



VisitEngland™



Online Marketing Toolkit

Online Travel Agents

Module 2

Overview of Online Travel Agents

An Online Travel Agent (OTA) works in much the same way as a traditional travel agent on the high street. The user of an OTA can search for room availability, based upon a geographical location and the dates of their intended stay. OTAs display available properties based on this specific search criteria.

From a user perspective the benefit of an OTA is that multiple accommodation options are displayed together, along with reviews and rankings from other users who have stayed at the various properties.

When a user makes a booking through an OTA, the property is charged a commission on that booking. Commission rates typically start at 15% +VAT, with some OTAs charging an additional 2.5% - 3% to process credit card bookings.

Recent growth of OTAs

In recent years the OTA sector has seen significant growth in market share and dominated the hotel-booking marketplace worldwide between 2010 and 2012.

Since 2012, with the rise of meta search websites, which are discussed in Module 3, the OTA sector has experienced a slowdown in growth. However, it still represents a significant route to market, particularly for small accommodation providers.

Given the volume of traffic to the major OTA websites they are likely to generate bookings, particularly for smaller accommodation providers, who may otherwise struggle to generate enough direct bookings through their own websites.

Many accommodation providers are prepared to sacrifice commission to ensure higher occupancy rates and see the OTAs as the easiest means of achieving this goal. Unless a particular property has an experienced revenue manager in place, it is likely that they will see the OTAs as both a simple and efficient route to market - at the same time resenting the high levels of commission.

By their nature OTAs will always have high conversion rates. The larger OTA websites have monthly traffic in the order of tens of millions of visitors.

| Room Type | Conditions | Max | Price |
|--|--|---|---|
|  Double Room Air conditioning Soundproof Flat-screen TV Free WiFi We have 5 rooms left! Prices are per room Included: 20 % VAT | <ul style="list-style-type: none"> Special conditions, pay when you stay Breakfast £12.50 |  |  £170.05 £151.05 Value Deal |
| | <ul style="list-style-type: none"> FREE cancellation before Aug 19, 2014 PAY LATER Breakfast £12.50 |  | £179 £159 |

TOP TIP Consider using OTAs for quieter times of the year when direct bookings are slower

They have also worked very hard at making their sites 'sticky'. Typically this is achieved with multiple messages and prompts e.g. 'book now', 'last room available' and 'free cancellation'; all designed to give the user confidence and encourage them to make a booking before leaving the website.

Conversion rates on smaller accommodation provider's websites can be as low as 1%. This means that for every 100 people who visit the website only 1 person actually makes a booking.

Below is a comparison of the largest OTAs based on their Alexa rating. Alexa Internet, Inc. provides commercial web traffic data and ranks sites based on the volume of traffic received. For example, in the UK the top five websites are:

1. Google.co.uk
2. Facebook.com
3. Google.com
4. YouTube.com
5. Amazon.co.uk

The table shows the Alexa rating for OTAs (this is based on the volume of website traffic) both globally and in the UK. The lower the score, the higher the volume of traffic.

| Online Travel Agent | Global Alexa Rating | UK Alexa Rating |
|---------------------|---------------------|-----------------|
| Booking.com | 103 | 55 |
| Expedia | 424 | 177 |
| LateRooms | 8,773 | 320 |
| Lastminute.com | 3,899 | 273 |
| Hotels.com | 484 | 304 |
| TravelRepublic | 18,274 | 524 |
| Venere | 6,777 | 4,156 |

Source www.alexa.com 05/06/2015

In terms of global and UK rankings, Booking.com and Expedia dominate. Between them they receive approaching 150 million unique user visits per month and can display availability for over 700 000 properties.

By focusing on smaller independent hotels, Booking.com accounts for a significant percentage of bookings for these hotels and has become a very important distribution partner.

Booking.com also has a lower cost for partner hotels, with commission rates starting at 15%. Expedia's business is still largely merchant-based i.e. they process credit cards and accordingly charge a 2% to 3% processing fee, on top of the commission for the booking, resulting in a higher commission charge.





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VisitEngland, Sanctuary Buildings, 20 Great Smith Street, London SW1P 3BT

www.visitengland.com/businessadvice

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