

A guide for independent hoteliers

How to optimise OTAs in your hotel strategy



amenitiz

Empowering
independent hoteliers.

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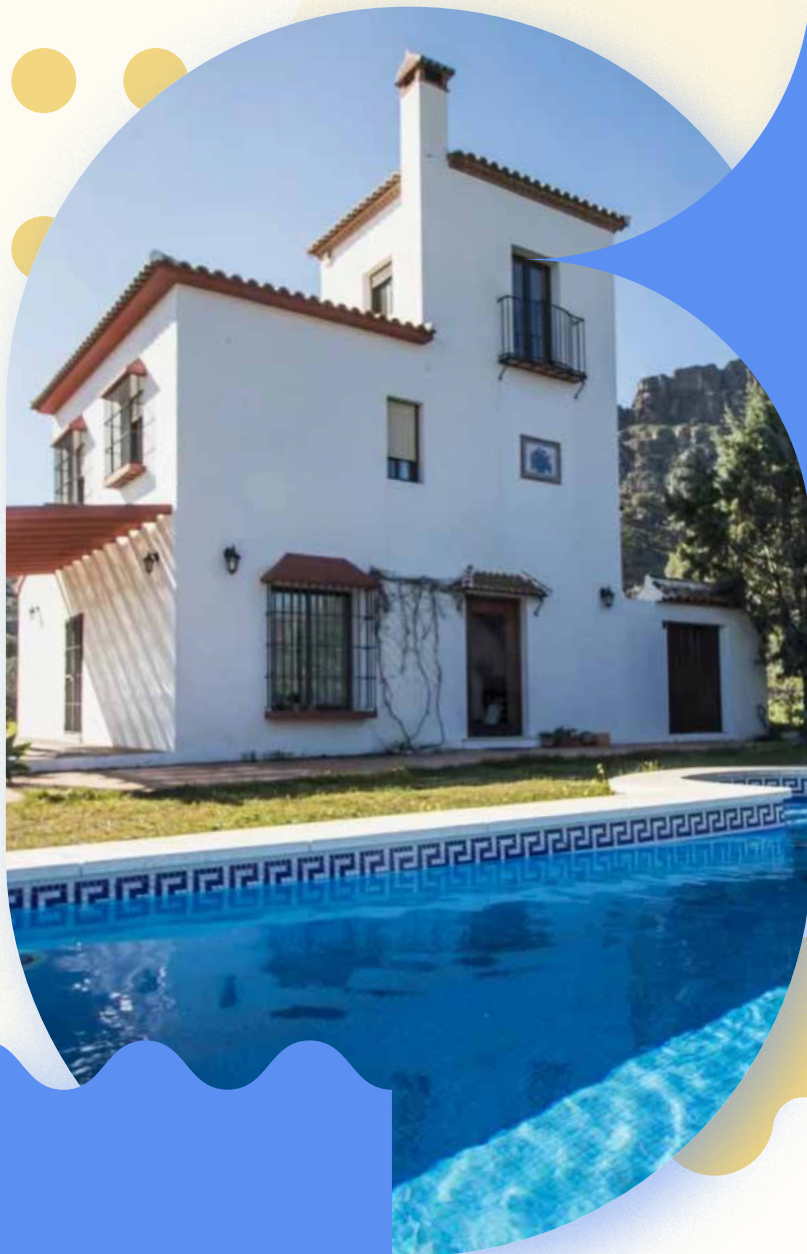
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Introduction



Why working with OTAs is crucial for hotel owners

The rise of online travel agencies has changed the behaviour of travellers, and consequently the habits of hotel owners. 80% of searches and bookings are now made via the web. As a result, OTAs have become an inevitable part of the hotel industry. Hotel owners can no longer avoid adding their properties to at least one of these platforms.

Online Travel Agencies allow hotel owners to sell rooms to a very wide range of customers in exchange for

a commission on each booking. What are the advantages and disadvantages of working with OTAs such as Booking or Expedia?

This white paper provides an overview of Online Travel Agencies and of the advantages for hotel owners to build an effective strategy to make the most out of OTAs.

