



The Power of Internet Distribution Systems (IDS)

Results of an Online Survey on Hotel Distribution in Germany, Austria and Switzerland for 2011

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- **Executive Summary**
- **Background of the Study**
- **Booking Channels**
- **IDS (Internet Distribution Systems)**
- **Costs of Distribution**
- **Selection Criteria for IDS**
- **New Forms of Distribution**
- **Channel Manager**

Glossary of the Used Terms and Abbreviations

CRS	Central Reservation System
D-A-CH	Germany, Austria and Switzerland
DMO	Destination Management Organisation
DMS	Destination Management Systems such as TOMAS or Deskline from Feratel
GDS	Global Distribution Systems (e.g. Amadeus or Sabre)
hs	hotelleriesuisse (Swiss Hotel Association)
HRS	Hotel Reservation Service (http://www.hrs.de/)
IDS	Internet Distribution System (online booking platforms)
IHA	German Hotel Association
LT	Supplier
LTO	Local Tourism Organisation
NTO	National Tourism Organisation
OTA	Online Travel Agency
ÖHV	Austrian Hotel Association
PMS	Property Management System (hotel software, Front Office System)
RTO	Regional Tourism Organisation (e.g. Valais Tourism)
SEM	Search Engine Marketing (e.g. Google Adwords)
SEO	Search Engine Optimisation
STC	Switzerland Travel Centre (national booking system in Switzerland)

Executive Summary : Direct Distribution still Important

- **Direct bookings** (telephone, fax, walk-ins, e-mail, Web form) without intermediaries are still the dominant channels for the hotels in Germany, Austria and Switzerland, even though their proportion in the distribution mix is steadily decreasing since a couple of years.
 - In 2011, 67% of the bookings in Switzerland, 68% in Germany and 71% in Austria were generated via direct sales channels.
- **Traditional booking** channels as telephone, letter or fax, as well as sales through **tourism partners** (travel agencies, tourism boards) are declining. The losses through these channels have been more than 30% over the last 10 years.

Executive Summary: Growing Shares of Electronic Distribution Channels

- Overall more than **one out of four bookings** is generated through **online channels**. Internet Distribution Systems (IDS/OTA) are clearly dominant (D-A-CH: 18.9%, D: 20.8%, A: 12.6%, CH: 16.4%) in this context.
- The proportion of **real-time bookings** on the own website of the hotel only reaches 5.5% (individual hotels in Germany: 4.9%, hotel chains in Germany: up to 8.2%).

Executive Summary : The Power of Internet Distribution Systems (I)

- **One out of four enterprises** in our study generates **more than 30% of all sales through IDS**. 18% of the hotels show a proportion of IDS in the distribution mix between 20 and 30% which underlines the importance of these portals as well as the dependence of many hotels on these players.
- According to our extrapolations, **online booking channels** (GDS, IDS/OTA, real-time booking on hotel website, CRS) generated a turnover of 7.6 Billion Euros in the three countries.
- The total amount of **commissions paid to intermediaries** by the hotels totals almost 1.3 Billion Euros. Just under **800 Million Euros were spent for commission to the online channels**.
- With **estimated 594 Million Euros**, most of the commission payments have gone to **IDS** such as HRS, hotel.de or booking.com.

Executive Summary : The Power of Internet Distribution Systems (II)

- **Booking.com, Hotel Reservation Service (HRS) and hotel.de** are the most frequently used IDS in Germany, Austria and Switzerland.
- **Booking.com** with 43% in **Austria** and 53% in **Switzerland** is the dominant platform in these countries.
- In **Germany**, **HRS** with a market share of 34.4% is the clear leader. If you add the booking shares of hotel.de (15.8.5%) and Tiscover (0.4%) to it, HRS reaches 50.6% of the bookings realized through online booking channels in Germany, followed by booking.com with 28.5%.
- **Expedia** is another significant player, especially for business hotels, for 4-5 star hotels and for hotel chains.

Executive Summary: Distribution Trends

- One out of five hotels use **deal offers** such as DailyDeal or Groupon today, amongst them especially big hotels, 5 star hotels and hotel chains.
- About 30% of the questioned hoteliers use a **channel manager** in order to update the availabilities in the multiple distribution channels. However, more than 60% of the enterprises still update rates and availabilities manually in the different channels. The remaining hotels use their hotel software respectively reservation systems or cooperate with agencies.
- Just under one third of the enterprises make use **mobile forms of distribution**, more frequently in the form of a website adapted to mobile internet, rather than a specific app.
- The hotels investing in these new possibilities of distribution are especially 4-5 star hotels, hotel chains and big hotels.

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Background of the Study

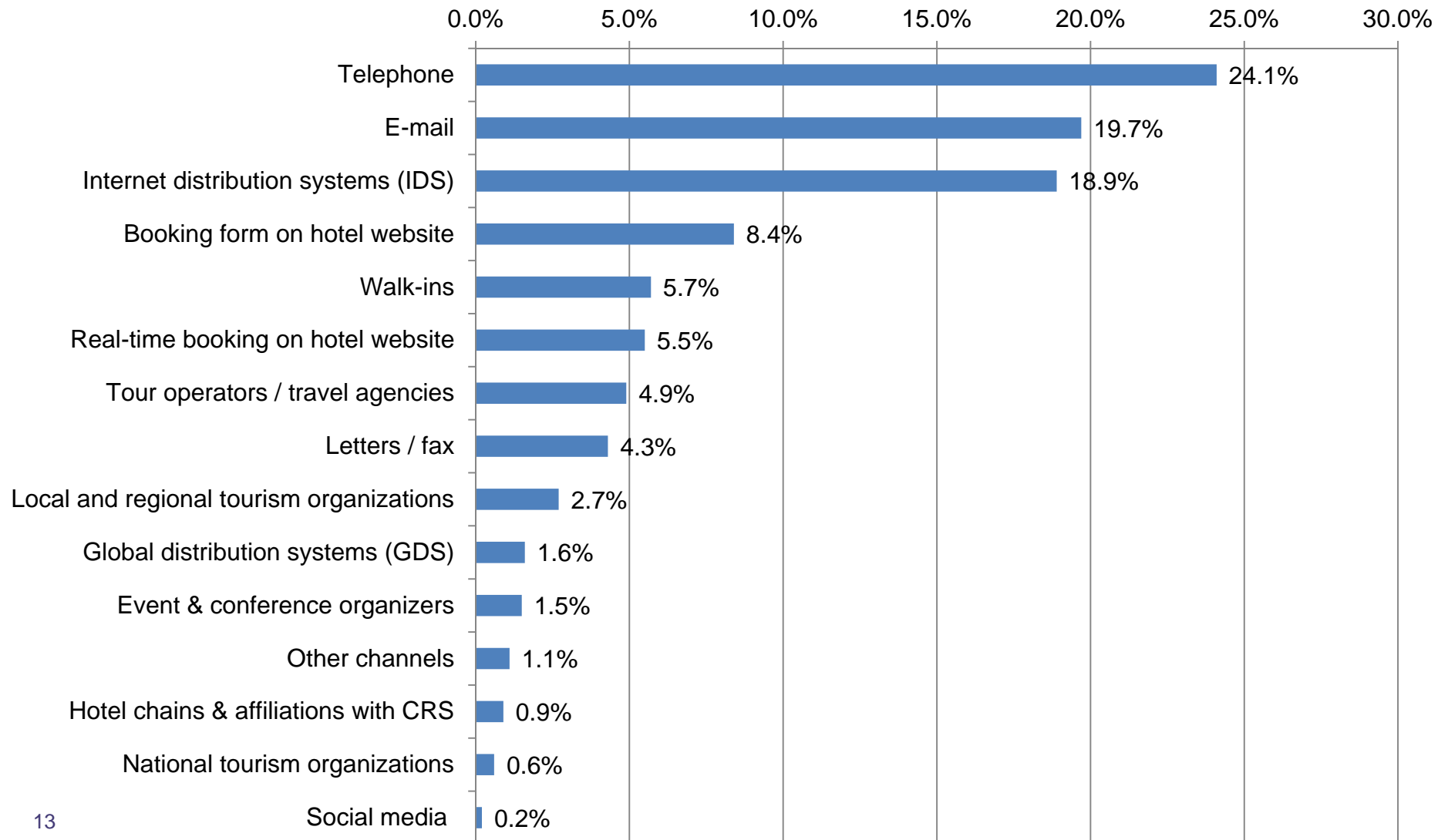
- To get an insight into the distribution trends in the hospitality sector on an European level, the **German Hotel Association (IHA)**, the **Austrian Hotel Association (ÖHV)** and the **Swiss Hotel Association (hotelleriesuisse)** in collaboration with the **Institute of Tourism of the University of Applied Sciences Western Switzerland Valais (HES-SO Valais)** in Sierre have teamed up to conduct a common survey.
- The online survey for the reference year 2011 was conducted between December 2011 and January 2012, terminated on 18 January. Because of the importance of the hotel chains in Germany a separate survey was conducted (responses of 28 chains involving more than 400 hotels).
- The present results are based on the responses of 1406 hotels in Germany, Austria and Switzerland (**D-A-CH**), which corresponds to a response rate of about 10% (9.7% in Austria, 10% in Switzerland and 12.8% in Germany).

