Direct bookings in the Swiss hotel industry on the up for the pandemic year 2020

Results of an online survey to gauge the market situation in the Swiss hotel industry for 2020

Roland Schegg and Dominic Juon
HES-SO Valais-Wallis

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Links to the full presentations in German and French

The evaluations, including graphics, are only available in German and French.

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Executive Summary

Sales channels

- **Direct booking channels** (telephone, fax, walk-ins, e-mail, form or booking system on the hotel's own website) continue to be the **most important sales channels for the Swiss hotel industry**, accounting for **62.5%** of overnight stays, and **even increased by around 5% in 2020 compared to 2019**. The growth in direct bookings is probably a result of the modified guest structure in 2020, the pandemic year, when mainly Swiss guests stayed in Swiss hotels and there was hardly any business tourism. E-mail (19.1%) and telephone (18.2%) bookings still generate the most overnight stays. Especially striking is the increase in real-time booking via the website with an availability check function, which is up by almost 4% – 2019: 9.9% → 2020: 13.8%. The hotel industry invested massively in digital infrastructure in 2020.

- **Bookings via traditional tourism partners** (tourism associations, travel agencies) now only account for a small amount (8.8%) and have been **in gradual decline** for the past 16 years. For example, the **market share of tourism organisations** continued to decline in 2020 (-0.2%) and was still at **1.6%**; in comparison, 6.5% of sales in Switzerland in 2006 were still being made through tourism organisations. Travel agencies and tour operators working with international guests suffered greatly at the hands of the pandemic and travel restrictions in 2020. This also explains the sharp drop in this sales channel between 2019 (5%) and 2020 (2.9%).

Sales channels and OTAs in the Swiss hotel industry

- **Online sales decreased slightly:** overall, **36% of overnight stays were still generated in real time via online channels** (online travel agencies – or OTAs – hotel Internet booking engines – or IBEs – GDSs and CRSs of hotel chains, social media). This represents a drop of around 4% compared to the previous year. Online booking portals (OTAs) still accounted for the largest share (26.7%), but had also decreased compared to 2019 (-1.9%). The slump in the international travel market and business tourism due to the pandemic explains the fall in bookings via global booking portals. Nevertheless, it should be noted that OTAs were able to practically maintain their market shares despite massive turbulence in tourism.
  - ➢ So, in the pandemic year of 2020, we saw a bipolarisation of distribution channels, with direct channels growing stronger and OTA channels stagnating alongside the erosion of all other channels. We can assume that OTAs will gain a new market share during the recovery phase and that the pre-pandemic trend will continue.
- **Booking Holdings gains market share in Switzerland in spite of the pandemic, but Expedia and HRS lose out:** In 2018, Booking Holding, Expedia and HRS together accounted for 94% of the online travel platform (OTA) market. In 2019, the three largest providers in Switzerland lost 1.3% of the OTA market share (92.7%). **In 2020, their share fell further to 90.7%.** Booking's share increased (+1.3%), while Expedia and HRS each lost 1.8% and 1.5% respectively. The American market is particularly important for Expedia, and business tourism for HRS.

Commission payments to OTA

- In general, our study shows that the hotels paid an **average of CHF 36,000 in commissions** to OTAs in 2020 (median: CHF 24,000).
- Every fifth hotel pays less than CHF 5,000 in commissions to OTAs, whereas every fourth hotel pays more than CHF 50,000.
- According to our estimates, **commission payments by the Swiss hotel industry to OTAs** reached **CHF 101 million in 2020** (compared to an estimated CHF 180 million in 2019).
  - ➢ **Note:** Total accommodation revenue **plummeted by 50%** in 2020 compared to 2019. This means the total "pie" to be shared among the individual actors has become smaller.

OTAs, parity clauses and T&Cs

- Nine out of ten hotels call for a **ban on all parity clauses** and an **adjustment of the legal framework applicable to large digital companies regarding fair competition**.

