online in real-time.

#### **6.4.5 Travelsky**

Travelsky is the only Chinese GDS and is a 100% state-owned entity. The group developed its B2B hotel distribution platform, SOHOTO, in 2005. This platform provides air travel products and services, with hotel distribution as its main focus. So far, SOHOTO has provided hotel reservation services to nearly 6,000 Chinese hotels in 239 cities, as well as to tens of thousands of overseas hotels. The GDS has strategic cooperation agreements with both international and domestic hotel groups. SOHOTO is connected to a network of 1,500 agents.

### **7. Managed business channel**

The managed business channel remains an important channel for the hotel industry, especially for the major chains. Perhaps due to the confidential nature of the agreements, the channel receives little attention in the online press or at hotel conferences. As previously noted in this report, widely quoted studies and statistics from Phocuswright specifically exclude this channel in their calculations and presentations.

There are essentially two types of organisational structures regarding culture and attitude towards travel management. Companies in enterprise-centric sectors like energy and banking that focus on the core business tend to have top-down structures and are more likely to mandate their travel policies. Meanwhile, employee-centric firms like Amazon and Google are structured in a bottom-up fashion and are focussed on stimulating the creativity and problem-solving abilities of their employees. This type of companies is less likely to directly mandate their policies, allowing their employees more freedom regarding travel booking.

A strategic choice facing corporates is whether to put in place a managed travel programme, or to allow 'open' travel booking, also known as 'Travel Management 2.0'. Open booking is partly attributable to ineffective sourcing, but also to the rise of OTAs luring business travellers away from compliance with corporate travel policies, as they seek out hotels and prices not available in their managed travel programmes.

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The premise of 'Travel 2.0' is that corporate travellers should be allowed the freedom to make their own decisions, whether by using price comparison websites or by going directly to suppliers' sites. Research at the 2014 Business Travel Show revealed that 62% of business travellers had the freedom to do so (albeit within policy guidelines), an increase of 26% over the prior 12 months. Allowing travellers unrestricted access to all hotels understandably results in leakage from a managed travel programme. Bookings outside of the corporate travel policy frequently occur because a lower rate has been found and the booker or traveller wants to save the company money. The immediate saving might be £25, but the resulting loss in negotiating power and productivity will often be much greater. Indeed, travel management companies (TMCs) can negotiate substantial across-the-boards discounts for their corporate clients with hotel chains, airlines and rental car companies, based on a certain minimum level of annual volume. Thus, if the agreed upon thresholds are not attained, then the discounts may not be realised. Having a formalised travel programme also assures traveller tracking and corporate duty of care which become a challenge in an open booking environment.

Predictions of the demise of the TMC (travel management companies) have proved premature. Many essential TMC services, such as pre-trip authorisation and traveller tracking, would not exist in an open booking environment. However, some companies are now using open booking to control leakage by using tools to track all spending, regardless of booking channel. For instance, HRS, an OTA specialised in business travel (profiled on pages 60-61) uses so-called smart data to improve the user experience and to align the needs of the traveller (and booker) with those of the employer. Supermarket chains have been doing this for years, working with expenditure tracking specialists to ensure that buyer predictions, based on shoppers' profiles, are as accurate as possible. The big OTAs have used the same approach towards analysing the habits of leisure travel buyers.

Through harnessing smart data, travel managers can provide a more personalised travel programme by matching travellers' habits with relevant hotel content (within policy), drawing upon colleagues' recommendations and experiences, meanwhile the company benefits from more comprehensive control of total trip costs including transport and ancillary charges.

## **Corporate agreements**

Corporate agreements can be divided into basically two types. On the one hand there are national or worldwide chain-level agreements with large organisations, such as governments, the UN and multinationals. There are also thousands of arrangements between local employers and hotels in a given region to lodge visiting clients, suppliers or employees from another geographical location.