Increase profits with direct bookings

In recent years, various changes in the hospitality industry have made it easier to boost direct sales and increase turnover. Although Online Travel Agencies are still essential for the visibility of an accommodation, owners have much more leeway to attract direct bookings. Therefore, the strategy used with the different OTAs must also take into account the relevance and impact of direct bookings.

Online Travel Agencies are playing an increasingly important role in the hotel market. A hotel's success is more reliant than ever on having a good online presence. Having your own user-friendly website with an attractive design is key but so is subscribing to booking platforms and effectively utilising OTAs.

With this white paper you will understand how to make the most out of OTAs by using them as a search engine to attract travellers, drive more traffic to your hotel website and thus increase the number of direct bookings.

1. Hotel OTA: history and statistics



Most popular OTAs

The first OTAs appeared in the mid-1990s, with the launch of Booking and Expedia in 1996. But it was only from the second half of the 2000s that online bookings really started to gain momentum, thanks to the launch of the first iPhone in 2007.

For the past 15 years, Online Travel Agencies have been growing steadily thanks to the exponential digitalisa-

tion the world is experiencing. It has become essential for hotel owners to work with OTAs. It is generally recommended to list your accommodation on just 2 or 3 of these platforms.

Below is a list of the 3 most important hotel booking sites in the UK, namely Expedia, Airbnb and Booking, which we will describe first.

The unquestioned leader of Online Travel Agencies is by far Booking, with a 70% market share in the sale of tourist accommodation worldwide. This platform is owned by the American group Booking Holdings Inc, which also includes several other platforms such as Kayak and Agoda.

Booking.com specialises in tourist accommodation of all forms and sizes. From the largest hotel chains to small independent hotels, every type of accommodations can be found on this platform. On Booking, reservations come predominantly from a young, smartphone-equipped clientele, aged between 20 and 40.

Booking.com

**70% of the world
market share**

With a market share of 16% of tourist accommodation, Expedia is the second most used OTA. This platform belongs to the Expedia Inc. group, which owns most of the Online Travel Agencies, including Hotels.com, Ebookers and Trivago.

Expedia mainly targets business customers, focusing on luxury or 5-star hotels. This platform is very well known and widely used in North America and Asia.



**16% Of the world
market share**

Airbnb is very different from Booking or Expedia in that it offers furnished properties, such as flats or villas, rather than hotels. The Californian group that founded this platform is now renowned all over the world, thanks to the more than 3 million accommodations it offers in more than 190 countries. In the UK, there are more than 257,000 accommodations available, with more than 85,770 rentals in London. Experience sharing is one of Airbnb's key activities, as the platform allows people to participate in events and/or activities that are locally inspired by their culture.

Airbnb attracts global citizens, aged between 18 and 45. It also appears to be the accommodation booking platform of choice for female travellers.



**3 Million
accommodations
in 190 countries**

Relevant data

80% Of bookings are made online

Of the 148 million online travel bookings made in 2018, 82% were made online via mobile apps or websites and

with no human interaction required. Which means that more than four in five travellers go through the internet to book their holidays.

Among travellers searching online, 90% believe that

OTAs

- ✓ are the first platforms they click on
- ✓ are easy to use, quick and effective
- ✓ have a wide choice of accommodation

HOTELS' WEBSITES

- ✓ a telephone reservation is often necessary
- ✓ are not pleasant to browse at all
- ✓ are unattractive
- ✓ give few or no guarantees