Survey Details

	Switzerland	Austria	Germany	Total
Response survey	201	119	<ul style="list-style-type: none"> - 686 individual hotels - 28 hotel chains with at least 400 hotels <p>-> that means responses from a minimum of 1086 hotels</p>	1406
Population	2035	1216	About 8.500 hotels participating in the German Hotel Classification and IHA members	
Response rate	10%	9.7%	12.8%	

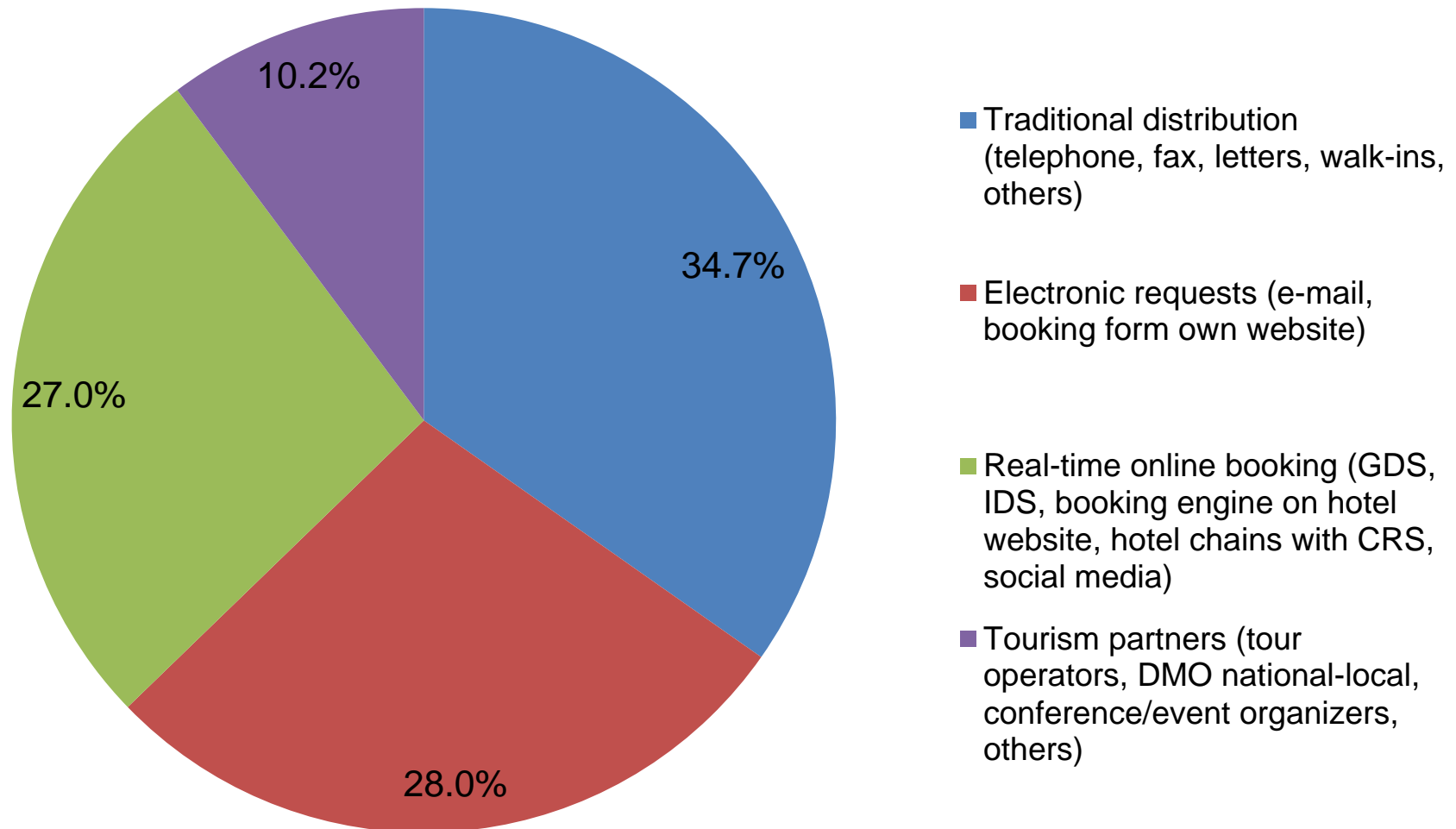
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Booking Channels (D-A-CH)

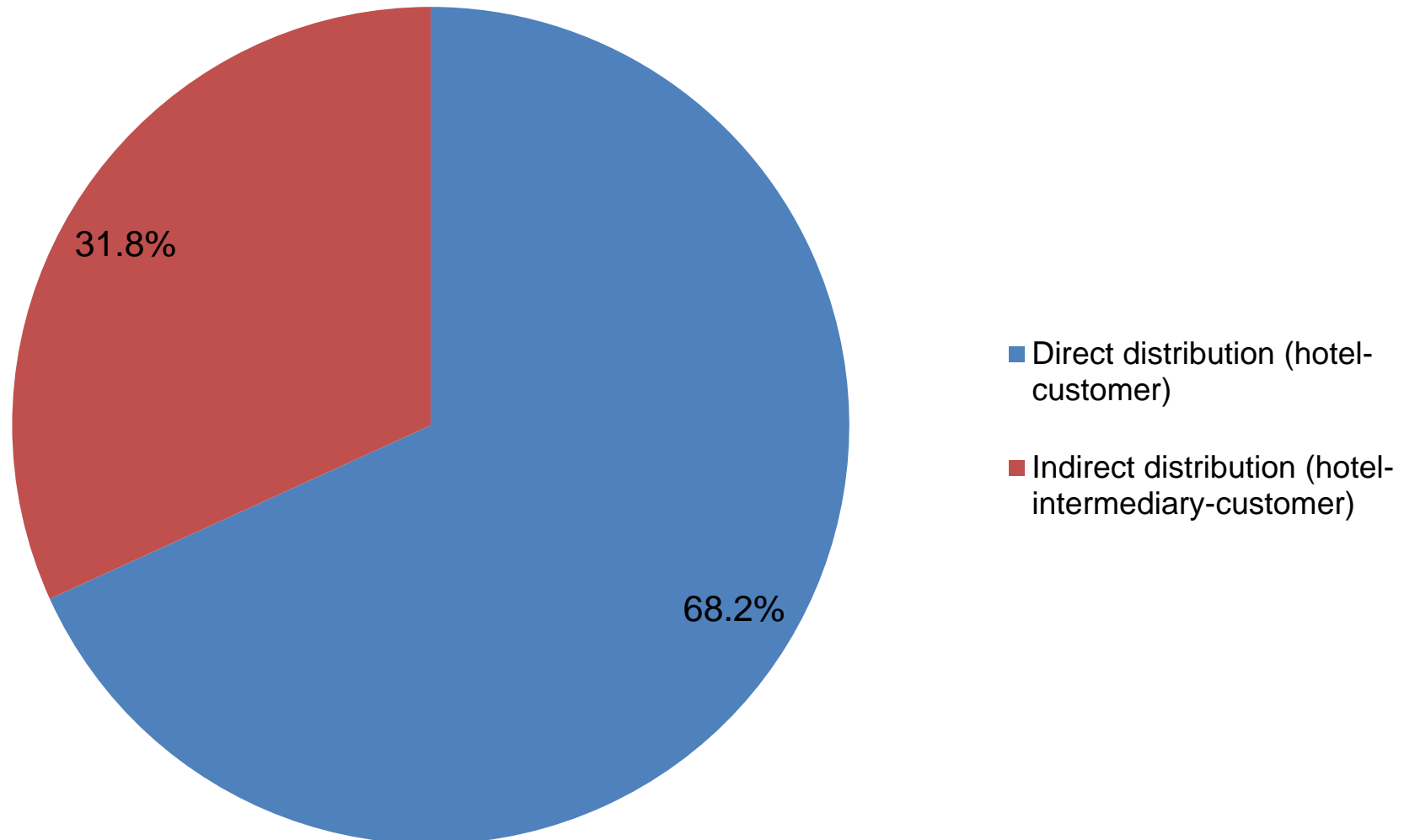


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Aggregated Booking Channels (D-A-CH)