On average, chain hotels account for around 45% of negotiated volumes in most hotel programmes, and 70 – 100% in around a third of programmes, according to HRS. Yet only 22% of companies negotiate with individual hotels due to the process cost involved, a lack of analytical tools or benchmarking data, or simply because it's easier to keep using the same hotels. However 71% of corporates are still negotiating their own programmes.

## **Trends in hotel programmes**

While companies based in North America tend to have centrally managed programmes, their travel policies are more likely to use guidelines in contrast to European based companies, which are more likely to use mandates (official orders), according to the GBTA (Global Business Travel Association)'s "2014 Global Hotel Program Study" released in July, 2015. High travel spending companies are more likely to issue one global hotel RFP (request for proposal) after receiving regional recommendations.

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## Part III

### 8. OTAs

The OTA channel continues to receive maximum attention in the online travel press and at hotel conferences out of proportion with its actual importance as a distribution channel. Strangely, it is the big hotel chains which, by and large, are the least impacted by the growth of OTAs which express the greatest apprehension about the channel. Hotels in large chains on average rely on OTAs for about a quarter to a third of their online bookings or 10% to 15% of total bookings. Meanwhile, independent hotels, particularly those located outside major urban destinations, might rely on OTAs for as much as 70% of their total bookings. With the exception of Germany, where HRS is a significant player, hotels in the Americas and Europe are faced with a duopoly consisting of Expedia and Priceline/Booking.com.

#### 8.1 OTAs second largest channel in Europe

OTAs now represent the second-largest travel booking channel (after direct hotel channels) in the big-3 EU countries of France, Germany and the UK, according to Onyx Payments, a commission payment data processing provider. The growth in the OTAs' share of bookings has been at the expense of the GDS (global distribution systems), TMCs (travel management companies) and hotel call centre bookings. Over the past five years, OTAs in the EU-3 grew at solid double-digit rates and were one of only two channels that grew in that period.<sup>1</sup>

The study, which looked at the market share of booking channels across the EU-3 and the US between 2010 and 2015, found that: OTAs are the second-largest channel in the EU-3, having achieved a 14% increase in booking volume to reach a 24% market share by 2015. Bookings via this channel are projected to grow an additional 15% to 20% by 2020. The fragmented nature of the EU hotel sector favours the further growth of digital platforms and websites that provide extensive information about accommodation alternatives.

##### 8.1.1 Only third largest in the US

Meanwhile, in the US, the OTA channel has seen a dramatic increase of over 50% to reach a 17% share in 2015 and OTA bookings are projected to have grown by an additional 20% to 25% by 2020. Due to the greater presence of chain-affiliated hotels, OTAs are only the third-largest channel in the US. However, direct bookings to hotel websites are growing at a faster rate in the EU-3 rising by 25% in to reach a 15% share in 2015; meanwhile, in the US bookings in this channel increased by 15% in 2015 and constitute a 23% share. This growth has been driven by stepped up efforts to build and retain loyalty and to discourage commoditisation of the hotel product through the OTA channel, which has been perceived by consumers to offer the lowest prices.<sup>2</sup>

#### 8.2 'Billboard effect' questioned

The number of prospective hotel guests who book direct on hoteliers' websites after searching for rooms on OTAs will continue to fall, leading to higher hotel distribution costs and a greater potential for incomplete bookings from fraudulent websites, according to Cindy Estis Green, CEO of the Maryland-based hotel consulting firm Kalibri Labs, which has published the "Distribution Channel Analysis Report", released in early 2016. The so-called 'billboard effect' describes the free exposure that hotels and hotel brands get when they are listed on an OTA and consumers then choose to book

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The importance of SEO and SEM was highlighted when the question of Booking.com's growing presence in the Indian market was raised at an analysts' meeting. Booking.com is a unit of Priceline Group, which in turn owns around 15% of Ctrip. "Our relationship is with Ctrip directly," Kalra was quick to point out when the questioner started to ask about possible MakeMyTrip/Booking.com tie-ups. Nevertheless, Kalra acknowledged that Booking.com has been growing its presence in India and in the four- and five-star segments, in particular (where MakeMyTrip has a particularly strong presence). "But where they are really aggressive is bidding for keywords, SEM and other meta [search] platforms," he notes. Ctrip's ability to keep its focus as market leader in spite of the competition attempting to lure customers away "with the unsustainable promise of big discounts" is another shared characteristic between the two OTAs. "We believe MakeMyTrip and Ctrip can help each other remain leaders in our respective markets by sharing wisdom, and perhaps a few battle scars, along the way," concludes Kalra.

