

ALESSANDRO CROTTI



INFOGRAPHIC:
HOTEL DISTRIBUTION TODAY
& THE IKEA EFFECT.

The Ultimate Guide

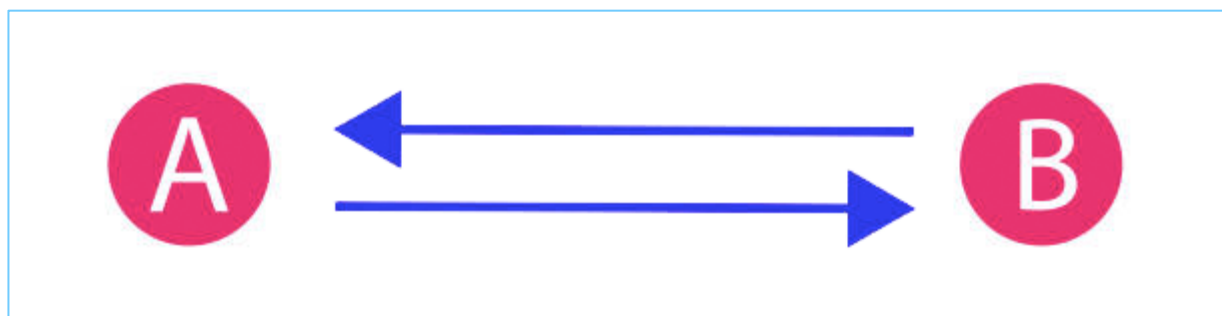


You walk into Ikea, you just need 1 thing, let's say, a Billy shelf.

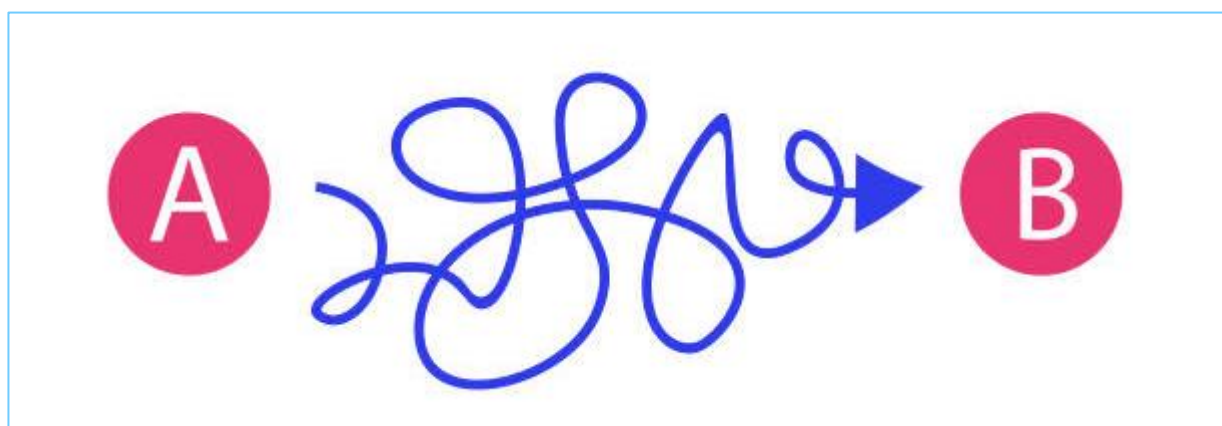
Let's also say that:

- Point A: starting point AND ending point (entrance and exit);
- Point B: where your Billy is.

In a *sane* world, you'd simply go from A to B, then back to A, as if you were walking in a straight line, right?



Now, even if you have never been to Ikea, you perfectly know that the above simply doesn't exist. Instead:



A maze.

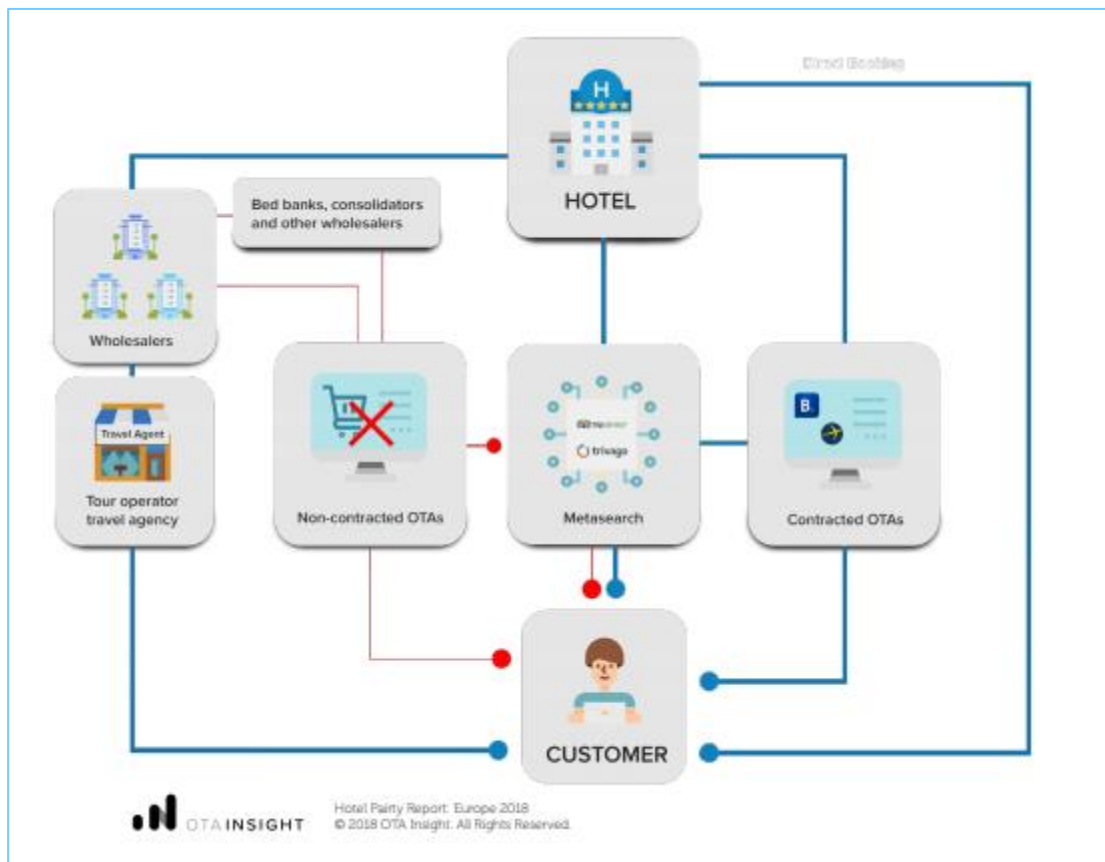
Just like the Hotel Distribution today.