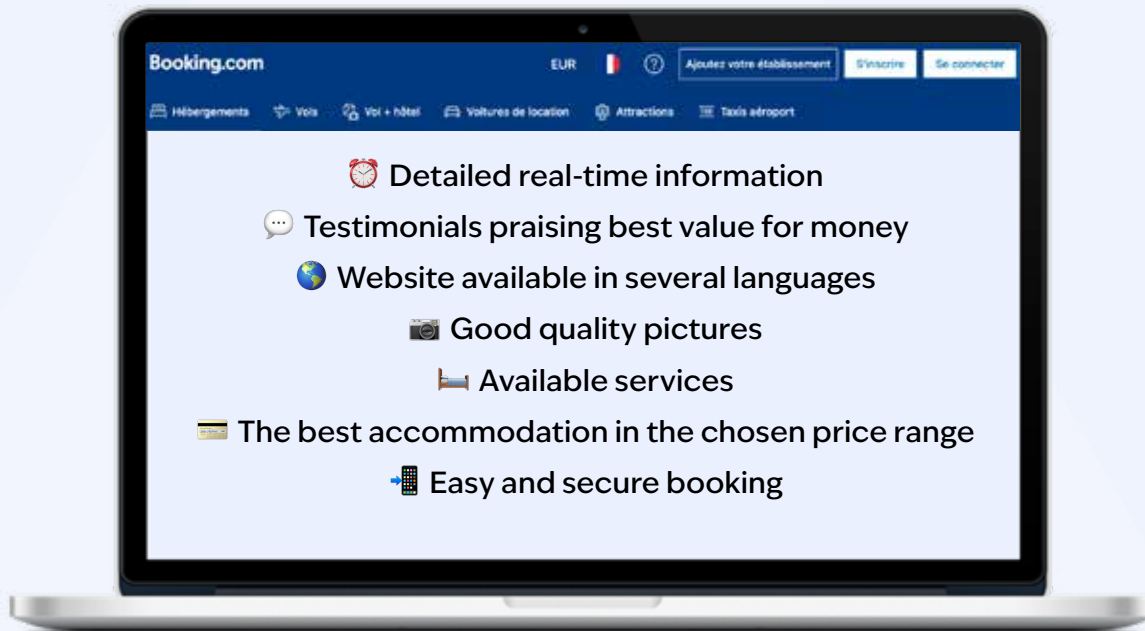
Consumers, especially younger travellers, tend to prefer the wide choice offered by online travel agencies rather than direct bookings. These web-savvy consumers look for accommodation that fits their lifestyle and budget and usually cross-shop for the best val-

ue for money. For them, reviews and services are crucial when making their choice. The ability to easily compare multiple properties on different online platforms is a great advantage as it allows them to find what they like best.

Key criteria for travellers

Whether on a tablet, smartphone or computer, when travellers book their holiday accommodation, they expect

to have accurate and useful information to help them choose. Here are the essential criteria for internet users:



Besides the room price, **guest reviews are the second most important selection criterion for travellers.** The pop-

ularity and amazing influence of a site like Tripadvisor is clear proof of this.

2. OTAs

Advantages and disadvantages



Advantages of OTAs

According to statistics, OTAs are the best showcases for a hotel. The great advantage of working with the biggest Online Travel Agencies, such as Booking or Expedia, is a strong increase in visibility. Especially when it comes to attracting foreign tourists, for whom these platforms are essential as they are not familiar with the hotels in a given location.

Greater visibility

Hotel owners operate in a highly competitive environment. Therefore, to maximise the value of their assets,

they need to make the most of OTAs. It would be a big mistake to underestimate the network and reach of Online Travel Agencies as a distribution and marketing platform.

The downside? Depending too much on Online Travel Agencies could turn out to be counterproductive. The ideal? Finding a balance. Finding a balance is the solution for hotel owners to target more market segments, maximise both direct and OTA bookings and to achieve gainful occupancy and revenue targets without experiencing too much downside.

Disadvantages of OTAs

Don't depend 100% on these platforms! Online Travel Agencies enjoy such high visibility that hoteliers often complain that they receive too many reservations from these platforms. Given the price of commissions, it can affect the overall profitability of a hotel to only fill rooms from Booking or Expedia.

Reliance on online travel agencies

Commissions are the biggest disadvantage of OTAs. Online Travel Agencies do not negotiate with hotels because

for them an accommodation is nothing more than one customer among many others. Commissions are fixed and non-negotiable. These platforms are frequently not very honest and transparent, as the commissions are included under VAT.

Retention programs, like services such as breakfast included in the price could also hamper turnover because they are financed directly by the property itself, while OTAs still take a cut of this as their commission fee.