## 9. Google (Alphabet, Inc.)

As the gatekeeper to the Internet, Google's approach and initiatives in the travel distribution space are an object of continual monitoring and speculation on the part of the hotel industry. The launching of Google Hotel Finder in 2011, which was finally formally discontinued and folded into Google's regular search function in late 2015, appears to have been more of a test or experiment, as it received little active promotion from the company. About a year ago, Google modified its Hotel Ads offering so as to allow for direct bookings on the search engine's website. The group's latest new feature in the travel space is Google Destinations launched in March 2016.

### 9.1 Google Book Direct

In early July 2015, Google added Book Direct for hotels, thus copying TripAdvisor's instant booking feature, which was launched a little over a year previous. This development has made it possible to book a hotel room without leaving Google's site. In a shift from its earlier hotel metasearch offerings, Google's Book Direct works on commission-based model like the OTAs, rather than cost-per-click (CPC). Initially available only in the US, the offer has now been rolled out worldwide.

What's happened is that Google's Hotel Ads have expanded their offering to include a commission-based option, which means that there are now two kinds of Google Hotel Ads programmes available. A commission-based option is better suited to smaller hotels because:

- They don't have to compete on a cost per click (CPC) basis with the large OTAs; and
- Instead they have the option to pay commission per actual reservation.

Hotels can choose to pay for ads via commission on actual reservations instead of just the CPC model.

Actually, Google's Book Direct does not represent a breakthrough for hoteliers who normally continue to pay a 15% commission to Google –similar to what they would pay to an OTA. However, there is the advantage that Google sends the confirmation email directly to the hotel which differs from standard practice with most OTAs, who strive to 'own' the customer. Nevertheless, the entire booking process is handled through Google's widget and not the hotel's own website, which presents increased OTA-type dependency and does not help a hotel to attract more direct bookings. In fact, it can be argued that direct to hotel website bookings are being "cannibalised" by Google's direct booking initiative.<sup>24</sup>

Google is also been sharpening its competitive edge with OTAs and metasearch providers like TripAdvisor by adding more details about amenities for hotels at the search level. Google says that its goal is to increase transparency, so that a prospective booker can immediately determine whether a hotel offers free Wi-Fi, free breakfast, a swimming pool, etc.

## 9.1.2 Lots of partners

Sabre was the first central reservation system (CRS) provider to offer participation in the commission-based programme, starting in the summer of 2015. Existing users of Sabre Hospitality's SynXis platform have been able to participate since then. Hotels that have connected their property management systems (PMSs) with a channel manager from Seekda, an Austrian hotel technology company can also access Google's new commission-based listings. Thousands of hotels have already been using Seekda to manage their hotel rates and inventory via Google and TripAdvisor. According to Seekda, "This new commission model gives smaller chains and independent hotels the option to participate in the highly effective Google Hotel Ads, without having to manage CPC bids and budgets." In addition, Google has been partnering with DerbySoft, AccorHotel's Fastbooking, Sabre Hospitality Solutions, TravelClick and Trust International to implement the new technology without any additional technical work on the hoteliers' parts. For example, TravelClick reported in September 2015 that, "Since March [2015], hotels enrolled in TravelClick's Demand Services programme have seen, on average, a 56% year-on-year increase in revenue driven by Google Hotel Ads. The change from a 'pay-per-click' to a commission model has increased hotel revenue." In fact, Google currently lists 53 partner groups for Hotel Ads on its website.