- A little more than two thirds of the hotels (72%) feel they are **well informed** by Booking.com **about general terms and conditions updates or new tools/features**. The same goes for 58% of the hotels regarding Expedia and only 51% for HRS. This indicates that the information policies in respect of the hotels have improved slightly. One reason could be that OTAs are also implementing the new EU rules for more transparency and fairness in Switzerland (Platform to Business Regulation “P2B”).

- **In general, however, the T&Cs of the three largest OTAs are considered to be complex.** For example, only one third of the hotels say that the T&Cs are transparent, simple and clearly formulated.

- This attitude is also reflected in the fairness, i.e. whether the **T&Cs are formulated in a balanced way**. Only 20% of the hotels answered “yes” when asked whether the interests of both contractual partners are respected.

- This may explain why some of the hotels tried to **renegotiate T&Cs** (Booking.com 31%, Expedia 21%, HRS 19%). However, the hotels were successful in only a relatively low number of cases (Booking.com 11%, Expedia 15%, HRS 8%). Between 3% (HRS) and 17% (Booking.com) of the establishments had already been **contacted by an OTA because they had violated the T&Cs**.

Use of booking technology and social media

- Around **70% of the hotels maintained their availability on the online booking portals via Channel Manager (in the previous year, the proportion amounted to 63%).** There was a downwards trend for manual availability maintenance (-5% from 2019 to 2020).

- **Half of all hotels have a permanent connection to/interface for the hotel's own booking system, so that availability can be found by metasearch engines.** This means an increase of over 10% compared to the previous year. Google Ads and TripAdvisor are the most popular metasearch engines, with TripAdvisor now overtaking Trivago in this respect.

- **Over 70% of hotels use social media for marketing purposes.** By far the most popular platforms are Facebook and Instagram.

Trends

- The Coronavirus crisis saw an increase in takeaway and food delivery services. In particular, more establishments (31.1%) were providing their own takeaway service. A small proportion also offered their own delivery services (6.5%) or delivery via an external food delivery service (4.6%). Compared to a survey of European restaurants in 2019, where only 8% of establishments offered takeaway or delivery services, the pandemic year has seen an increased use of these kinds of services in the Swiss catering industry.

- Three trends met with relatively high approval among the hotels:
  - **Digital direct bookings** will be decisive for competitiveness.
  - The **guest of the future wants to be able to book the entire customer journey with a few clicks on one (hotel) website or platform** (e.g. travel tickets, accommodation and leisure offers bundled together).
  - The **smart use of data** will be crucial for the competitiveness of hotels.

- Two trend statements, on the other hand, were met with general scepticism:
  - **Airbnb will soon gain large market shares in the hotel booking market**, allowing it to compete with Booking.com and Expedia.
  - The **possibility of paying with cryptocurrencies (e.g. Bitcoin)** will gain more importance over the next five years.

Study background

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Study context and objectives

In order to obtain a representative overview of the current sales situation in the hotel industry on a broader level in Switzerland, HotellerieSuisse conducted a joint survey with the Institute of Tourism of the University of Applied Sciences and Arts Western Switzerland (HES-SO Valais-Wallis) in Sierre between January and February 2021 for the 17th time since 2003. The results should paint as accurate a picture as possible of the current state of sales (online and offline) in the Swiss hotel industry, especially with regard to the role of online booking portals (OTAs).

Study details

The data collection in Switzerland for the reference year 2020 was carried out by means of an online questionnaire. The results here are based on responses from 332 establishments in Switzerland, which corresponds to a response rate of 8%. 4,160 hotels in the Swiss hotel database were contacted by e-mail.

Details on the sample and the questionnaire can be found in the appendix at the end of the report.

On the study (2)

Evaluation of the questions

Since not all hotels answered all the questions, the total number of observations shown differs from one question to another.

Accuracy measure

A ***confidence interval***, or CI for short, is an interval that indicates the accuracy of the estimate of the mean. The confidence interval indicates the range which, with infinite repetitions of a random experiment, includes the true value of the parameter with a certain probability (the confidence level, in our case 95%).