At Ikea, though, the maze is a simple yet effective marketing strategy.

As for the hotel industry, our maze can also be represented as a delicious cake that you have prepared with so much care and love, together with your wonderful Staff, ready to be served to your guests for tonight's dinner, but it's sooo delicious that your children, your neighbours, and even your dog take a slice each, from under your nose, before your guests can even step into your nice house.



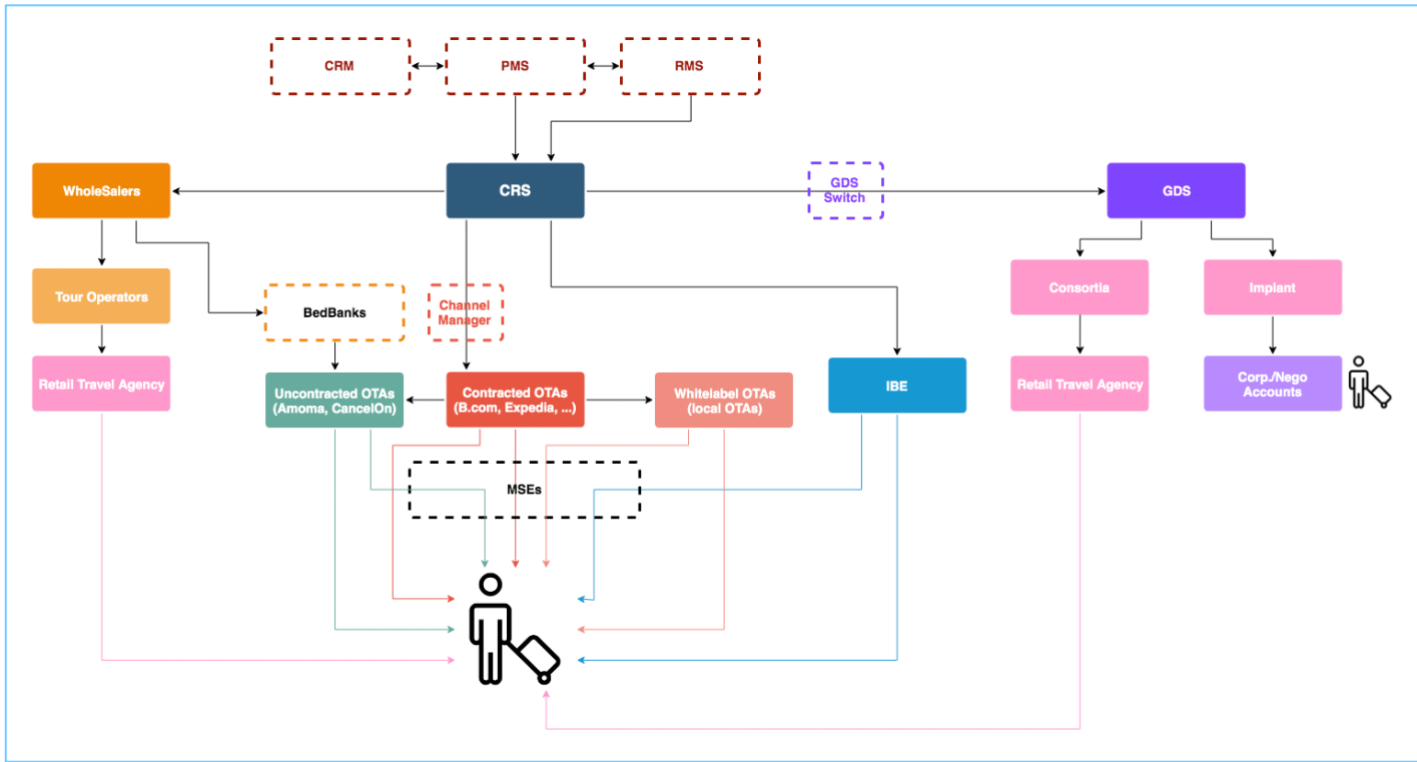
What follows is a very good **infographic** that was already published one year ago by OTAInsight.



A simplified version.