Direct versus Indirect Booking (D-A-CH)



Booking Types in 2011 (D-A-CH)

Personal (walk-ins, others, subdivided)	6.3%
Written (fax, letters, e-mails, booking form on website)	32.4%
By phone (telephone, Call Centre)	24.1%
Electronic (IDS, real-time bookings on website, GDS, CRS, social media)	27.1%
Tourism partners (tour operators, travel agencies, tourism organisations, conference & event organizers, others subdivided)	10.3%

Profiling of Booking Channels by Enterprise Characteristics (1)

- The **traditional direct distribution channels** (telephone, letter, etc.) are considerably less important in hotel chains and in the classical leisure hotels than in small, urban hotels which address business travellers.
- **Real-time bookings on the own hotel website** are noticeably more frequent in urban hotels and hotel chains than in other hotel types.
- **Online sales (IDS/OTA, GDS)** are clearly more important in urban and in business hotels than in leisure hotels. It is interesting to observe, that for big 4-5 stars hotels the IDS/OTA have comparably low market shares, simultaneously the bookings generated through GDS are above-average though.

Profiling of Booking Channels by Enterprise Characteristics (2)

- Above-average sales through **travel agencies** and **tour operators** are realized by hotel chains in holiday resorts. In this context, big 4 star hotels (> 50 rooms) play an important role.
 - **Local and regional tourism organizations** are clearly more important for hotels positioned in the leisure segment than for other types of enterprises such as big 4-5 star hotels or hotel chains.
-
- In **business hotels** traditional booking channels such as telephone and letter/fax on the one hand and online channels such as IDS/OTA or GDS on the other hand are comparably more important than in other types of enterprises.
 - In **leisure hotels** requests via electronic channels such as e-mail and website form as well as bookings through tourism partners (travel agencies/tour operators and tourism organizations) are clearly more used than in other types of enterprises.

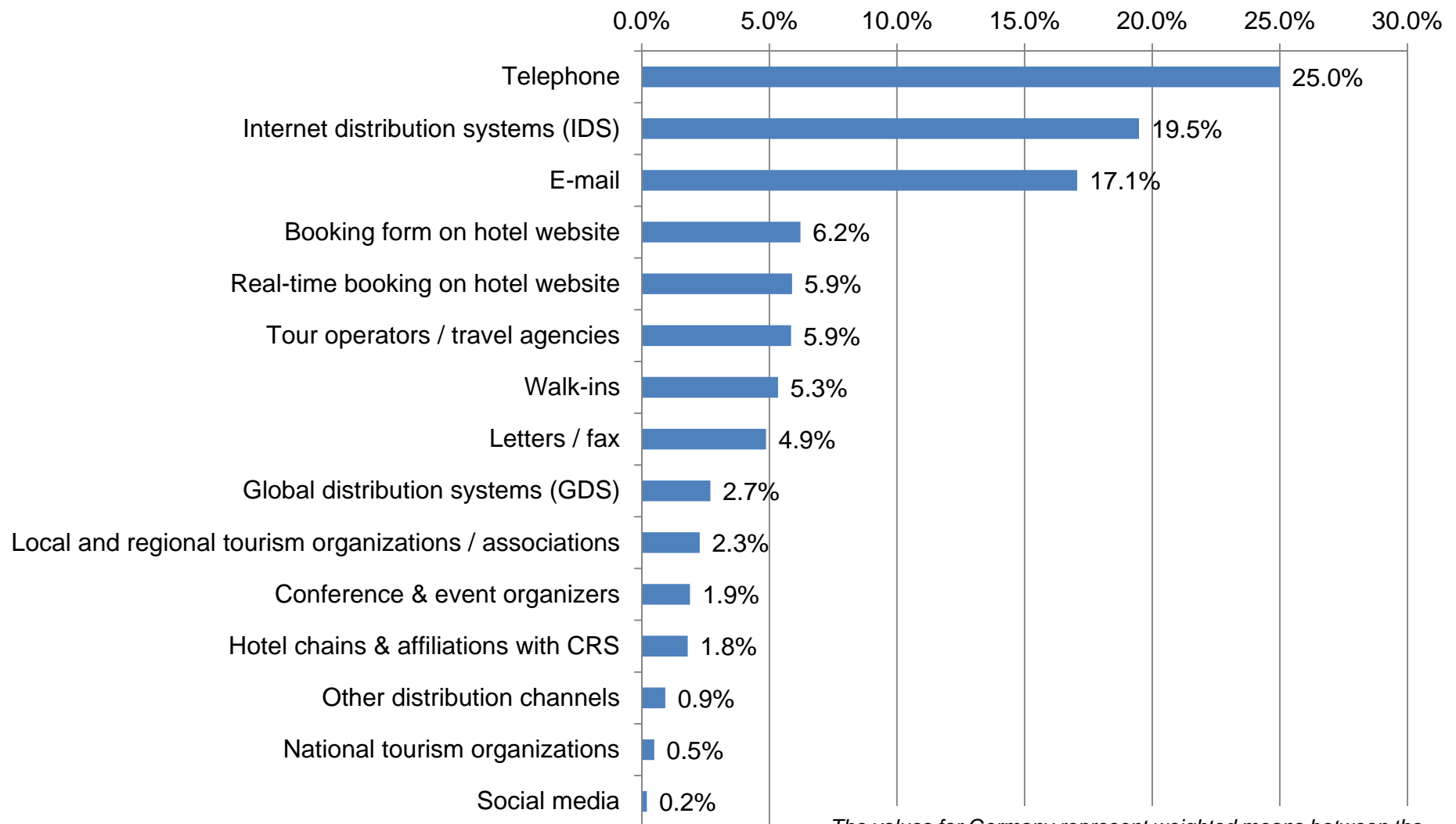
Germany

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Booking Channels of the Hotels in Germany 2011