FIGURE 34: PARTNERS AUTHORIZED TO PROVIDE INTEGRATION SERVICES FOR GOOGLE HOTELADS, 2016

AdsHotel	GIMH	Neobookings	Selena
Amoma	GNA Hotel Solutions	NetAffinity	Simple Booking (QNT)
Availpro	Goto Plus Inc.	PHOBS	Sirvoy
AxisRooms	HeBS Digital	Profitroom	SiteMinder
Bookassist	HiRUM	Reconline	STAAH
BookingOne	HotelNetSolutions	ResAvenue	Tomas
Derbysoft	IATI	Reservit	TravelClick
DirectWithHotels	ldiso	RMS	Trust International
eGlobe Solutions	iperbooking.com	ROIBACK	Vertical Booking
EzyRez	JackRabbit Systems	RoomCloud / Tecnes	Vioma
FASTBOOKING	Koddi	Sabre Hospitality Solutions / SynXis	Visit Technology
FORCIA	Micros-Fidelio	Sceptre Hospitality	WebHotelier
Fuel	Mirai	Seekda	WIHP
GHIX			WuBook

Source: Google

### 9.1.2.1 Amoma the latest to join

In late May 2016, Amoma, the Geneva-based hotel aggregator, became the 54th group to plug into the Book On Google platform so that its portfolio of hotels can be booked on the site. Amoma's network includes 230,000 hotels instantly bookable on Google in 19,300 destinations.

### 9.1.3 Will Google become an OTA?

The company continues to deny its intention to become an OTA; meanwhile its actions (as illustrated by launching Google Book Direct) point in the opposite direction. Indeed, Oliver Heckmann, Google's

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vice-president for travel and shopping, clearly stated at the ITB travel trade fair in Berlin in early March 2016, that the search giant has no plans to act as an OTA, "now or in the future". Heckmann stated that, "We are not becoming an OTA, not now or in the future. We are working with partners to build features and one of those is Book on Google. This is optional. The [travel] partner still gets the user's address and details; they send out the confirmation and handle all other requests. They are the owner of the customer." According to Heckmann, "We're in the advertising business, which has served us well for 15 years. If we were to become an OTA we would be playing to our weaknesses, with [a need to provide] customer support and so on. That is not our strength."<sup>25</sup>

## **Macy Marvel Perspective**

Observers have often noted that Google would have no interest in competing with the big OTAs in their space due to the 'enormous' advertising revenues that the search engine earns from them, especially the two market leaders, Priceline/Booking.com and Expedia. Although the two big OTAs are ranked amongst the top three clients of Google for advertising revenues, the proportion that they represent is actually rather small, especially compared to TripAdvisor which clearly states in their annual report that they have depended on the combined spending of Priceline/Booking.com and Expedia for 46% to 47% of their total revenues for the past three years! Even this high level of dependency on OTA-generated revenues has certainly not deterred TripAdvisor from pushing Instant Booking and trying to transform its business model from pay-per-click to commission-based revenue. Meanwhile, Google's total advertising revenue was US\$67.4 billion in 2015, about 90% of total revenues. Priceline spent US\$2.8 billion on online advertising and Expedia spent a total of US\$2.1 billion on advertising, most of which it can be presumed was online. Therefore it can be concluded that the combined spending on advertising of the two big OTAs could not possibly have accounted for more than 6.5%  $[(2.8 + 2.1)/67.4 * 0.9]$  of Google's total 2015 revenue and probably somewhat less.

Given all the sectors of activity that Google has attempted to enter, including even something as remote from their core business as self-driving cars, it beggars belief that they would have more trouble building up an online travel booking business. In conclusion, a more forceful entry by Google into the online travel market in the medium term should not be ruled out. With US\$73 billion of liquid assets on the balance sheet at yearend 2015, the company certainly has the financial wherewithal to bankroll such an endeavour.