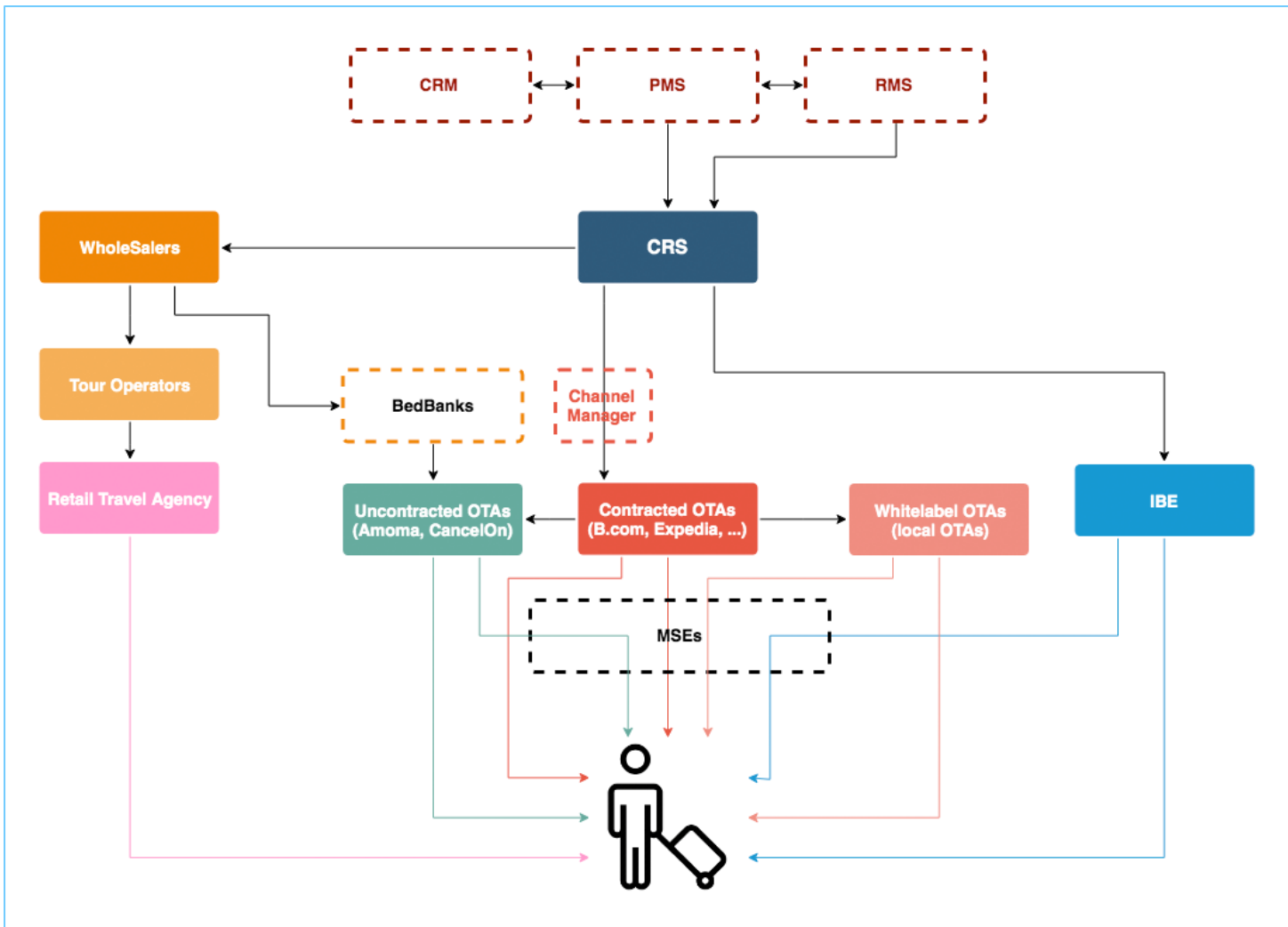
As much as I wanted to create one myself, I admit, I kept postponing the idea because I knew it would have caused me a big headache.

Exactly what happened, but I finally did it:



Hotel Distribution Today, including GDS Systems | Click on the image to see it in full size and, if you want, download it.

Same as above, just excluding the GDS systems:



Hotel Distribution Today | Click on the image to see it in full size and download it.

How could this have been allowed to happen?

I'm actually not even sure it's fully correct, I might have missed something. If so, kindly PM me and I will amend it accordingly.

I've purposefully avoided to mention the offline distribution – email, phone – as it would have been too much to represent.

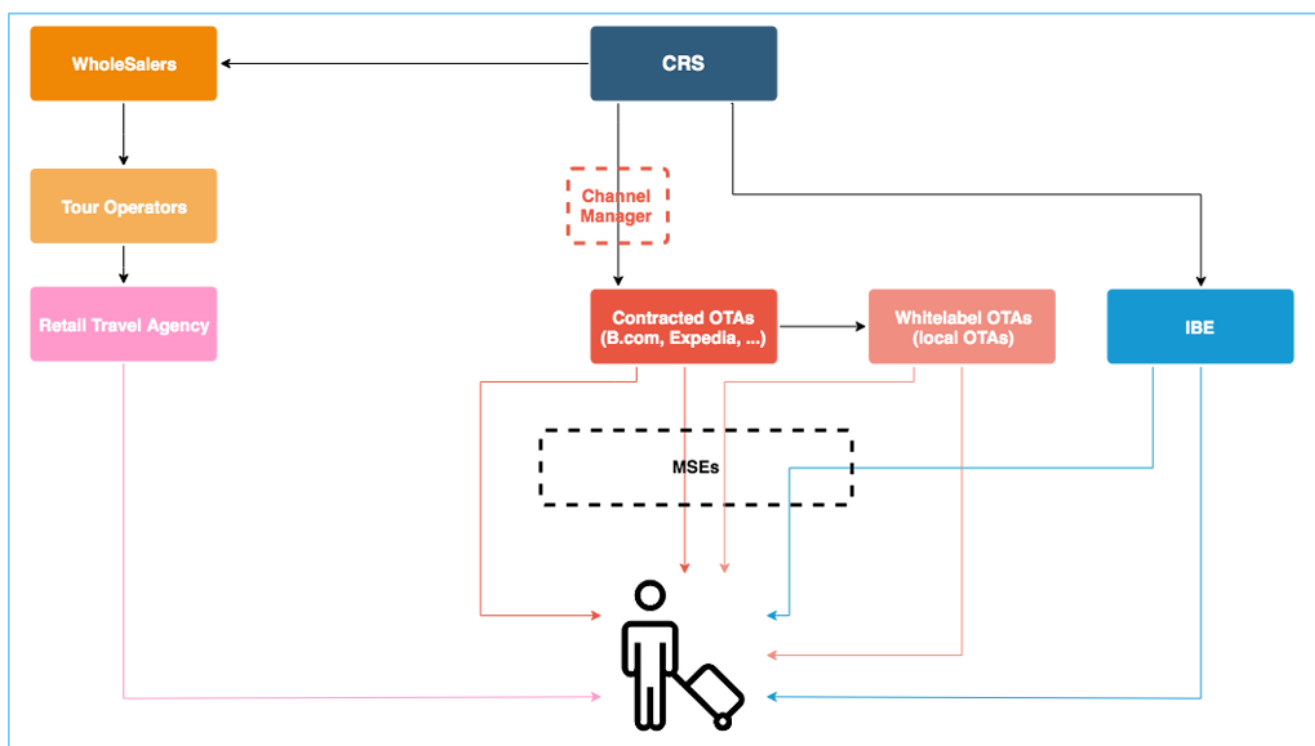
Even without the GDS part, let's be honest: it's a mess!