Share of total Bookings

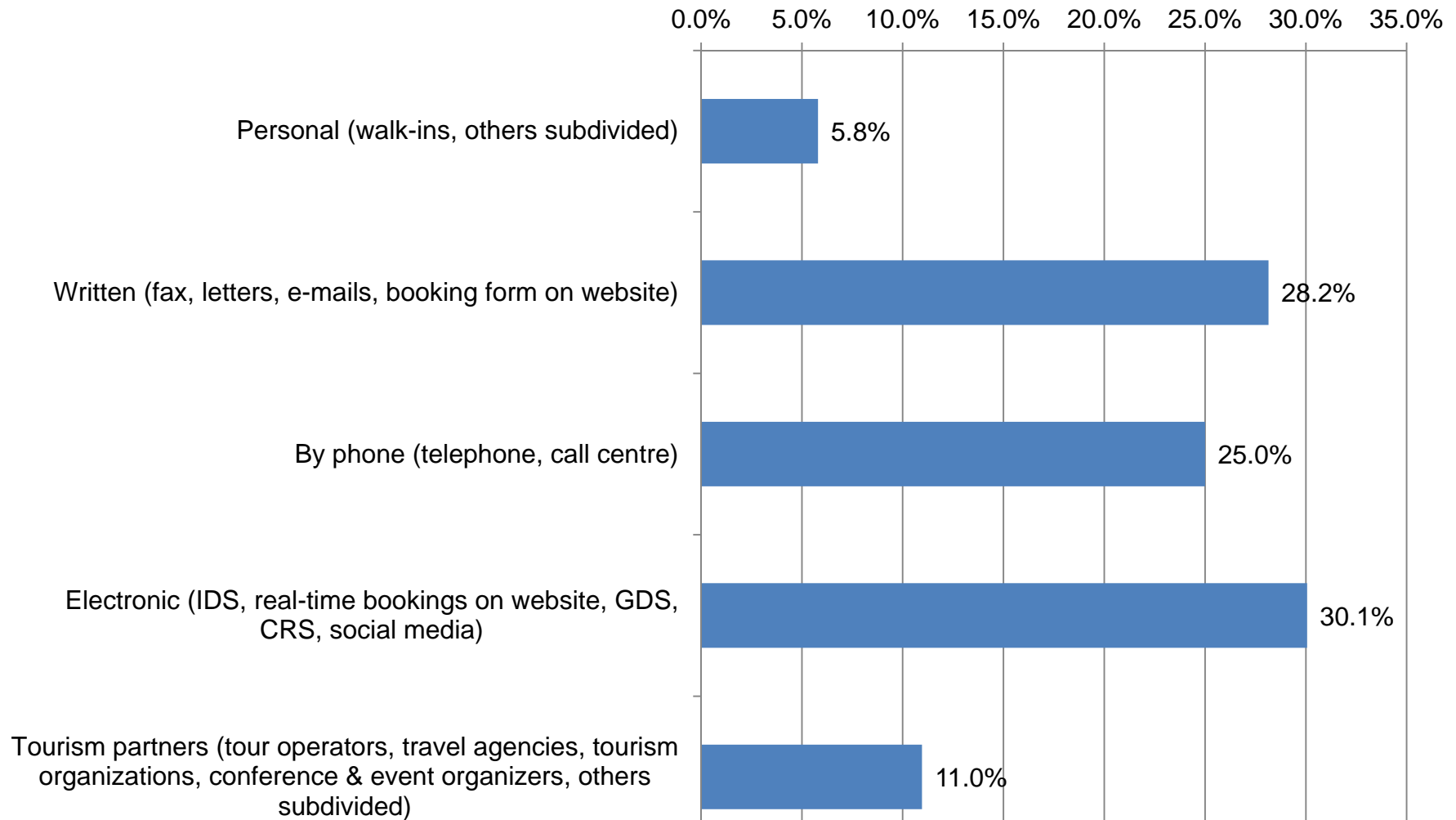


The values for Germany represent weighted means between the values of the individual and the chain hotels.

Booking Types for the Hotels in Germany 2011

Personal (walk-ins, others subdivided)	5.7%
Written (fax, letters, e-mails, booking form on website)	28.2%
By phone (telephone, Call Centre)	25.0%
Electronic (IDS, real-time bookings on website, GDS, CRS, social media)	30.1%
Tourism partners (tour operators, travel agencies, tourism organizations, conference & event organizers, others subdivided)	11.0%

Booking Types for the Hotels in Germany 2011



The values for Germany represent weighted means between the values of the individual and the chain hotels.

Subdivision of electronic Bookings in Germany 2011

Share of total Bookings

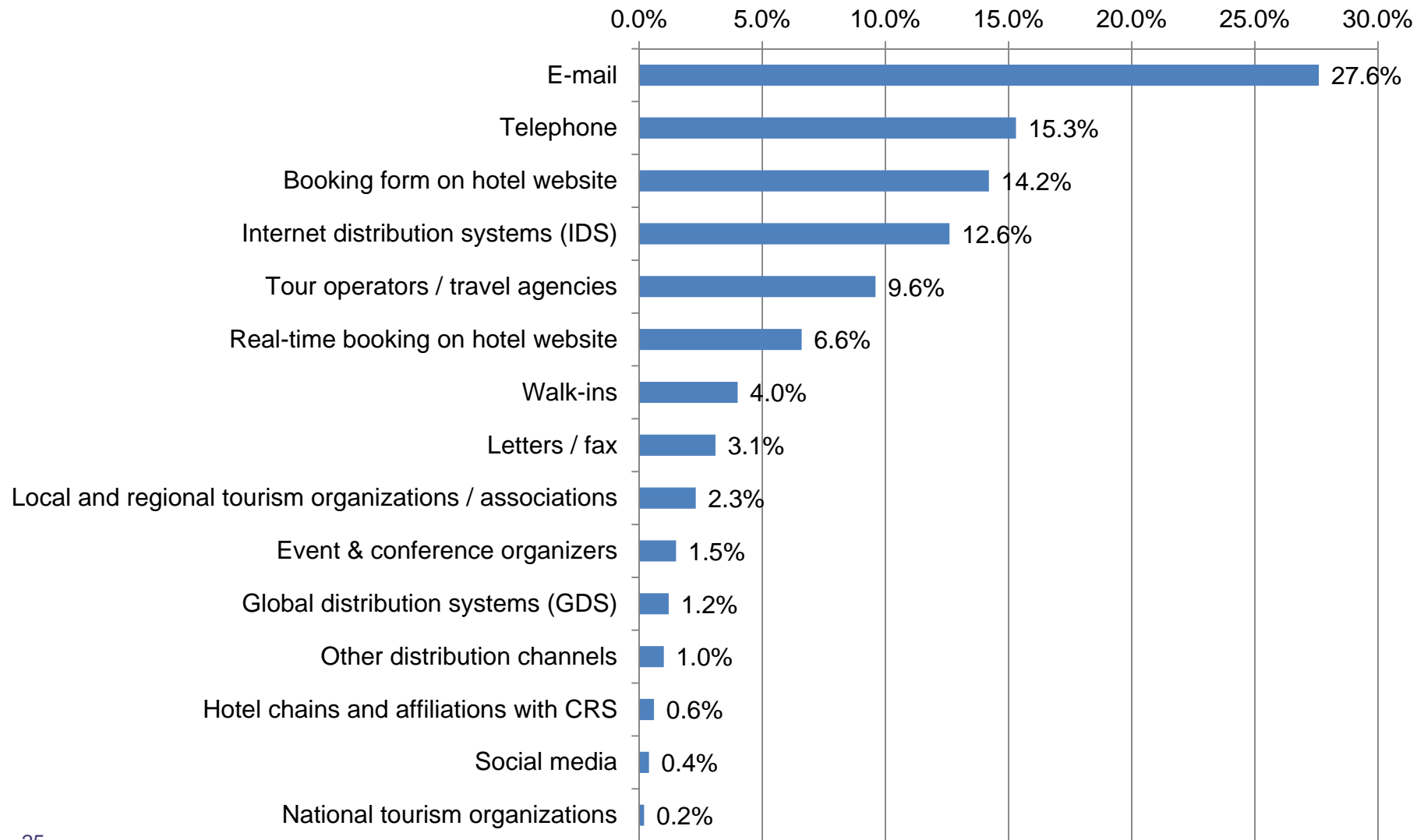
Internet distribution systems (IDS)	19.5%
Real-time bookings on own website	5.9%
Global distribution systems (GDS)	2.7%
Hotel chains and affiliations with CRS	1.8%
Social media	0.2%
Share of total bookings	30.1%

Austria

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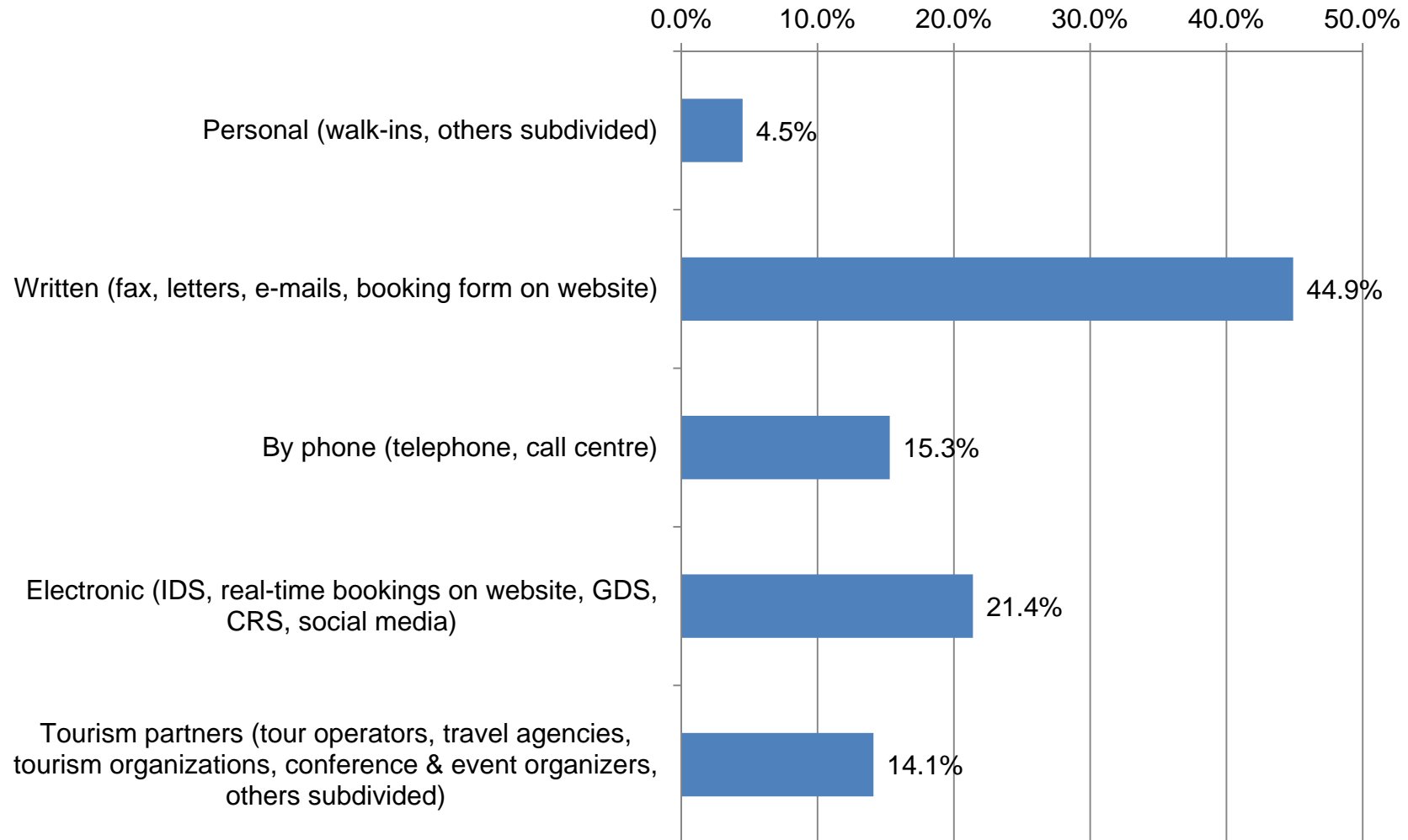
Booking Channels in Austria 2011