An example of commissions

Standard room with 15% commission

Room price



£100

VAT included

£83.33

VAT not included

Deduction of commission

(on the price including VAT)



15% on £100 = -£15

Earning on one room



Direct booking = £90.91

OTA booking = £68.33

Loss of earnings



£22.58 loss of earnings
24.84% drop in turnover

Standard room with 15% commission

+

Programme Booking Genius

(-10% + petit déjeuner offert + upgrade offert)

Prix de la chambre



£160

VAT included

£145.45

VAT not included

Deduction of genius offers

SPECIAL GENIUS

- £12 (10% off)
- £40 (free breakfast and upgrade)

£108

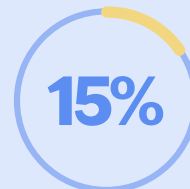
incl. VAT

£90

excl. VAT

Deduction of commission

(on the price including VAT)



15% on £108 = -£16.20

Earning on one room



Direct booking = £145.45

OTA booking = £73.80

Loss of earnings



£71.65 loss of earnings
49.26% drop in turnover

3. Strategy

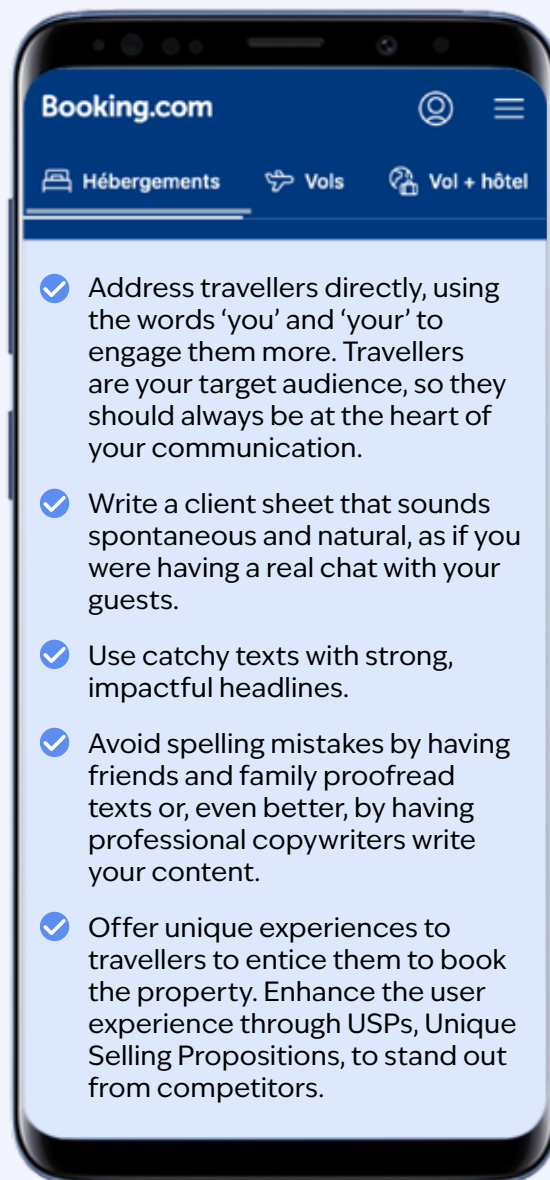
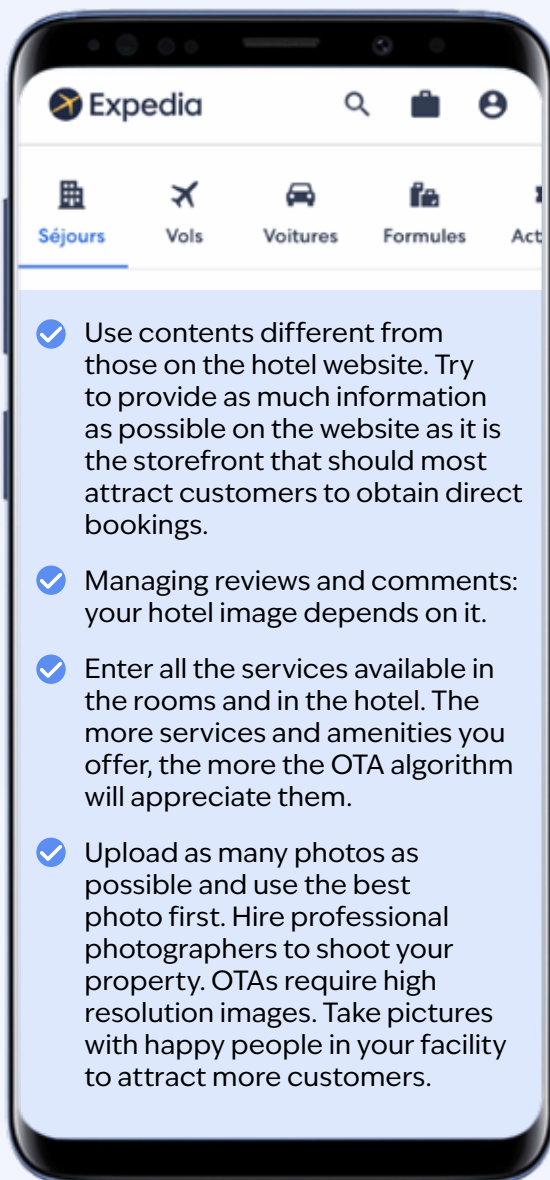
How to work with OTAs