Besides, the above infographic is, essentially, no big news to most of us. But probably (I hope), a get-things-straight visual representation that could help us better understand who does what.

Now, let's dig in a bit more and see what is what, who is who, and how the above landscape has evolved in the last 5 years.

5 Years Ago: No 'Uncontracted' OTAs.

5 Years is not a super specific time frame. But 5 years ago is, as far as I remember, the time when we started dealing with Amoma & Co.



Hotel Distribution 5 Years Ago | Click on the image to see it in full size and, if you want, download it.

Point being, even though visually the landscape may not look so different, the effect of these guys (Amoma & Co.) on the overall hotel distribution was quite big and impacted everyone, including the OTAs as we are used to know them – B.com, Expedia and others – and MetaSearch Engines.

Wholesalers were wholesalers. OTAs were OTAs. It was as simple as that.

But now, **wholesalers have become bed banks, OTAs have become wholesalers/bed banks**, with the ultimate results that **only your (hotel) slice of the cake has become smaller and smaller.**

HotelBeds used to be the World's n.1 wholesaler. Check what their payoff says now: **The World's n.1 Bed Bank.**

In my previous post I mentioned how the recent collapse of Amoma became a great opportunity for wholesalers to step up and speak up for the hotels' interests, even though, nowadays, what they do moves to a completely opposite direction.

And HotelBeds, being the biggest in the world, didn't miss this opportunity.

This is nothing but Marketing: **it's not important that what HotelBeds said is true or not. The important thing, is that they stepped up at the right time**, maximising their exposure in relation to what, in these days, is a super burning topic for the industry they serve.

Chapeau!

3 Questions You Should Ask Yourself.

If this doesn't convince you yet, here's a few questions that might, at least, raise more doubts re their innocence:

1. It's been at least 5 years that hotels all over the globe have been dealing with and fighting these Amoma&Co. guys. Where were they before? Why have they spoken up just now?
2. HotelBeds' payoff now says *Bed Bank* as opposed to *Wholesaler*, have you wondered why? Well, the real reason, they only know. However, a payoff is a marketing tool that defines whom they are speaking to. Since HotelBeds, essentially, buys and resells rooms, they speak to both hoteliers, whom they buy from, and those whom they resell your rooms to: Tour Operators and, lately, Uncontracted OTAs. By defining themselves as a bed bank, they clearly market to the second

ones.

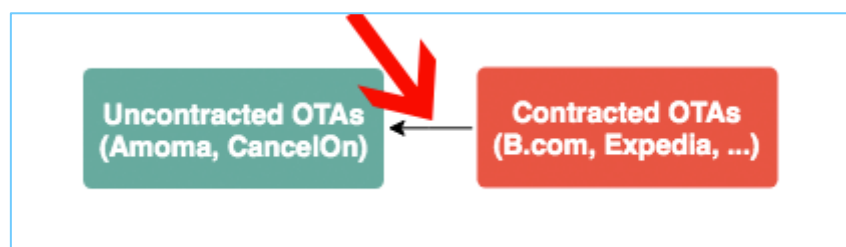
3. A direct consequence of what I just said. In simple words, wholesalers make money by reselling your rooms, right? In which way would they have any sort of interests in cutting ties to those sites? Yes, I agree that hoteliers might have put them a bit more under pressure but, still, their ultimate goal is to resell your rooms and Amoma&Co. are the ones who maximize their exposure and boost their revenue. Proof is, all those hotels who bravely and smartly decided to cut ties to any FIT contracts: not a single one has regretted!

Today: Contracted OTAs 'Playing' the Game.

The domino effect of this *Wholesalers-Uncontracted OTAs* game, necessarily has also involved those well-known OTAs most hotels have a contract with, globally.

Clearly B.com and EX (I can't say the full names, it hurts my feelings) couldn't stand idly by, without moving a finger.

And here is the main conceptual difference between the first infographic from OTAInsights and the one I created:



Contracted OTAs feeding Uncontracted OTAs.

With the term Uncontracted OTAs we shouldn't limit ourselves to thinking of Amoma&Co. exclusively.

For example, Asian giant CTrip (Trip.com) gets fed by other OTAs so that they can wider their offer to their market: high chances that even though you don't have a contract with CTrip, your hotel is listed on their site.

Besides, let's consider the other 2 giants – B.com and EX – and the different approach they adopted to be part of the game.

Expedia: Hotel Collect vs. Expedia Collect.

Becoming an active and important player of the game was definitely easy for EX, because of its Expedia Collect business model.

In essence:

- Expedia Collect: EX collects the payment at the time of booking.
- Hotel Collect: hotel collects the payment upon guests' arrival (or check out).