## **9.2 Google Destinations**

In early March 2016, Google rolled out yet another travel feature, Destinations on Google. This latest initiative indicates a shift in Google's approach to travel and search in general. Instead of providing just links or suggestions, the search engine giant now has the ambition to provide answers. Since travellers visit an average of 28 different websites overall when searching and reserving a trip, the goal is to shorten the number of steps to booking through providing tailored, relevant offers. To this end, the giant search engine has launched Google Destinations, a mobile app which provides customers with ready-made offers of trips to specific destinations. Once a destination has been selected, the traveller taps "Plan a trip" to see rates for hotels and flights and the price trend over the coming six months is displayed. The results are instantly updated with real-time fares and rates, pulled from the trillions of flight itineraries and hotels priced daily on Google Flights and Hotel search. A tap on the pencil icon further customises results, allowing for the introduction of more criteria regarding flight and hotel preferences, including number of stops, hotel class, and number of travellers.

### **9.2.1 Hotels need to adjust**

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In spite of some current optimism regarding online platforms such as Instagram and Snapchat, there is reason to be cautious regarding their potential as distribution channels for hotels. A study by the advertising consultancy, L2, entitled "Intelligence Report: Instagram vs. Snapchat" has found that efforts to sell on these platforms have been largely unsuccessful. Indeed, over a third of Instagram 'call-to-action' buttons push sales with the 'Shop Now' feature, but apparently, few consumers are trying out the experience, despite its relative ease of use, as almost two-thirds of brands that implemented the feature reported no increase in sales.

## 12. Sharing economy or access economy?

Applying the moniker "sharing economy" to companies, such as Uber, Lyft, Airbnb or HouseTrip is misplaced, as these are all money-making profit-oriented enterprises of the first order with no notion of sharing anything with anyone. Currently, there is a groundswell of popular discontent with the fact that much of Airbnb's capacity – especially in large cities like New York, London or Paris – has nothing to do with peer-to-peer rental by individuals, but rather is in the hands of major landlords who may control dozens or even hundreds of apartments and stand accused of depriving the local housing market of much needed accommodation. For instance, Jasmine Salihovic has been dubbed "manager of the biggest hotel in Switzerland" by Thomas Allemann of *hôtelleriesuisse*, as she manages an Airbnb rental portfolio of 500 rooms in 105 apartments with nightly charges varying between CHF 45 (€41) and CHF720 (€655).

Furthermore, according to a study published by the AHLA (American Hotel & Lodging Association) in January 2016, multiple-unit operators (2+ units) account for nearly 40% of Airbnb's revenue in 14 major US cities, analysed in study, including New York, Chicago, Los Angeles, Philadelphia, Miami, Houston, Dallas, Phoenix, San Antonio, San Diego, San Francisco, Boston, Austin and Washington, D.C. Indeed, 2,772 full-time operators (renting 360+ days per year just like hotels) recorded US\$347.5 million in revenue or an average of US\$125,353 per host over the time period studied, which was October 2014-September 2015.<sup>8</sup>

In addition, revenue generated by multi-unit operators has grown faster than average for the company, rising by 102%, from US\$13.2 million in October 2014 to US\$26.7 million in September 2015. At the same time, the number of these operators increased by 62%, going from 2,215 in October 2014 to 3,594 in September 2015. The rate of growth in the number of mega-operators (those renting out three or more units) was the largest, increasing from 1,397 in October 2014 to 2,321 in September 2015, a 66% increase. These operators generated US\$21.1 million in revenue in October 2014 and US\$31.4 million in September 2015, a 49% increase over 12 months. These mega-operators also generated a substantial share of revenue; although they represented only 6.5% of all operators, they generated nearly a quarter (24.6%) of revenue (US\$328.3 million) during the period studied. The broader subgroup of multi-unit operators who rented two or more units represented 16.1% of total hosts and generated 39.3% of revenue. Full-time operators offering units at least 360 days over the 12 months from October 2014 through September 2015 generated an even more disproportionate share of revenue. They represented only 3.5% of operators, but generated 26% of revenue.<sup>9</sup> Besides this aspect of visibly full-time organised business activity, a major criticism levelled at 'sharing economy' operators is the lack of employment security and benefits for the work force. Also, to the extent there is a displacement of tourists away from hotels and other regulated accommodation, there is an opportunity loss of tax revenue and even jobs in the hospitality sector.