Hotel profile and reviews

As already mentioned, the main advantage of OTAs is the visibility they offer. Taking advantage of this feature is still very interesting, as the fight for SEO positioning of a website is a challenging one. Getting your website to appear among the first search results is not so obvious.

To take full advantage of the power of OTAs, a hotel must be well ranked so that travellers can find it and click on it. In order to get a good ranking, there are a number of rules to follow and some tips and information that should be included in the hotel description section.



Exploiting the Billboard effect

The Billboard effect allows hotel owners to take full advantage of OTAs and their visibility and to get direct bookings.

What does the billboard effect actually mean?

The Billboard effect concept emerged around the end of the 2000s, as a result of a study conducted at Cornell University. The Billboard effect is the name given to the phenomenon that occurs when hotel owners start to enjoy an increase in direct bookings on their website after registering with an OTA.

A perfectly logical phenomenon!

Since OTAs, especially Booking and Expedia, bring a lot of visibility, people will discover your hotel through these platforms. As users are very curious, 60% of them consider these platforms as a real search engine. After browsing the platform, users always visit the hotel's website before making a reservation.

For hotel owners who are registered with one or more OTAs, this implies a substantial increase in traffic on the hotel website. This is therefore the time when making a difference is essential to winning over the potential customer. With a good marketing and sales strategy, earning travellers' bookings is a breeze.



60%

60% of travellers who find a hotel on Booking always check the hotel's website before making a reservation

Thanks to the Billboard effect of the OTAs, hotel owners receive more direct bookings and are freed from the high

commissions of the platforms. An increase with tangible results, particularly in terms of revenue.