Now, I have a question for you. And a tiny challenge:

Question

If you work with both *Expedia Collect* and *Hotel Collect* models, which one drives most revenue?

By the time of this article I audited more than 200 hotels in the last 5 years: **9 times out of 10, Expedia collects generates more revenue.**

Is it the same with you? Have you ever wondered why?

Let's put it this way. Step into your ideal customers' shoes for a moment: if you were given the chance to pay upfront at the time of booking, as opposed to pay upon arrival, which one would you go for? Same price, no difference conditions other than the method of payment.

Upon arrival, no? So why does *Hotel Collect* generally underperform?

Challenge

Assuming, again, that you work with both *Expedia-* and *Hotel-Collect* models, if you ask your Market Manager at EX to turn off Expedia Collect, leaving Hotel Collect as the only available option, do you think EX is going to accept?

There shouldn't be any difference in terms of performance, right? Why wouldn't they?

Then try: I bet you will be given so many hilarious reasons to justify that they can't.

Expedia Collect Makes It Easy...

...for EX to be part of this game. Plus, as we all know, generally speaking EX applies high commissions, 20-22% on average, up to 25% for their Standalone rates, up to 35% for Package rates that are supposed to be sold as part of a bundled price that includes other travel-related services... needless to say that it's all relative

Besides, the point is: **The higher the commission you pay, the lower the net rate EX gets from you, the higher margins they can play around with.**

In few words, this is what EX can do with your net rates:

1

Slightly reduce their margins on their share (commissions) by placing Expedia Collect a bit cheaper as compared to Hotel Collect rates.

Your payment options

Your trip is risk free with:
Free Cancellation before Fri, Oct 11

Pay now

- We will process your payment in your local currency
- More ways to pay: use Debit/Credit card or Paypal
- You can use a valid Expedia coupon

\$221
per night

Pay now

Pay when you stay

- You will not be charged until your stay
- Pay the property directly in their local currency

\$225
per night

Pay at property

Expedia Collect rates cheaper than Hotel Collect's.

Please note: if you make a search for your hotel, it's almost impossible for you to detect EX offering cheaper rates for Expedia Collect rates, as shown in the screenshot above.

This is due to the fact that EX generally undercuts the rates when the search comes from a different country than the one of your hotel.

I think no need to say why... And, by the way, it doesn't happen all the times, but relatively often.

2

Re-sell your rooms to other OTAs that don't have a direct contract with you.

Take the example of CTrip: in my countless tests, it turned out that EX was one of the most frequent feeders of rates and availabilities of CTrip.

3

SHPM. This is a bit of a secret. Basically no one knows about it, neither do most EX's Market Managers.

Fact is, I know about it because of an accident.

SHPM stands for **Standalone Hotel Price Modification**. Essentially it's an algorithmic system that undercuts hotels' rates when certain conditions are met.

You get it? All the above juicy things couldn't be done if you were having *Hotel-Collect* model only.

Priceline: A Family Game.

B.com's *Virtual Card* can be compared to EX's *Expedia Collect*, meaning the OTA collecting payments upfront.

However, B.com's prepayment program has never been as strong as EX's.

Besides, big mama Priceline opted for a different strategy and, I believe, they did so to “protect” the reputation of B.com.

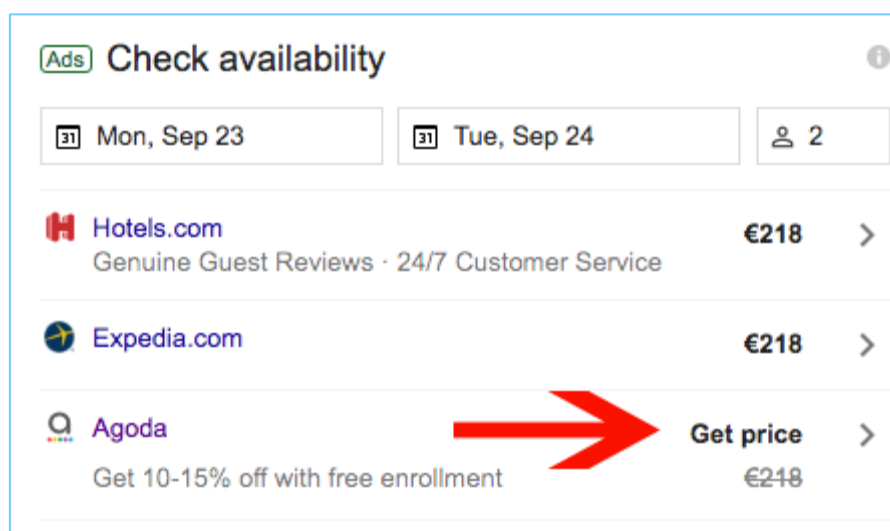
Ever since it's online **and as opposed to EX**, B.com has always demonstrated a certain touch and sensibility when it came to establishing good relationships with whom they keep referring to as their Partners: **the hoteliers**.

From a communication perspective and UX-Writing, I have to admit, B.com is THE Master. Their copy is pure art, first and foremost when it comes to communicating to hotels.

In order to maintain this reputation, the Priceline group went for another strategy, based on 2 points:

1) Agoda.

I often times say that whilst B.com is the *good* guy, Agoda is the *bad* one of the Priceline family.



Agoda on Google HPA

In fact, Agoda has become one of the sneakiest channel I have been dealing with, for the last 4-5 years. **Never in parity. NEVER!**

And when it is, it is by mistake.

No matter the hotel, no matter whether the hotel had a direct contract with them. Even when there was a direct contract in place and everything was perfectly fine in terms of rates and availability in the extranet, Agoda kept showing rates that no one knew where they were coming from.

Agoda is probably the best example of *hybrid* OTA: partially contracted, just like B.com, partially uncontracted, just like Amoma&Co.

