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Hotel Brand Websites, OTA's, Meta Search and Wholesalers: A Distribution Dilemma within the Industry

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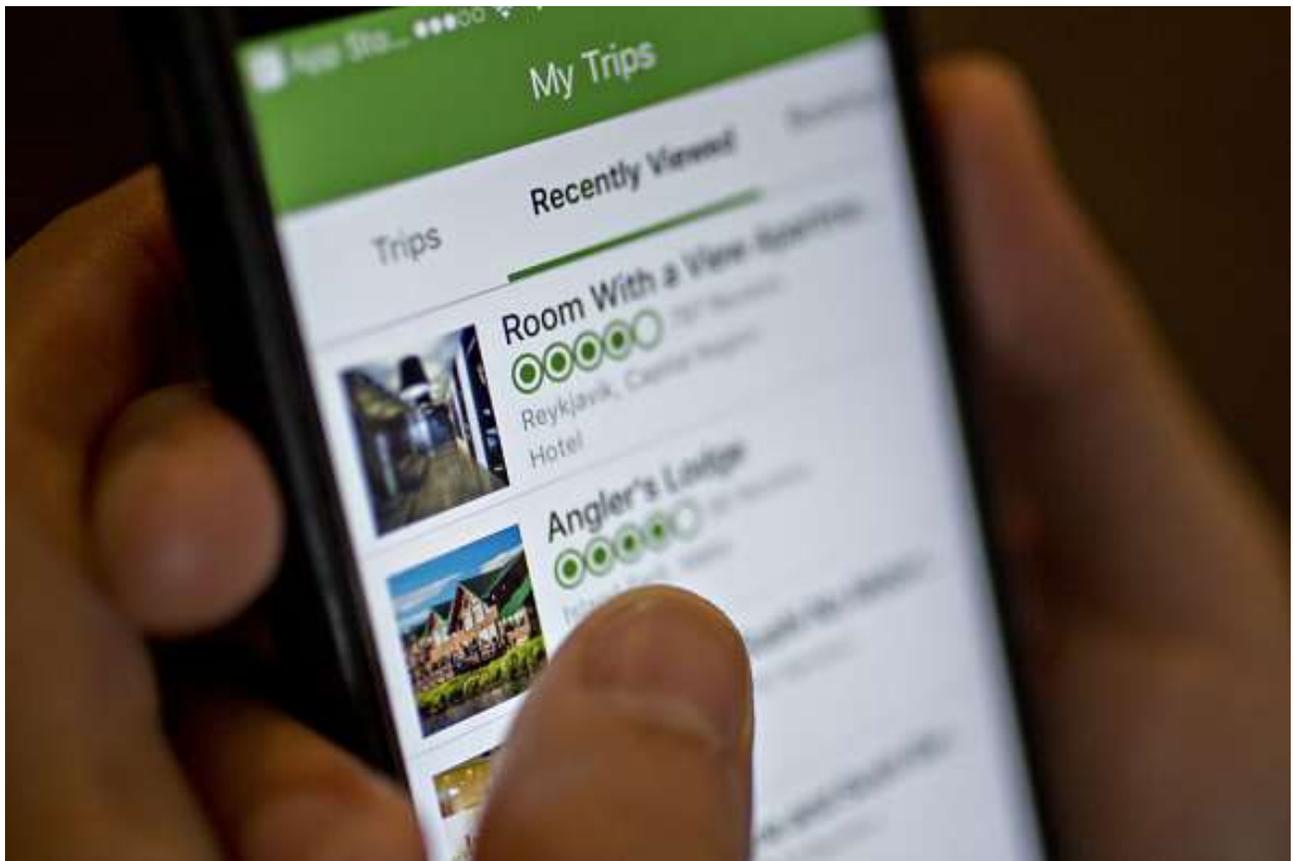


Photo Source: Andrew Harrer/Bloomberg via Getty Images

By Nick Cohen

The year is 2001, and the world is still recovering from the tragedy of September 11th. The travel industry is in a downward spiral as fears of flying and terrorism ripple across the United States and beyond, and hotels have lost significant occupancy due to a decrease in demand.

