

Suppliers Are Winning The Battle For Online Revenues

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There seems to be an Anti-OTA feeling in the air. In well-publicized moves, big brands, like ICHG, have pulled their inventory from leading online agencies. So as major hotels and airlines brands are concentrating on driving direct bookings, where does this leave the OTAs? What is their role in the distribution landscape? Do the suppliers have all the power and potential for growth?

The OTAs would argue that suppliers are unjustified in their feeling towards 3rd party distribution. A permanent part of the distribution landscape with a massive customer base and huge brand power, they jumped on the user-generated content bandwagon early and have recently started implementing non-supplier based loyalty programs. But are they fighting a losing battle? Have the OTAs reached the top of their growth cycle?

Recent findings from EyeforTravel's US Online Travel Report show that suppliers are winning the battle for online revenues. Supplier website bookings have grown from \$21bn in 2002, or 54% of overall internet revenues, to about \$60bn in 2006, or 63% of overall internet revenues. Over the last couple of years suppliers have intensified their online efforts. By improving yields, they have overtaken the OTAs in their share of online revenues.

Meanwhile, consumers are getting smarter. They don't always trust the big brands, especially the online travel agencies. They are demanding highly relevant, visually rich content, backed up with independent user-reviews. And suppliers are succeeding in tapping into their needs and providing them with features not available through the OTAs.

The airlines are achieving the most ground in encouraging consumers to go direct, with lowering distribution costs remaining the key motivator behind the airlines wanting to promote their own website. Low-cost carriers, like JetBlue and Southwest, have been especially successful with direct bookings and are totally independent of the OTAs. By not paying any commission the airlines are making savings which they are passing onto the customer. In the price-conscious world of airline travel, this then encourages the customer to book direct.

For hotels, the tables have turned. We are now in a climate where the OTAs need hotel partnerships in order to survive. A reversal of the earlier trend, where hotels heavily relied on the OTAs for their own survival. The hotels have been particularly successful in encouraging customers to book directly with them. They have largely stopped offering loyalty points via OTAs and many have implemented best rate guarantees. This leaves the loyal customer no choice but to go direct and strips OTAs of their power to offer better deals.

The debate over direct vs indirect distribution is not going to go away fast, and as such will be one of the key topics covered at EyeforTravel's 2007 Travel Distribution Summit North America. Being held on the 9-10 October in Caesars Palace, Las Vegas, speakers include: John Slater, MD Distribution, Continental Airlines, Tracey Weber, COO, Travelocity and William Koo, Chief Marketing Strategist, Castles Resorts and Hotels. For more information click here:

<http://www.eyefortravel.com/tdsusa2007/conference/tds-overview.asp> or contact helen@eyefortravel.com.

The US Online Travel Report 2007 is also available to purchase now. For more information on the report click here:

<http://www.eyefortravel.com/research/research-and-reports.aspx> or email amy@eyefortravel.com.

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