Because of its hybrid status, dealing with a disparity situation on Agoda has always been a big deal.

Besides, Priceline strategy makes sense: let's have Agoda do the dirty job, while keeping B.com far from suspicious behaviors.

2) *Booking.basic*

The problem with the scenario at point 1 is that B.com is, ironically, too big and too well known. In other words, there's a huge number of travellers who simply don't trust other OTAs other than B.com, Expedia and few others.










Agoda becomes then a way less effective weapon in Priceline's hands, leaving B.com in a weaker position as opposed to EX.

Thus, Priceline had to come up with something to get the favourite son B.com involved in the FIT-game of Amoma&Co and be able to better compete with EX.

Neither, though, did Priceline want to ruin B.com's reputation and trustability it earned after many years in the market.

This is what I believe it translates into Booking.basic.

In fact, B.com clearly labels those FIT-driven rates with a perfectly visible Booking.basic logo:

Room type	Sleeps	Price for 2 nights	Your choices
<p>▶ Deluxe</p> <p>1 double beds </p> <p> Air conditioning  Private bathroom  Flat-screen TV  Soundproofing  Free WiFi • Minibar • Shower • Safety Deposit Box • TV More</p>		<p>€ 542</p> <p>includes taxes and charges</p>	<p>Booking.basic </p> <p> Very good breakfast included</p> <p> Book and pay securely with Booking.com</p> <ul style="list-style-type: none">• Invoice not provided with this option• Non-refundable

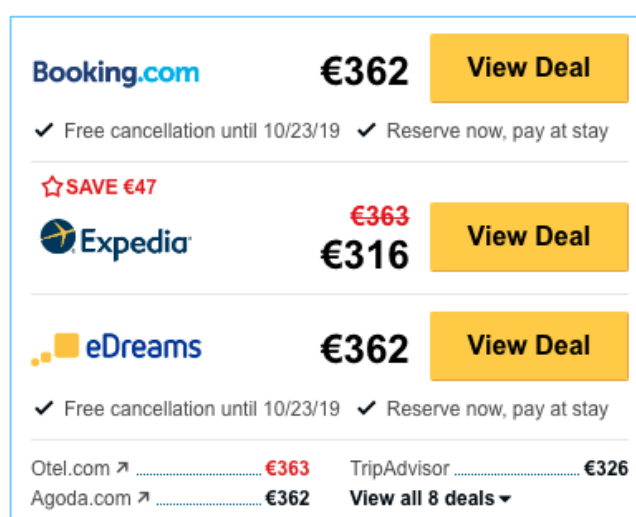
Simply put: transparency is always given. With Booking.basic, B.com is officially and directly part of the game.

Even though the label and logo of Booking.basic don't say anything specific in terms of what it means, with a quick research on Google, everyone could then check what it is about and how it works.

Getting theirs hands dirty while keeping them clean!

Higher rate competition = More business for the MetaSearch Engines.

Even though Meta's were already there a decade ago, their biggest impact began when Amoma&Co. started popping up.