Simultaneously, a fledgling technology is emerging which will eventually take advantage of the internet explosion, as well as hotel management's desperation to fill rooms. It will reshape our industry forever, and this platform now commonly referred to as Online Travel Agencies, or OTAs, will allow hotels to easily sell their rooms on the internet through new consumer facing websites such as Expedia, Travelocity and Orbitz.

Fast forward to 2017. The OTA's have gained the majority of market share for online reservations, and digital platforms like Booking.com and Ctrip.com have loyal member volumes that far surpass brand websites. In many cases, the OTA companies are valued well beyond traditional hotel brands (as of May 2017, Priceline Group has a market capitalization of nearly USD 92 Billion). They have also helped to create a new concept as they grew in popularity and scale over the last number of years, and it was the precedent of transparency. Pricing that was once hidden to the everyday user, could now be exposed to the whole world, publicly, with a few clicks online. As OTA channels grew enormously with time, so did the access to real time rates and availability for virtually every hotel around the world.

With this concept in mind, from the OTA's we have seen the rapid expansion of 'meta search' channels. These are one-stop price comparison platforms where a customer can view a price for a single hotel room across multiple websites (without having to browse those websites one-by-one). Sites within this category include Kayak, Trivago, TripAdvisor, Qunar and Google, and they are all working to simplify the travel research process for consumers.



Featured above are some of the most popular meta search channels

With the OTA channels continuing to grow through massive marketing efforts and superior technology, and with meta search sites following their lead, a relatively new challenge has emerged for hoteliers. It represents a very complex dynamic between one of the most traditional ways to sell a hotel room, and one of the most modern ways to sell a hotel room. This once again all comes back to the concept of price transparency. Wholesale has been a core business driver in hotels for many years, helping properties build base business through private negotiated rates and partnerships. Historically, these wholesalers would sell their inventory offline to their own private networks of contacts. Even though the pricing would typically be lower than publicly available RACK rates, it was a reliable foundation of occupancy for hotels to build off of.

As technology has become more sophisticated with Application Programming Interfaces (APIs) readily available, we have seen the rapid growth of wholesale rates being sold publicly, online, through some of the powerful meta search channels mentioned above. This means that wholesalers are selling discounted rates, which directly undercut brand websites and OTAs, to anyone who has access to the internet. Beyond just meta search, some OTA websites are now even positioning themselves as 'online marketplaces,' where they too will sell wholesale inventory directly instead of the inventory provided by the hotels. To remain competitive and increase market share, online channels want to sell the lowest price possible, even if it means reducing their own margins by selling a cheaper room to the customer.

Deluxe Double/Double City View	\$278	View Deal	HQ HOTELQUICKLY
Deluxe King City View	\$278	View Deal	HQ HOTELQUICKLY
Deluxe Harbour Double Double - Free Wifi	\$305	Book with hotel	
Deluxe City Terrace - Free Wifi	\$305	Book with hotel	
Deluxe Harbour King - Free Wifi	\$305	Book with hotel	
Deluxe City Double Double - Free Wifi <small>FREE cancellation. Pay later</small>	\$308	Book with hotel	
Deluxe City King - Free Wifi <small>FREE cancellation. Pay later</small>	\$308	Book with hotel	

Meta Search Websites such as HotelsCombined (shown above) showcase wholesale aggregator sites like Amoma.com and HotelQuickly.com which have prices that undercut the brand's direct website and other OTA channels

You would think that hoteliers would want to fix this problem immediately. Online wholesale business undercuts channels which are much more profitable such as their direct brand website. This issue however is multi-layered and is not easy to remedy for the following key reasons:

Hotels still want wholesale business!

