

## OTAs become ever-more powerful remaining a heavy burden on hotel profit margins

Online travel agents (OTAs) such as Priceline and Expedia have become ever-more powerful as a result of strategic acquisitions of smaller, regional players with Priceline now controlling 62% of the European market, while Expedia holds around 70% of the US market.

As a result hotels that have become increasingly reliant on bookings from OTAs might soon be forced to work with just two main companies with limited options for negotiating on commissions.

A new report from global hotel consultancy HVS says that while OTAs offer a number of advantages to hoteliers including a wide, multi-national reach and big marketing budgets, the commission rates of anything from 15% up to 30% are a heavy burden on hotel profit margins. Furthermore, a growing trend amongst OTAs is the fact many are launching their own loyalty programmes taking them into a head-to-head battle with hotel group loyalty schemes and threatening one of the unique selling points some hotel brands offer their customers.

Another limitation imposed by OTAs is their insistence on best price guarantee and rate parity amongst all channels, leaving limited manoeuvrability for hotels to make their offer more attractive. However, over the past few weeks there has been some movement towards more lenient regulations as imposed by anti-cartel authorities, mainly in Europe, commented report author Jill Barthel, analyst, HVS London.

The HVS report concludes that hotels should aim for a healthy balance between OTA bookings and bookings from their own website, making sure they maximize their website bookings by making their site as up-to-date, attractive and easy-to-use as possible.

It might come down to the small details that make guests decide which channel to book through, added report co-author HVS director Sophie Perret. Search engine optimization is worth exploring and while not cost-free, is comparatively cheaper than the cost of rooms sold via OTAs.

While limiting your exposure to OTAs as much as possible might reduce your distribution cost, this could be at the expense of overall occupancy and ultimately ancillary revenues generated through restaurants and bars.

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To download a full copy of the report **OTAs ? A hotel's friend or foe?** by Jill Barthel and Sophie Perret click here  
<http://www.hvs.com/article/7408/otas-?-a-hotels-friend-or-foe/>

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#### About HVS

HVS is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 4500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 35 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. [HVS.com](#)

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