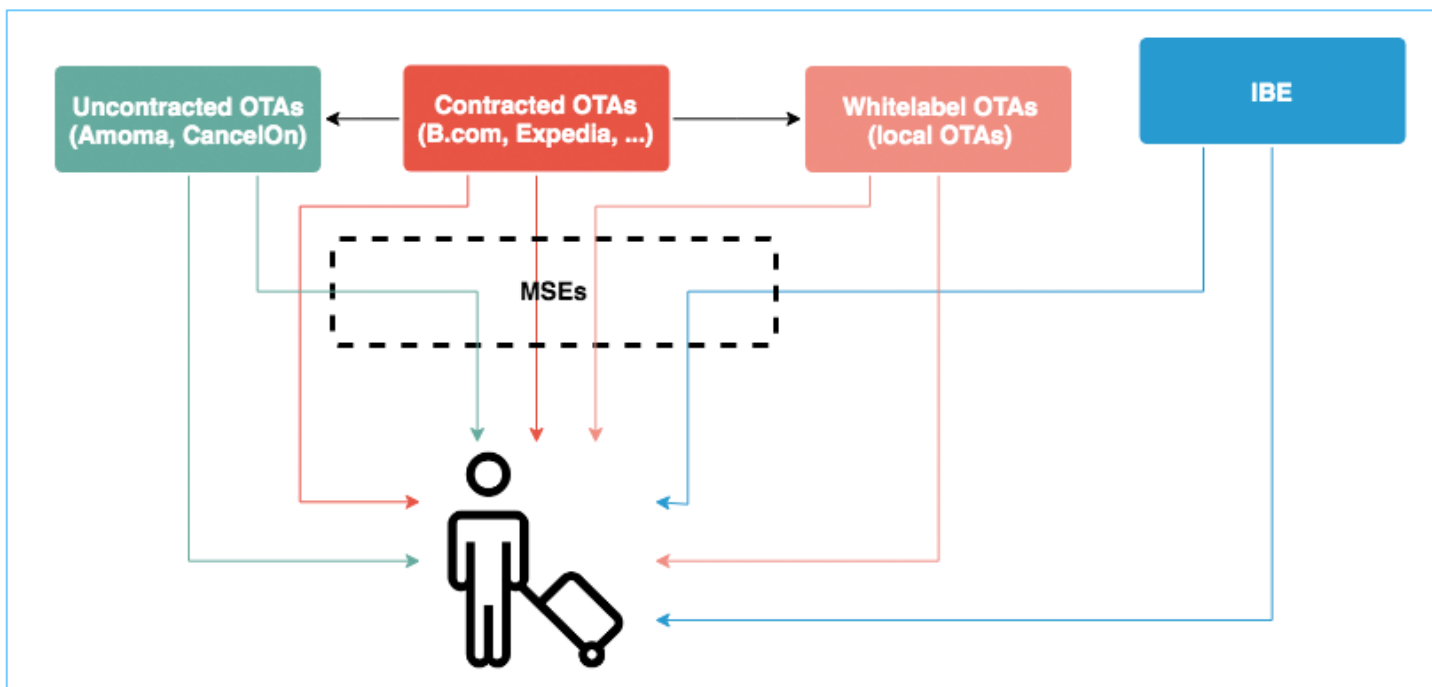


The screenshot displays a list of hotel deals from various meta-search engines. The top three results are highlighted with yellow 'View Deal' buttons. The first result is from Booking.com at €362, with a 'Free cancellation until 10/23/19' and 'Reserve now, pay at stay' option. The second result is from Expedia at €316, with a 'SAVE €47' badge and a crossed-out price of €363. The third result is from eDreams at €362, also with 'Free cancellation until 10/23/19' and 'Reserve now, pay at stay' options. Below these, there are smaller results for Otel.com (€363), TripAdvisor (€326), and Agoda.com (€362), along with a 'View all 8 deals' link.

MetaSearch Engine	Price	View Deal
Booking.com	€362	View Deal
✓ Free cancellation until 10/23/19 ✓ Reserve now, pay at stay		
Expedia	€316 (SAVE €47, crossed out €363)	View Deal
eDreams	€362	View Deal
✓ Free cancellation until 10/23/19 ✓ Reserve now, pay at stay		
Otel.com	€363	
TripAdvisor	€326	
Agoda.com	€362	
View all 8 deals		

MSEs are the last contribution to the Ikea Effect we have been living in these days.

As soon as a new player joins the game, all others adapt themselves too.



All channels go through MetaSearch Engines

MetaSearch Engines benefitted from the Amoma&Co. situation for 3 main reasons:

1. Amoma&Co. needed a way to make their super cheap prices visible. Meta's were the answer to maximize their exposure and let them compete in the marketplace.
2. Amoma&Co. created a situation where a single hotel was exposed with up to 10 different prices for the same dates, same room, same conditions. MSEs were the tool users needed to make a bit of order and feel as if they were in front of the best deal they could possible find.
3. Contracted OTAs soon started reducing margins on their own commissions to compete in the new jungle and investing more and more money for their exposure on MSEs.

Amoma&Co. Made EX and B.com Stronger.

Here is what I believe is the most interesting part of the story.

If 2 or 3 years ago I had asked you "how many Amoma&Co. can you count?", the answer would have varied from 5 to 15.

For the same question, to these days, more likely the answer would be closer to 2 to 5.

I know this last point may be questionable, depending on many different factors. But I spend quite some hours every day on Meta's and I can confirm everything.

Ironically, this uncontrolled distribution generated some side effects that are now *slowly-but-quickly* showing up. To me, these are the most important ones:

1) More and more hotels have started closing all their FIT contracts.

FITs were supposed to bring in some additional business that nothing, in theory, had to do with the business of those regularly contracted OTAs.

Since FIT end-user customers are more and more moving onto the online, wholesalers have decided to be actively part of a game that, theoretically, shouldn't be of any concern to them: the online hotel distribution, also affecting hotels' **direct-booking strategies**.

FITs, per se, are not the problem, though. So aren't floating BAR rates the solution to the problem. But when hotels give 25% OFF BAR to wholesalers and the same 25% to Expedia, wholesalers and Amoma&Co. are way less competitive as they have to share the same slice of cake among multiple players, whilst Expedia keeps that entire slice for itself.

2) Amoma shuts down, so soon will other OTAs of the same type.

Because of the above at point 1 – I think – Amoma&Co. are all dying the same death.

It's something we should all be partying for the whole weekend, at least, right?

But the Hotel Distribution always evolves, it never regresses.

What Amoma&Co. are now leaving behind, is already being picked up by others: EX and B.com.

There has never been a better moment than this to invest in your direct-booking strategy.

Have you noticed that I didn't say a word about Websites and IBEs?

Point being, **your booking engine is the only channel that will never betray you!** It never changes its role. It never did in 20+ years, since the first reservation systems were introduced.

And, besides the big mess the hotel distribution has become, in the last year it seems that direct-bookings have slightly increased all over the globe.

Difficult to say what actually drove these relatively good results, everyone claims to have an answer and, often times, these answers point to **a single reason which, in my opinion, is never the case**. I believe there are multiple contributing factors to be found, also, in what I said above.

Here's what I think.

Billboard Effect.



Billboard Effect | Image Source: eZee Absolute

It used to be a burning topic until a few years ago, lately no one talks about it.

Contradictory information can be found as to whether it's a growing phenomenon or not.

The above mess in hotel distribution may suggest that less and less prospects actually visit hotels' websites before making a booking, however, it can also be the other way around: the more confusion and more options are being delivered to the customers, the less *anchors* these customers have to get the information they are actually looking for.

Ironically, hotels' sites might represent those anchors.

In other words: whilst all 3rd-party channels keep adapting and changing their own nature, hotels' sites and booking engines remain the same safe harbor.

Branding.