Hotels still maintain strong relationships with a number of wholesale partners, big and small, and they rely on these partnerships to generate base business. Turning off these channels would potentially mean the loss of significant revenues, at least in the short term. Although wholesale channels can undercut other websites when sold online, they also still generate incremental business when sold offline through the traditional method

Finding the source of whole business online can be very difficult

When wholesale rates appears online, it's generally very difficult to know which wholesaler specifically is providing that inventory. The wholesale partners themselves don't generally sell rooms through their own websites, but sell their rates through wholesale aggregation channels such as Amoma.com. It's channels like Amoma who then sell the rates online through their own interface, and promote their rates through larger meta search intermediaries such as Trivago and TripAdvisor. Generally the only way to find the true source is to make a test booking online, and then track how that reservation comes into the hotel's central reservation system (each reservation is typically flagged with an inventory source). Many hotels are reluctant to do this since a booking requires use of a credit card and sometimes even pre-payment, and then cancellation of that test booking is not always easy to do. The test booking

process is both cumbersome to manage at scale, and is also financially risky for a hotel if those booking cannot be cancelled.

The screenshot shows the Amoma.com website interface. At the top left is the logo 'AMOMA.com sleep well & save'. At the top right is a button 'Book online or call Available 24/7'. Below the logo is a 'Refine your search' sidebar with filters for Hotel Name, Price/night (ranging from < 78 USD to > 222 USD), Star rating (1 to 5 stars), and Guest reviews (ranging from 1 to 5 stars). The main search area shows 'Phuket (Thailand)' for the dates 'From 22 Jun 2017 to 23 Jun 2017, 1 night - 1 room: 2 adults, 0 children'. Below this are options for 'Hotels per page' (20) and 'Sort by' (Price, Stars, Distance, Name, Ranking). The results section shows 'Showing 1-20 of 235 hotels'. Three hotels are visible: 'Icheck Inn Patong' (2 stars, 1466 \$/night), 'Trisara' (5 stars, 801 \$/night), and 'Kata Rocks Residence And Resort' (4.5 stars, 687 \$/night). Each hotel listing includes a photo, address, description, and a 'Breakfast included' tag.

Room bookings can be made through Amoma.com and other wholesale aggregator websites by anyone online. However, the back end wholesale source for each booking from Amoma and other channels like it can be very challenging for a hotel to identify.

Employee incentives are at stake

Within hotel sales departments, team members are still incentivized to drive wholesale volume, regardless of where that volume is being sold (offline or online). Wholesale partners generally don't provide specifics on how they are selling their inventory, and as long as room allotments are sold, the responsible sales team members are satisfied. This is creating an unavoidable rift between the direction of some sales leaders with the revenue management and digital strategy teams.

So what's next?

Hotel companies are dealing with this situation in a variety of ways. Some are cutting off wholesale altogether since they simply can't control where their inventory is ending up. Others are maintaining the partnerships, but are working to move away from static room allotments

and over to dynamic pricing and availability where the hotels have more control over the inventory they send to the wholesalers. This is a major problem facing the industry that very much remains unsolved.

If we take ourselves back to the 2001, price transparency was a challenge for hoteliers. Properties simply didn't have direct access to a large enough segment of customers, therefore traditional partnerships like wholesale was an absolute necessity. With the growth of the OTAs though, and the emergence of new technologies such as meta search, that access is no longer an issue. The world is accessible for each hotel with a few quick key strokes on a computer. It is now only a matter of time until hoteliers make one of the following decisions:

- Utilize wholesalers purely as another online distribution channel, selling rates that are parity with every other website (brand.com and OTAs)
- Remove wholesale out of the channel mix altogether, realizing that room inventory can be sold among the multitude of websites and digital platforms already available



Nick Cohen is based in Hong Kong and leads digital strategy for Hyatt Hotels in Asia Pacific. He oversees online marketing efforts for all Hyatt brands and properties across the region, and manages a variety of e-Commerce and digital platform projects to help increase online revenues for the company. Prior to joining Hyatt, Nick held senior e-Commerce and digital marketing roles at Langham Hospitality Group, Mandarin Oriental Hotel Group and Sabre Hospitality Solutions. Earlier in his career, working on-property for various hotels he developed extensive knowledge in operations, along with Sales & Marketing and Revenue Management expertise. Nick also holds a graduate diploma in Hotel and Tourism Business Management from Boston University.

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