

PRESS RELEASE – For immediate release

Expert study shows direct bookings are not cheaper for hotels

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New evidence shows that shifting consumers from indirect to direct channel has no measurable impact on hotels' costs, but could impact occupancy rates.

A new study published today by Infrata, specialist economists in the travel industry, shows that direct distribution is not cheaper for hotels than indirect distribution. The study shows a 0.03% difference in net profit contribution between the direct (€80.92) and indirect channel (€80.94) based on an industry ADR (average daily rate) of €112€

The aim of the study was to provide an accurate 'like-for-like' comparison of direct and indirect distribution to gain a true understanding of the overall distribution impact when hotels shift inventory between a variety of channels.

The study took into account customer acquisition, customer services and technology development costs as part of the comparison. It reviewed literature and trends shaping the industry, tested channels' sensitivities to costs, revenue and profitability and assembled a data platform to model costs and revenue per channel.

Ian Lowden, author of the study, says: "Servicing consumer needs while attempting to switch different consumer types between channels can be complex.

"When cost, revenue and consumer behavior dynamics are accurately modeled, it is clear that the cost of moving indirect bookings to 'direct' is marginal and possibly negative in terms of a revenue impact for the hotel."

The study found that losing the 'billboard effect', where hotels essentially benefit from being listed on OTAs, requires hotels to materially increase spending on customer acquisition, online marketing, technology development and other customer services.

Christoph Klenner, ETTSA Secretary General, says: "The widely held belief that direct distribution is cheaper for hotels than indirect distribution has been debunked once and for all in this study.

"It seems that the major incentive for hoteliers to push direct sales is to reduce transparency and comparability for consumers, reducing competition between hotels. Customers must be given the choice of which channels they use that best suits their needs".

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For more information

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About ETTSA

The European Technology and Travel Services Association represents and promotes the interests of travel technology companies in Europe, including global distribution systems (GDSs), online travel platforms and metasearch sites. The association, based in Brussels, encourages and supports full transparency, fair competition and consumer choice in the travel distribution chain.