There is an incontrovertible equation I have been noticing in my 15+ years in the hotel industry:

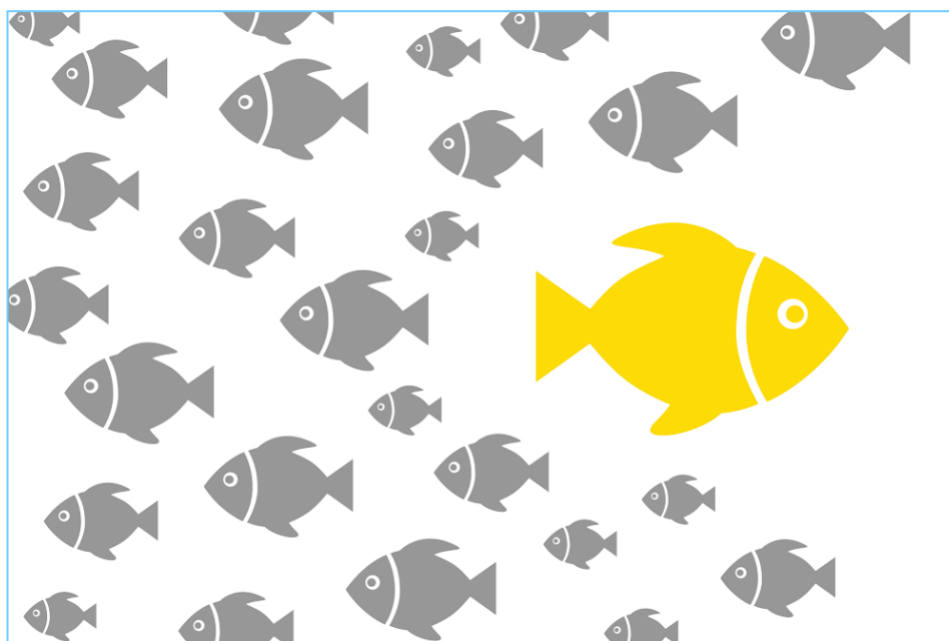
The more your hotel is being perceived as unique, the higher chances to get more revenue and more direct bookings.

As simple as it sounds, in a single word: Branding.

Easy, no?

Well, no. Because Branding is a damn serious thing that still doesn't get the attention it deserves.

In other words: if you are being perceived as a commodity, guests base their decision on price and little else. When you have a brand, you are being perceived as something different. And when you are being perceived as something different, guests tend to **spend more** and to deal with you **directly**.



All top performing clients I have been following have a lowest common denominator: they've become a great Brand.

Branding and... Marketing.

Whilst Branding is the foundation of any hotel' success, Marketing is the tool through which hotels communicate their uniqueness.

And here's the thing: with no Branding, no Marketing initiative can be effective.

And here's another thing: **when hotels have a great Brand, Marketing becomes easy.**

But, There is a But...

As opposed to the majority of opinions I've found and heard from other experts, these are 2 things I don't necessarily consider as the main reasons behind a successful direct-booking strategy:

Pricing-Widget Tools.

Let's put it this way: these tools that you install on your website and booking engine that show how much competitive your direct price is, as opposed to those on the OTAs, can be of help **ONLY if your online distribution is healthy.**

Let me give you an example: if I make a search for your hotel and:

- B.com = € 129
- EX: € 129
- IBE: € 120 Best Rate Guaranteed.

PRICE CHECK	
★ DIRECT	€ 120.00
✓ FREE ticket museum Belvedere 21	
✓ FREE access rooftop restaurant	
✓ FREE use outdoor pool 8th floor	
Booking.com	€ 129.00
Expedia	€ 129.00

However, as soon as I enter the name of your hotel on Google I see that Amoma, Agoda, Otel.com or others are showing me cheaper deals than your € 120 direct price, not only is your IBE no longer competitive but, as a potential customer, I would feel betrayed re you claiming that your IBE price is the best.

MetaSearch Engines.

This is a bit contradictory. And I could write a book on this single topic. But let me clear that out:

Having your IBE prices displayed on METAs is a great thing. When certain conditions are met.

One of these conditions is: how is your booking engine feeding those MSEs you have been connected to?

In this [post](#) I talked about this reason specifically.

The image displays three screenshots of TripAdvisor search results for a hotel, illustrating how prices vary across different languages and search engines. Each screenshot shows the search criteria (check-in/out dates, number of guests) and the resulting offers from various booking engines.

Language	Search Engine	Price	Additional Info
English	Expedia	€135	Free cancellation until 08/13/19
	Booking.com	€135	
	TUI.com	€177	
	1-2-FLY.com	€163	
Italian	AMOMA.com	156 €	Vedi l'offerta
	Hotels.com	149 €	Vedi l'offerta
	Weekendesk	149 €	Vedi l'offerta
	TripAdvisor	149 €	
German	Expedia	158 €	Kostenlose Stornierung bis zum 13.08.19
	Booking.com	158 €	
	TUI.com	177 €	
	Agoda.com	159 €	

In this [other post](#) on LinkedIn, I talked about a hotel that had cheaper rates on the IBE, yet it was being displayed as more expensive on Meta's.

What's Next?

Google. Period.

Google is being the biggest game changer we could possibly think about.

Positive change? Negative change?

It's just too early to know. Also in this matter there are contradictory information.

Personally, I think **it's a great thing**. For the simple fact that Google is literally the only one who could possibly compete with B.com, EX, CTrip and other giants.

Even though I heard experts saying that Google could eat them all (OTAs) in one bite, the very first thing that Google will bring (actually has already brought) is a bit of **balance** in the overall hotel distribution and the first thing to be at risk is the oligopoly of OTAs, not the OTAs themselves.

Conclusions.

Taking control over the online distribution is something that bothers most hotel professionals.

It's a difficult task, it's a never-ending and evolving situation that most of us feel as if it's impossible to keep up with.

Yet, it is possible. It's definitely possible. And it's actually less difficult than you can imagine.

It takes a bit of time, effort, commitment and... integrity.

When we don't see things with clarity, we get stuck and we tend to take no action.

It feels like standing at the feet of Mount Everest, we want to reach the top, but we look down at our feet and realise that we are wearing a pair of sneakers.



But as soon as we get clarity, we realise that what we believed it was Mount Everest is ultimately a tiny hill in summer time that we can also enjoy climbing up to the top for a nice walk.



Reality *is* perception. The more confident we are, the better our reality.

You want to get more confident? Get more clarity.

You want to get more clarity? Get more knowledge.

How can we be scared of walking up to the top of this tiny little hill?