Setting a fair price

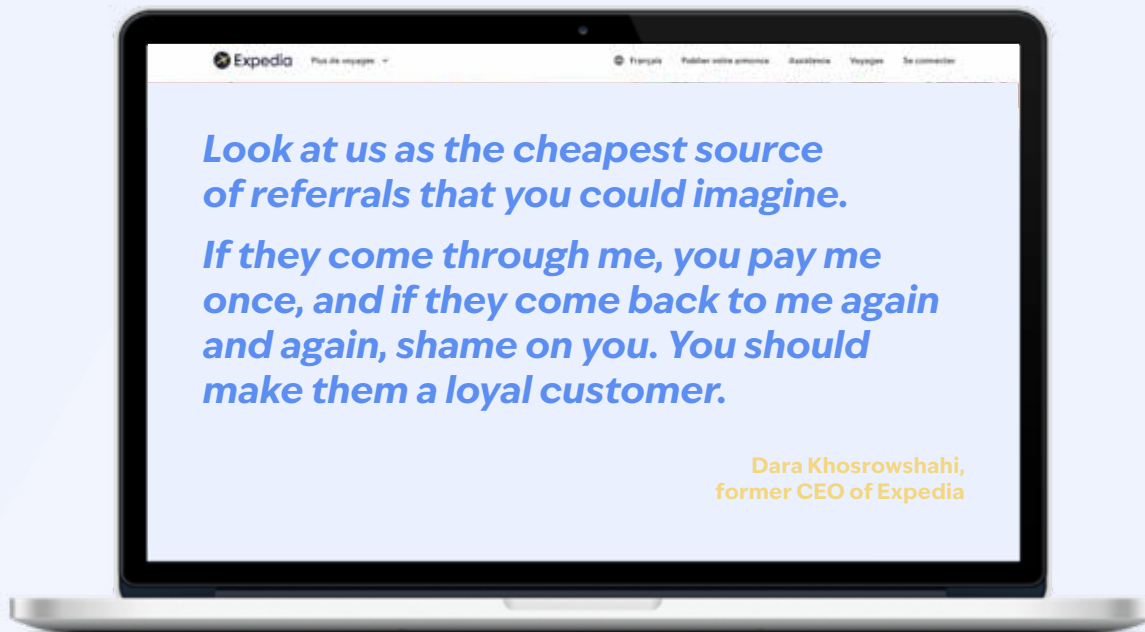
Registering your property on OTAs is a golden opportunity for a hotel owner, provided you have an effective and well-thought-out marketing strategy. The choice of price is also a key criterion when deciding to join an Online Travel Agency.

Independent hotel owners need to be shrewd when it comes to rates. Proposing higher rates on OTAs than on the hotel's own website is entirely possible and, indeed, is the most common approach.

When planning your marketing strategy, the first step is to establish the price of the rooms. The rate should of course take into account the market price, the services offered and the season. Once the prices for direct bookings have been set, you can proceed with the prices for booking platforms. A smart strategy is to set the same price on all the OTAs on which the accommodation is registered. Why? Because online travel agencies have robots monitoring prices on the different channels. Should the price of a room be cheaper on a competing OTA, the hotel could be downgraded in the ranking.

- ✓ Set a price for direct bookings
- ✓ Set a higher price for OTAs
- ✓ Apply the same prices on all OTAs
- ✓ Maximising bookings with a quality/price ratio aligned with the market

Retaining customers



The former CEO of Expedia hit the nail on the head with this shocking statement. The Billboard effect is a new way for hotel owners to get customers. However, it is up to them to ensure that they keep coming back to their hotel in the future via the hotel's own website.

Paying a commission the first time a visitor books a room is not a big deal.

Thanks to Booking or Expedia, tour operators get new customers, since OTAs have the most powerful and high-performance marketing strategies in the whole sector. However, if the hotel owner does not know how to win the customer to come back in the future by booking directly, it means that there is some other underlying problem to solve.

4. Bookings

What to know about commissions










Comparing different OTAs

With the Amenitiz Channel Manager, you can connect and manage your property on over 120 OTAs. However, we recommend working with a maximum of 2 or 3 Online Travel Agencies. How to choose the most interesting OTAs for your accommodation?

Below is a small comparative table of the most widely used OTAs in UK, with their respective advantages and disadvantages, and the relative commission rates.

Booking, Expedia and Airbnb are obviously the most well-known ones. Nevertheless, other OTAs can be interesting and perform well depending on the type of accommodation and clientele you have. HRS, for example, is a great choice for hotels with a business clientele; Weekendsk, on the other hand, is more appropriate for tourist accommodation offering short stays and working with a more domestic clientele.

	Commission rate	Advantages	Disadvantages
	AVERAGE PERCENTAGE: 15%	<ul style="list-style-type: none"> • marketing impact • visibility 	<ul style="list-style-type: none"> • general terms of sale • easy cancellations
	AVERAGE PERCENTAGE: 15%	<ul style="list-style-type: none"> • wide choice • known worldwide 	<ul style="list-style-type: none"> • bad customer reviews • service fees
	AVERAGE PERCENTAGE: 3%	<ul style="list-style-type: none"> • payment • general terms of sale 	<ul style="list-style-type: none"> • hidden costs • risk of damages
	AVERAGE PERCENTAGE: 20%	<ul style="list-style-type: none"> • wide network • new niches 	<ul style="list-style-type: none"> • high booking volumes • bad customer reviews
	AVERAGE PERCENTAGE: 15%	<ul style="list-style-type: none"> • automated payments • business clientele 	<ul style="list-style-type: none"> • losing ground • best price guaranteed
	AVERAGE PERCENTAGE: 15%	<ul style="list-style-type: none"> • good customer reviews • subsidiary of Booking 	<ul style="list-style-type: none"> • non-transparent pricing • promotional codes
	AVERAGE PERCENTAGE: 20%	<ul style="list-style-type: none"> • domestic clientele • great in difficult times 	<ul style="list-style-type: none"> • little foreign customers • shorter stays