### 12.1 Impact on the hotel sector

The impact of the so-called 'sharing economy' on the hotel sector has been widely discussed and debated over the past several of years. There is little consensus regarding this question. Some CEOs of major chains, like Chris Nassetta of Hilton Worldwide, speaking at the International Hotel Investment

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Forum (IHIF) in March 2016, tend to minimise the effect of web-based apartment rental platforms like Airbnb on their business, maintaining that these new peer-to-peer networks are actually enlarging the tourism market, allowing people and family groups to travel who wouldn't have done so otherwise. Meanwhile, others point to a capping of hotel rates, particularly in major cities like London and New York, where Airbnb capacity is heavily present. The 'Airbnb effect' seems to have been particularly present during mega-events like the World Meeting of Families Congress and the Pope's visit to Philadelphia in September 2015, when it appeared that hotel rates were restrained by the expansion of private derogation accommodation rentals. In any case, the industry, as represented by Ufi Ibrahim, CEO of the BHA (British Hospitality Association), who chaired a roundtable at IHIF, decries the lack of 'level playing field' with respect to the regulation and taxation of Airbnb-type accommodation.

## **12.2 Hotel services for rental apartments**

While some hotel operators complain about or choose to ignore the impact of apartment rental platforms, other operators have launched creative solutions in an attempt to adapt to the current environment. Two groups, in particular, are attempting to combine the best features of both hotels and rental accommodation. Interestingly one, Be Mate, is approaching the question from the hotel side, whereas the other, onefinestay, is coming from the accommodation rental side.

### **12.2.1 Be Mate**

Be Mate is a unit of the small Madrid-based hotel chain, Room Mate, which, for the first time, had a prominently displayed stand at IHIF. The chain currently has 20 hotels and about 10 in the pipeline. The properties can be described as upscale limited serviced designer hotels and are located in the centre of major European and North American cities. Interestingly, all the group's hotels are leased, which can facilitate expansion in many European markets, (e.g. Germany and Switzerland). Be Mate offers guests the alternative of renting an apartment in the immediate vicinity of some of Room Mate's hotel properties. The apartments have been handpicked and vetted by the chain and, as a rule of thumb, should be within a 10-minute walk of a Room Mate hotel property.

#### **12.2.1.1 Selection criteria**

Be Mate's apartment selection is based on 76 criteria which can be grouped into specific categories, including: quality, design, location, amenities and services, and additional details that can affect a client's stay, such as noise level. The group puts particular emphasis on the quality of the photos which must be of a professional calibre and should accurately reflect the reality of the accommodation, so as to avoid client disappointments. Every apartment is visited by one of the group's city managers, who are responsible for pre-selection, and then is reviewed and approved or rejected by Be Mate's listing quality team. In summary, apartment ratings are based on three aspects: hospitality best practices as defined by Room Mate Hotels; feedback from customers; and common sense, i.e. would the reviewer stay in the apartment or recommend it to friends, family or colleagues?

#### **12.2.1.2 Locations and booking**

Currently, Be Mate apartments are available in New York, Miami, Madrid, Barcelona, Malaga, Amsterdam, Florence and Istanbul. Additional markets where Room Mate already has hotels, including Milan, Rotterdam or Mexico City are under consideration, as well as cities where the chain expects to have a presence in future, such as Paris, London or Rome. The group claims to have about 10,000 apartments in the network already, but only 100 to 200 per locations seem to be available on any specific date. While about 80% of the apartments offered for rent are also listed on Airbnb, Be Mate has its own booking site, which charges property owners 15% and the guest 5%. (This can be compared to Airbnb which charges guests 6% to 12% and owners a minimum 3% for booking.)