Booking Types for the Hotels in Austria 2011

Personal (walk-ins, others subdivided)	4.5%
Written (fax, letters, e-mails, booking form on website)	44.9%
By phone (telephone, Call Centre)	15.3%
Electronic (IDS, real-time bookings on website, GDS, CRS, social media)	21.4%
Tourism partners (tour operators, travel agencies, tourism organizations, conference & event organizers, others subdivided)	14.1%

Booking Types for the Hotels in Austria 2011

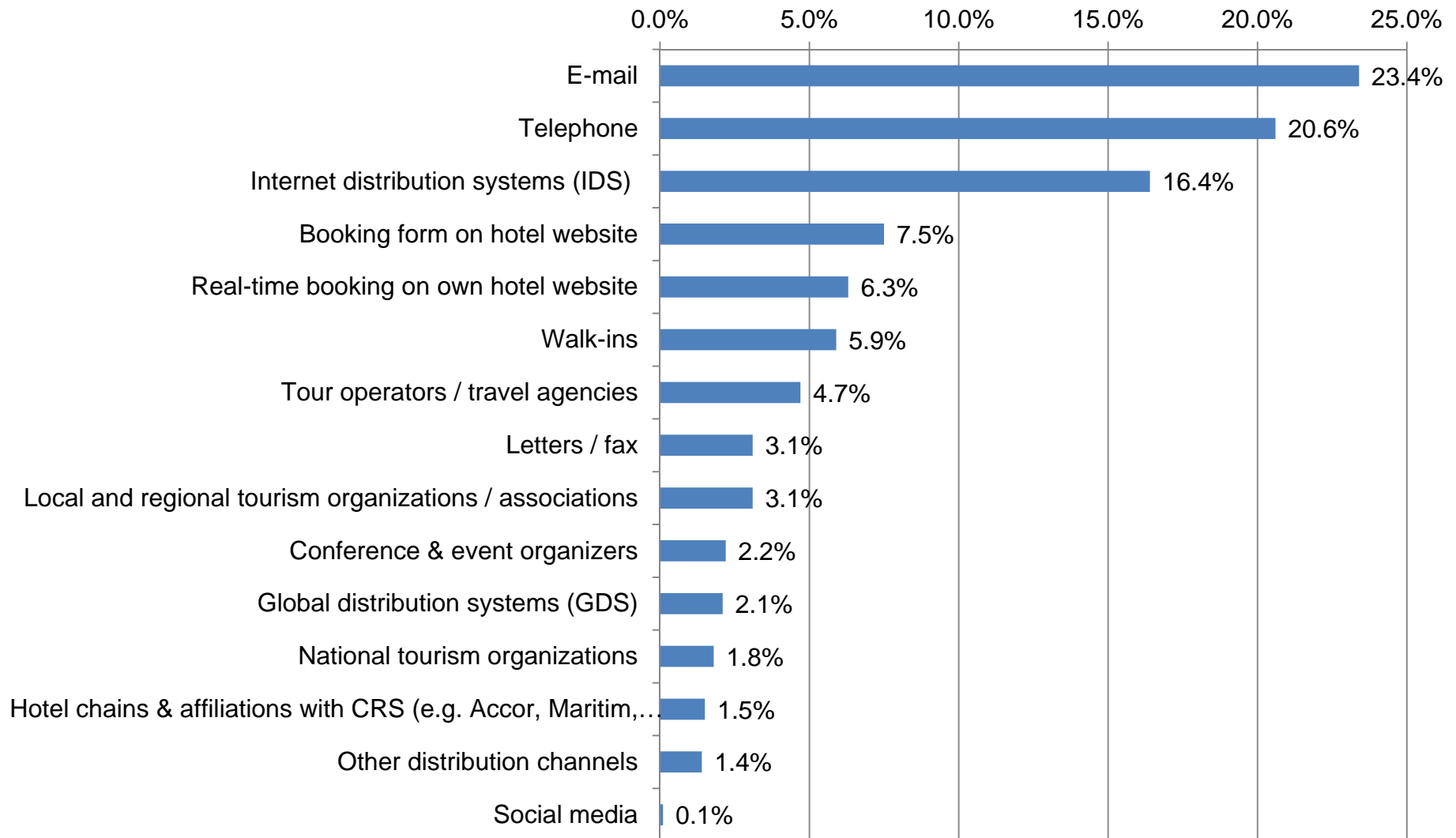


Switzerland

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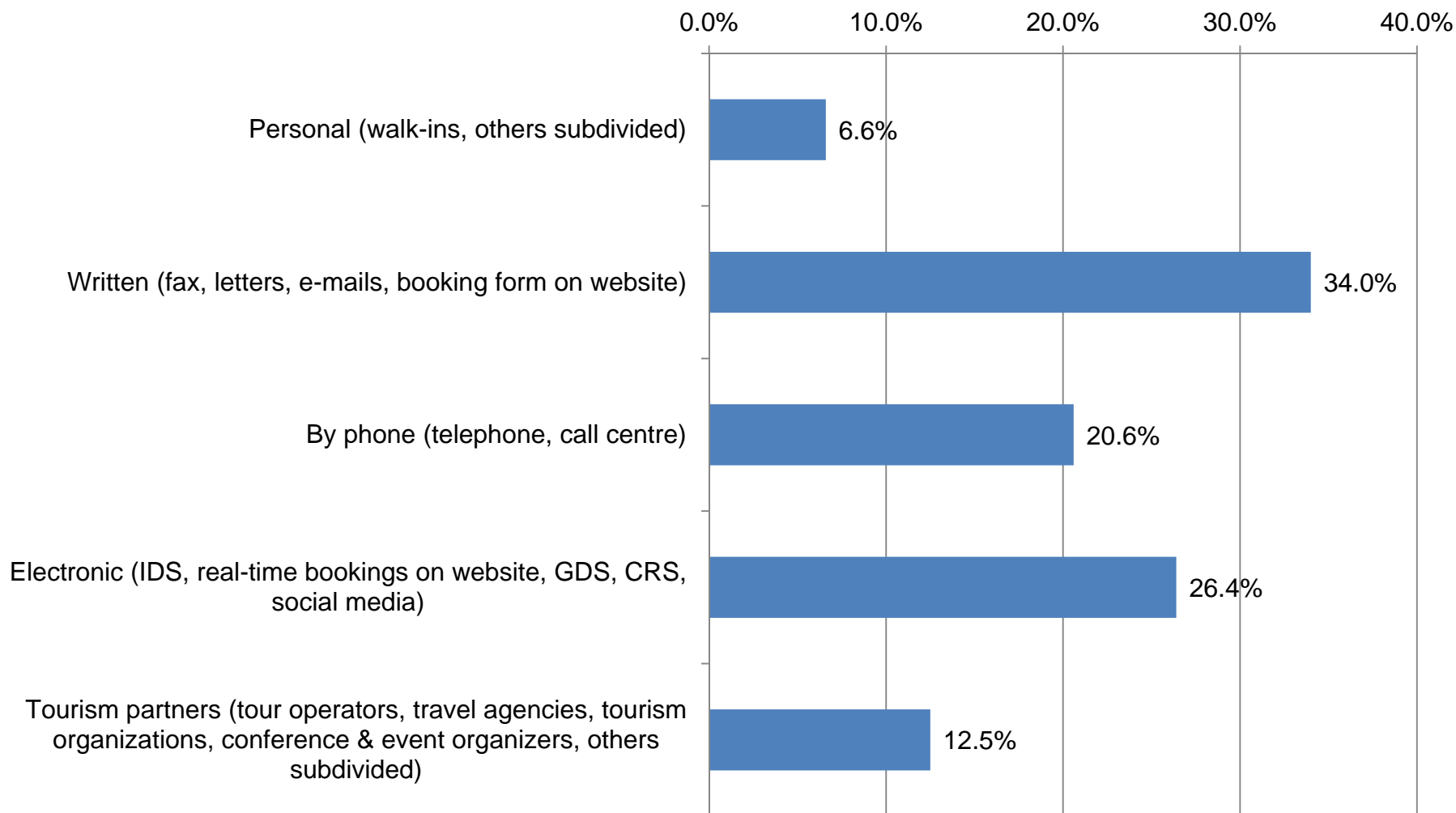
Booking Channels in Switzerland 2011