How do commissions work?

When a hotel is registered with an Online Travel Agency and a traveller books a room through this OTA, the hotel owner has to pay a percentage commission to the platform. While for some OTAs this fee only applies to the owner, other platforms allow this amount to be split between the hotel owners and the travellers.

The commission is nothing more than a fee on the booking amount. Each online travel agency sets its own rate, which is generally around 15-20%.

The commissions charged on each booking help finance the various services offered by OTAs. These platforms are in charge of managing all online listings, from posting to booking. The only thing left for the owner of the accommo-

dation is to provide the content to be included in the ad, i.e. text and photos.

On the most important OTAs, ads are translated into several languages to reach an even wider audience of travellers from all over the world. This is because foreign customers rely heavily on this type of booking platforms.

Bookings are processed automatically, from confirmation to payment, according to the settings provided by the hotel owner. On some OTAs, a 24-hour support service is available for both owners and travellers. There are even teams in charge of checking the reliability of reviews, which play an essential role for the online reputation of the hotel, and which travellers always check before completing any reservation.



Increase direct bookings

Commissions are quite high for hotel owners; therefore, care should be taken not to be totally dependent on OTAs. Online Travel Agencies should be seen as a way to attract new customers.

The best way to reduce the amount of commissions is to have a website with an integrated booking system and to implement a strategy to receive as many direct bookings as possible.

For several years, direct sales have been the third largest source of reve-

nue for hotels in the UK. And during the pandemic, direct bookings even increased to second place and overtook those achieved by Expedia. It would therefore be a mistake not to see the hotel website as the most important booking funnel for revenue.

In order to increase direct bookings, it is essential to provide the same information, albeit with different content, on both the hotel website and the OTAs. Here are a few tips to help you stand out from your competitors:

- ✓ **Give priority to the content of the hotel website**

The content must please Google, which will use it for its algorithm, but above all it must be effective and appealing to customers.

- ✓ **Translate your website into several languages**

Hotel descriptions in OTAs are available in several languages. To maximise their turnover, they must also get bookings from foreign customers.

- ✓ **Create a separate page for each room type**

Create at least one page for each room category, with a booking CTA button on each page. All information must be listed in detail (number of guests, room size, bed size, description, photos, services offered).

- ✓ **Add a booking manager**

The booking form must include a secure online payment method and a calendar with real-time availability. Reservations should also be made via smartphone.

- ✓ **Use a Channel Manager**

This kind of tool helps the hotel owner to fill the facility. After a cancellation, the room is automatically put up for sale again.

- ✓ **Offer more benefits to customers**

When travellers visit the hotel website due to the Billboard effect, a lower price is more likely to convince them.

- ✓ **Have a good hotel management mode**

A hotel website is not an e-commerce. The aim is to sell users a dream holiday.

Conclusion



Amenitiz digital solution for an effective strategy

Almost all bookings are made online. To achieve a good turnover, the main distribution channel must remain the hotel's website, which allows direct bookings. Nonetheless, it is still necessary to register your properties with 2 or 3 OTAs.

In spite of their disadvantages, due in particular to their high commissions, Online Travel Agencies are vital in the tourism sector due to their prominent role and the large user base they attract. At the same time, OTAs have several advantages.



Channel Manager



Website builder



PMS calendar



Payment manager



Booking engine

Join Amenitiz, become part of our community and use our all-in-one solution to increase the number of direct bookings.

Get in touch *with us*

contact@amenitiz.com

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