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### 12.2.1.3 Hotel services available

Besides the assurance of staying in apartments that have been subjected to some relatively strict selection criteria, guests also benefit from basic hotel services like 24-hour check-in, check-out and luggage handling. Additional services can be ordered and paid extra, such as daily room service, airport transfers and catering. Also, the chain's WiMate device provides clients with 3G connection to mobile devices or laptops anywhere in the city and is free of charge.

### 12.2.2 onefinestay

According to Greg Marsh, CEO and co-founder of the luxury accommodation rental platform, onefinestay, only 1 out of 10 properties which apply to be listed is accepted. The typical property in the firm's inventory is worth US\$2-3million and is located either in central London, Manhattan, Los Angeles or Paris. The latest city to be added to the group's network is Rome. Marsh maintains that onefinestay does not directly compete with hotels as the average length of stay is longer - at 5 nights- and typical clients are family groups which would not have stayed in a hotel in the same location. The average nightly rate for an accommodation is US\$600-700.

onefinestay provides some hotel services. For instance, the company employs a staff of about 700 who assure the smooth running of the logistics of the operation which include a thorough cleaning before and after each guest visit. Reception takes place on the premises of a guest's accommodation. The firm also has to be prepared to respond to emergencies on a timely basis, such as appliance breakdowns, computer problems, or lost keys. Another original service includes the loan of an iPhone to guests for their stay which helps to overcome any mobile connectivity problems for customers coming from overseas.

Booking a stay is as straightforward as booking a hotel room, according to Marsh, who notes that the firm goes to some extent to vet its guests, given that they are staying in private homes, many of which have valuable furnishings and fixtures. Although the company's offers are listed on some OTAs, such as booking.com, the main thrust of distribution is via luxury travel agents, such as Cox and Kings and Abercrombie & Kent. Provided that guests book more than seven days before the start of their stay, they can cancel their booking.

#### 12.2.2.1 AccorHotels moves in...

onefinestay was initially linked to Hyatt Hotels, who participated in a US\$40 million in Series D (fifth round of investment) fundraising for the luxury home-sharing platform in late 2014. However, in early April 2016, Europe's biggest hotel group swooped down and acquired onefinestay for €148 (£117) million. At the same time, the French hotelier has budgeted a further €64 million (£50 million) to expand the business internationally with the goal of introducing onefinestay into 40 new cities over the coming next five years, while "increasing revenue ten-fold". Hyatt is reportedly selling its shares as part of the overall deal.

onefinestay is to operate as an independent business unit within AccorHotels Group and its current management will remain in place. According to Greg Marsh, the group had not been seeking an exit, but had had discussions with travel companies and major hotel groups about "various different opportunities, ways to partner, ways to extend our reach and profile." According to him, what had started as a partnership opportunity turned into something involving more commitment. Commenting on AccorHotels' strategy in the rental sector, Marsh remarked that, "They have a clear and very strong level of conviction about the changes taking place in the home rental space. They recognise that companies like onefinestay solve some of the problems in terms of technology-enabled distribution alongside operational capability, so they have sought ways to participate in the sector."

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## 13. Hotel distribution consultancies

There is an extensive cottage industry of various types of hotel distribution and revenue management consultants that has sprung up over the last decade or so and today there are literally hundreds of groups operating in this space, some of which are attached to larger organisations like GDS, but most are independent SMEs. While some are specialised in revenue management or distribution channel management, others are focused on improving guest experience. In any case, it's fair to say that the goal of these firms is to help their hotel clients to maximise their revenue, net of distribution costs. Below three examples of such companies are discussed.

### 13.1 Bookbedder

**Interview with Skye Legon, co-founder and CEO of BookBedder, an international network of independent hotels.**

**Question:** How do you promote Bookbedder to a wider travelling public, i.e. how would an average hotel client come to know about the existence of the site?