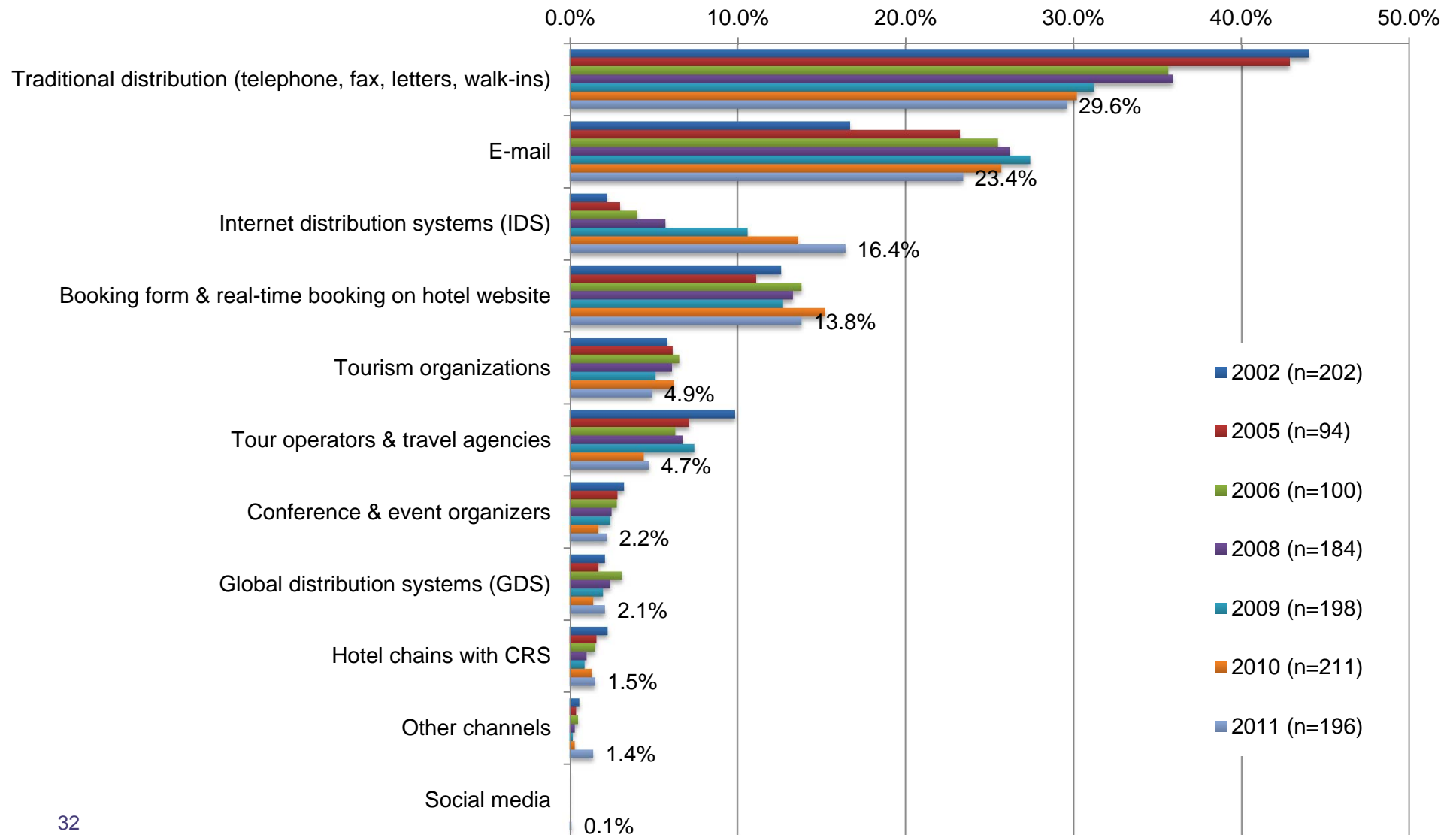
Booking Types for Hotels in Switzerland 2011

Personal (walk-ins, others subdivided)	6.6%
Written (fax, letters, e-mails, booking form on website)	34.0%
By phone (telephone, Call Centre)	20.6%
Electronic (IDS, real-time bookings on website, GDS, CRS, social media)	26.4%
Tourism partners (tour operators, travel agencies, tourism organizations, conference & event organizers, others subdivided)	12.5%

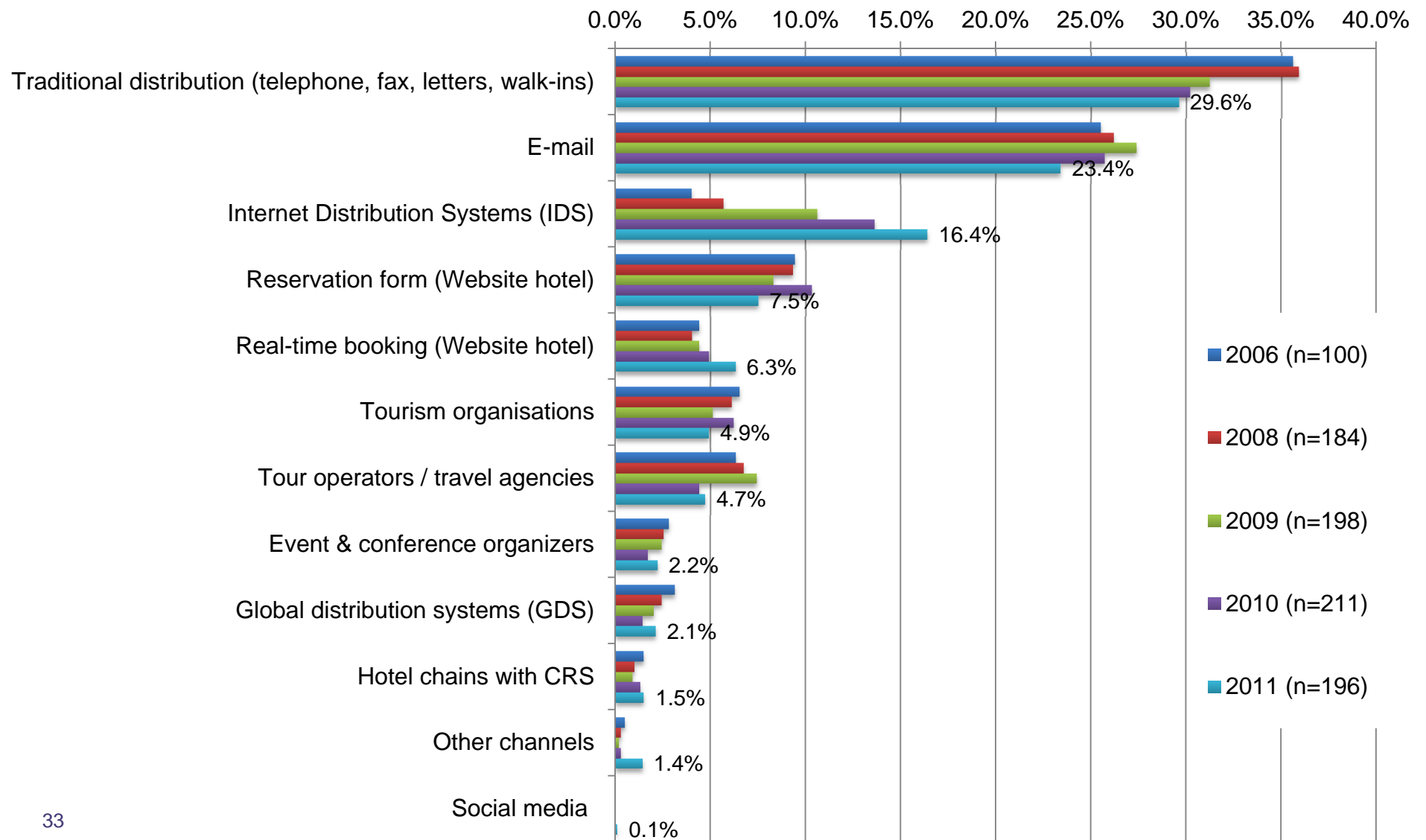
Booking Types for the Hotels in Switzerland 2011



