

'Growing Tension Between Hoteliers and OTA's'...NONSENSE! An Alternative Viewpoint -

By Neil Salerno 10/20/09

I just got through reading an article titled 'Growing Tension Between Hoteliers and OTA's'. There are so many of things in this article with which I don't agree, I don't know where to begin. Either the author is attempting to sidle-up to Choice Hotels or he just doesn't get it. I won't go through every detail here; I would need to write a mini-novel. Let's just say I would urge other hotels to consider some facts before acquiescing to the article's implications. The article states that Choice Hotels has cut-off negotiations with Expedia and have subsequently been removed from Expedia owned sites. This is sad news, but this is free enterprise at work, Max. Expedia and Choice Hotels can make their own decision with whom they do business, but those decisions should be well informed and, hopefully, beneficial.

If Choice honestly believes that they were being "snookered" by Expedia, so be it. Personally, I feel that their decision to drop Expedia was an error and that their naiveté is incredible. I just don't understand what they are afraid of. Of course, I don't know the details of their negotiations, but I do know hotel marketing and the persistent antagonism between some quarters of the hotel industry and OTA's is troublesome to me and promulgating this notion is dangerous.

The Stockholm Syndrome?

The article compares the Stockholm Syndrome with the after-effects of 9/11. We've must have been in two different places, Max. The way I saw it, OTA's saved many hotels, with rooms they had a hard time getting on their own, and by boosting travel through the Internet, while our industry was asleep at the helm and allowed OTA's to take over Internet travel marketing. The hotel/travel aggregator war of 2002 to 2004 is well documented.

In many articles beginning in 2003, I urged hotels to get-smart about the Internet and play a quick game of catch-up with the OTA's. It was a matter of marketing and during those days, OTA's were way ahead in mastering this "new" medium. In the following years, the hotel industry did just that with the help of many smart Internet-savvy hotel people.

The hotel industry made significant gains on the Net since then and they leveled the playing field by improving their websites and concentrating on Internet marketing. They became believers. Hoteliers took back their share of the Internet and negotiated with OTA's to work co-operatively with them. Blaming OTA's for smarter marketing at the outset of Internet popularity is a silly notion.

Who Cares How OTA's Make Their Money?

Like any other business, OTA's are in business to make money. In this country, Max, free enterprise is still at work. Every business, including hotels and OTA's, make their own decisions with whom they wish to do business and their decision is generally based upon how much each will benefit from the partnership.

How Hotels Make Money

Hotels make money by taking in more revenue than they spend. Many hotels today are having a tough time doing that. I would be the first person to agree that any hotel, doing business with OTA's, which is experiencing consistent displacement of regular higher rate rooms with rooms from OTA's should re-think their OTA relationships.

The fact is that most hotels do not have this problem. In my opinion, this subject would be mute if more hotels employed revenue management in their operation. The process of RM calls for mixing a variety of rates, and profit levels, to achieve maximum occupancy and average rate.

Smart hoteliers consider OTA business as a base which allows them to build occupancy and, through good management of rates, to build average rate as well.

It would seem to me that our disagreement is based upon the false belief that hotels are in competition with OTA's for the same business. This belief fosters the notion that the big bad OTA's are stealing business which would normally book your hotel directly through your franchise website or your own website. Fat chance.

I hate to be the one who breaks this to you, but Expedia and other OTA's have earned loyalty from many travelers, especially those using air travel, through their own hard work, millions of advertising dollars, and some pretty innovative marketing. The OTA's have the ability to touch travelers who wouldn't even know your hotel exists if they didn't see it on an OTA website.

Even the very best of hotel websites cannot compete with OTA sites. They don't have hotels to operate and therefore the marketing dollars they spend cannot be duplicated by hotels, large or small.

The fact is that Expedia commands the OTA market. Your decision to partner with them, or any other OTA's for that matter, should be based upon whether or not you feel you can benefit from the relationship and not because someone feels that their rules are prohibitive, thinks they make too much money or thinks they are "the rate police".

History Repeats Itself

Years ago, I was vice president in charge of sales & marketing for Frenchman's Reef in St. Thomas, USVI. A long time before the Internet, we dealt with travel wholesalers with commissions of 25 and 30% and rules that were tough. In those days this hotel was flagged by Holiday Inn, with the most powerful reservation system in existence at that time.

We had choices. We had a powerful reservation system which we could solely rely upon but chose to partner with these aggressive wholesalers to provide us with the exposure we needed and to tap into their huge travel agent market. In those days, travelers wanted the security of booking with someone they already knew; their favorite travel agent. At the peak of our relationship, we paid wholesalers more than \$9.5M. Frenchman's Reef, in the 70's, had become one of the most successful hotels in the Caribbean.

Next Steps

The article's suggestion to "invigorate the push in the direct online channel" is not a factor in this discussion because every hotel should do this in any event. No hotel should be totally reliant upon OTA's. But, discard the notion that this will have any impact on OTA's; they are not going away anytime soon. Either you need and want their business or you don't.

Stop worrying about how and how much Expedia earns, look at your individual situation. Attempting to demonize Expedia because someone resents the size of their commissions or their rules of partnership is plain wrong. I know of many hotels which are thankful for the business they receive from Expedia and other OTA's while using that business to build their own profits.

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