**Skye Legon:** *We promote BookBedder through our member hotels. They communicate directly with their existing client base, through email, on their website, and on-property.*

**Question:** How many hotels are in your network? What is the link with the 200,000 'bookable' hotels who are not part of your network?

**Skye Legon:** *We currently have over 100 direct independent hotel partners, and in order to provide a comprehensive inventory of independent hotels worldwide for our clients we contract with an external supplier to feature over 150,000 other hotels.*

**Question:** How frequently can the hotels change their 'bookable rates'?

**Skye Legon:** *Hotels can update their rates as frequently as they wish. For hotels that adapt their prices frequently they can use our channel manager connection, or opt for our on-demand booking mechanism which confirms rates and availability directly with the hotel before confirming a reservation.*

**Question:** What specific features does the channel manager offer to the hotelier?

**Skye Legon:** *A channel manager connection allows for fully automated updates of inventory, rates, and availability. It is a full two-way XML connection which also automatically pushes reservations into the hotel PMS.*

**Question:** Who are your direct competitors?

**Skye Legon:** *Our closest direct competitor is FairBooking in France. We differentiate from them in that FairBooking promotes direct booking and simply forwards clients to the hotel website to conclude their reservation. In contrast we recognise that clients appreciate the convenience of a one-stop-shop booking platform (as evidenced by the popularity of other OTAs) and so (unlike direct booking) we only ask the client to enter his booking details once for all future reservations worldwide.*

**Question:** How are you financed?

**Skye Legon:** BookBedder is financed by capital from the four co-founders. Seed investment has also been raised from a group of business angels in Switzerland.

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## 13.2 Revinat

**Interview with Thomas Landen marketing manager for Europe, the Middle East and Africa at Revinat, a hotel guest experience consultancy**

**Question:** Please summarise the services that Revinat offers to hoteliers.

**Thomas Landen:** *Revinat believes that hoteliers should own the guest experience and create lifelong relationships that drive direct bookings. The Revinat platform presents hoteliers with an opportunity to reinvent their legacy hotel technology with modern cloud software. Revinat's four products include Revinat Reputation, Revinat Surveys, Revinat Marketing and Revinat Engage. All products are set up as building blocks that, when used all together, add up to full guest engagement. At the core of the platform are Revinat Rich Guest Profiles, an industry first, which tie together guest data from disparate sources, giving you a clear picture of your guests' needs, preferences, and interests.*

**Question:** On what basis do you charge hoteliers?

**Thomas Landen:** *Revinat operates as software as a service (SaaS) model and our software is licensed to each client.*

**Question:** How many hotel clients do you have (including chains)?

**Thomas Landen:** *Currently over 30,000 hotels trust Revinat worldwide, from large chains like Hilton and Starwood, to independent hotels like The Hotel Brussels and Royal Garden Hotel in London. Furthermore, Revinat is used by hotel management companies like GCH Hotel Group and ownership groups like Emaar and Blackstone group.*

**Question:** What is your USP?

**Thomas Landen:** *Revinat's USP is unifying different data silo's with guest knowledge into one single platform providing hoteliers insight in hotel guest data that allows them to own the guest experience.*

**Question:** Who are your direct competitors?

**Thomas Landen:** *There is no competitor who offers the combined insight of all the products in one solution; however, we have several competitors who offer specific products. ReviewPro and Trust You are direct competitors for our Reputation & Survey products and DailyPoint and Seranata are for our Marketing & Engage products.*

## 13.3 Triptease

Triptease is one of several small groups (e.g. like Siteminder) whose goal is to help individual hotels and chains to increase direct bookings. The company was founded in 2013 by Charlie Osmond, an engineering graduate from Oxford University, and Alasdair Snow. In early 2015, Triptease raised US\$2 million from two venture capital firms, Episode 1 Ventures and Notion Capital.

Initially Triptease was posting customer reviews and 'digital postcards' – a referral marketing tool for hotels. The idea was to encourage guests to create online content and share it with their friends, who are then incentivised to share their interest in the hotel through being awarded a discount for example.