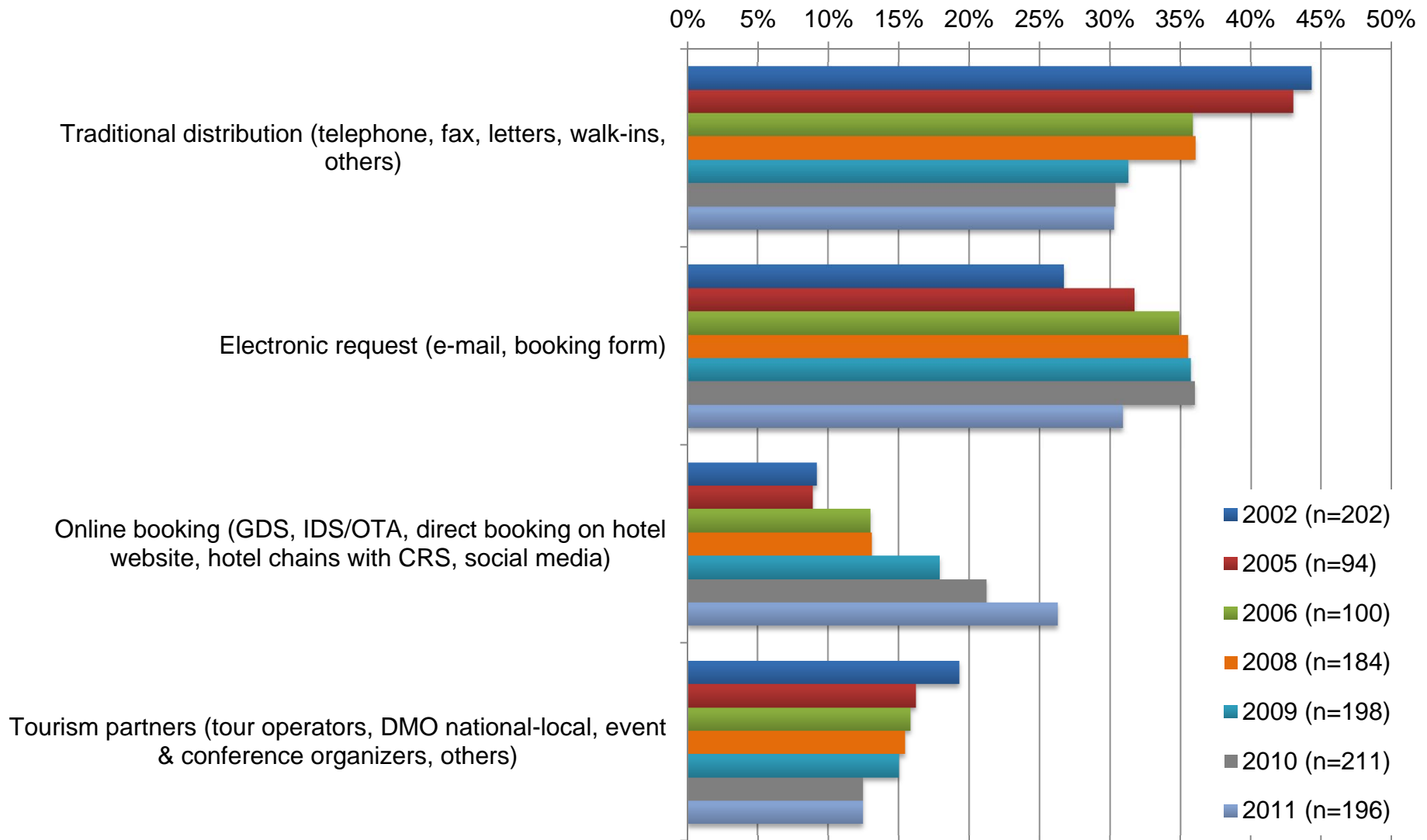
Evolution of Booking Channels in Swiss Hotels 2002-2011



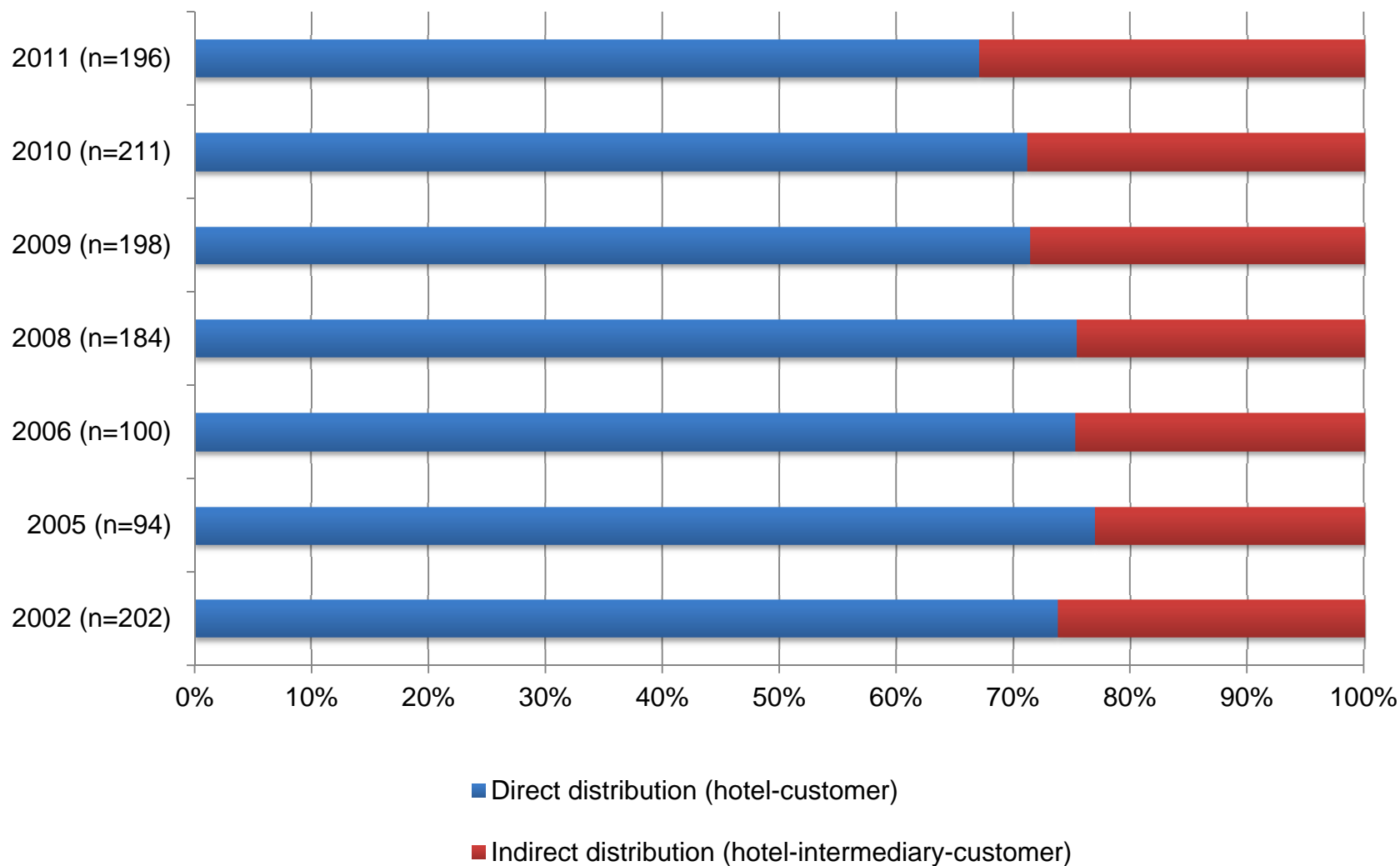
Evolution of Booking Channels in Swiss Hotels 2006-2011



Distribution Trends in the Swiss Hospitality Sector 2002-2011



Distribution Trends in the Swiss Hospitality Sector 2002-2011

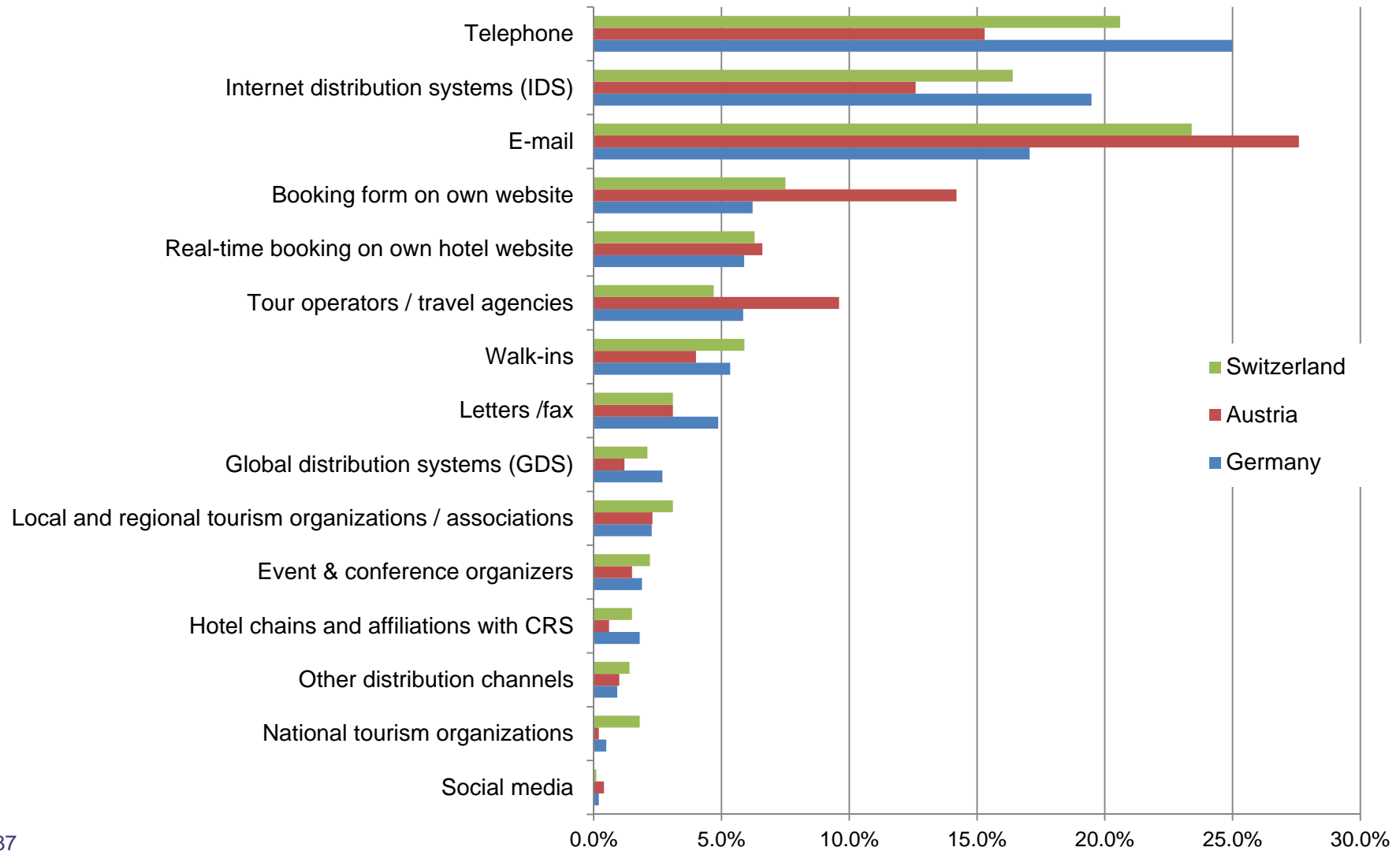


Synthesis D-A-CH

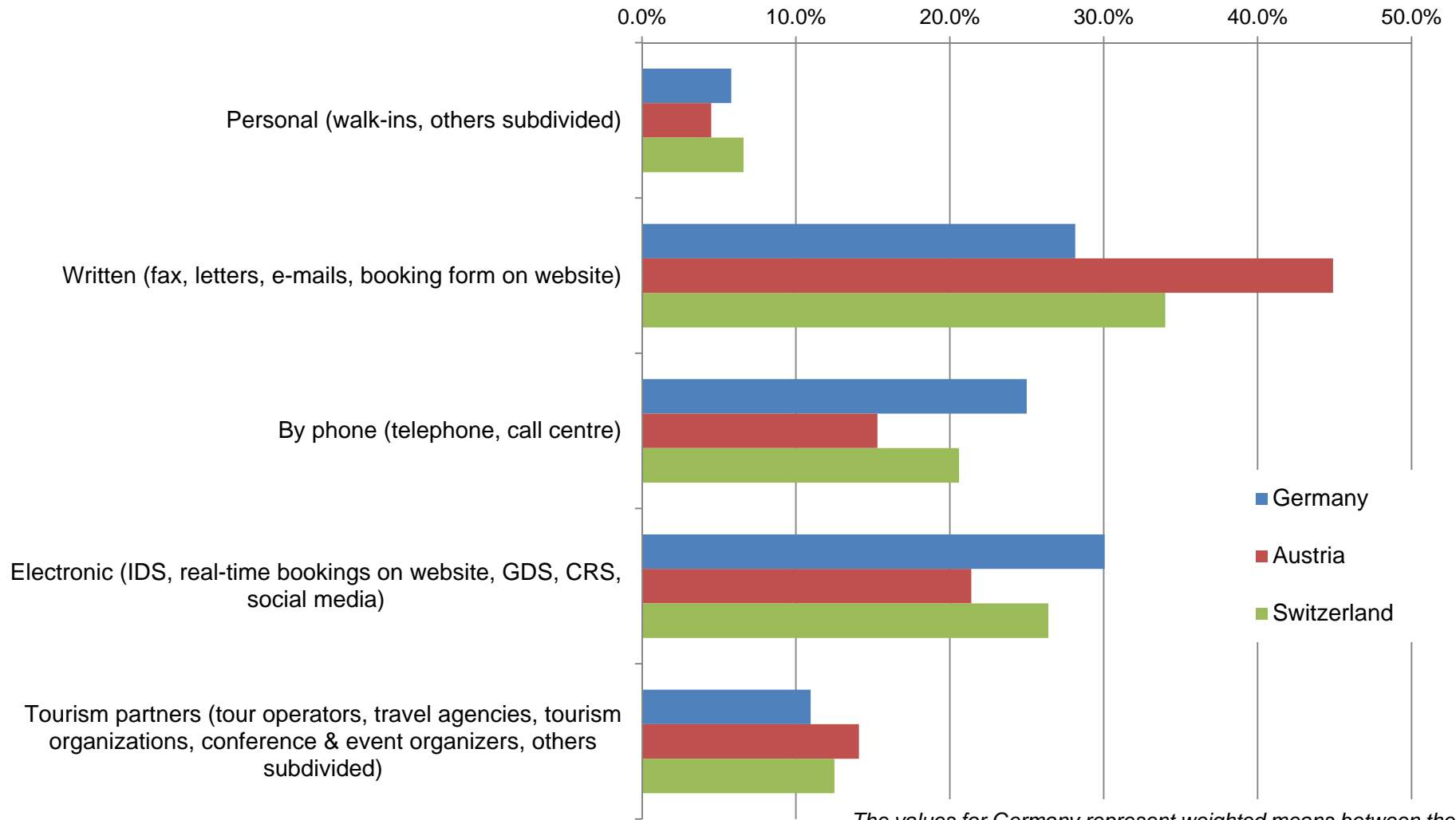
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Synthesis D-A-CH: Booking Channels



Synthesis D-A-CH: Types of Booking



The values for Germany represent weighted means between the values of the individual and the chain hotels.

Observations on Booking Channels D-A-CH (1)

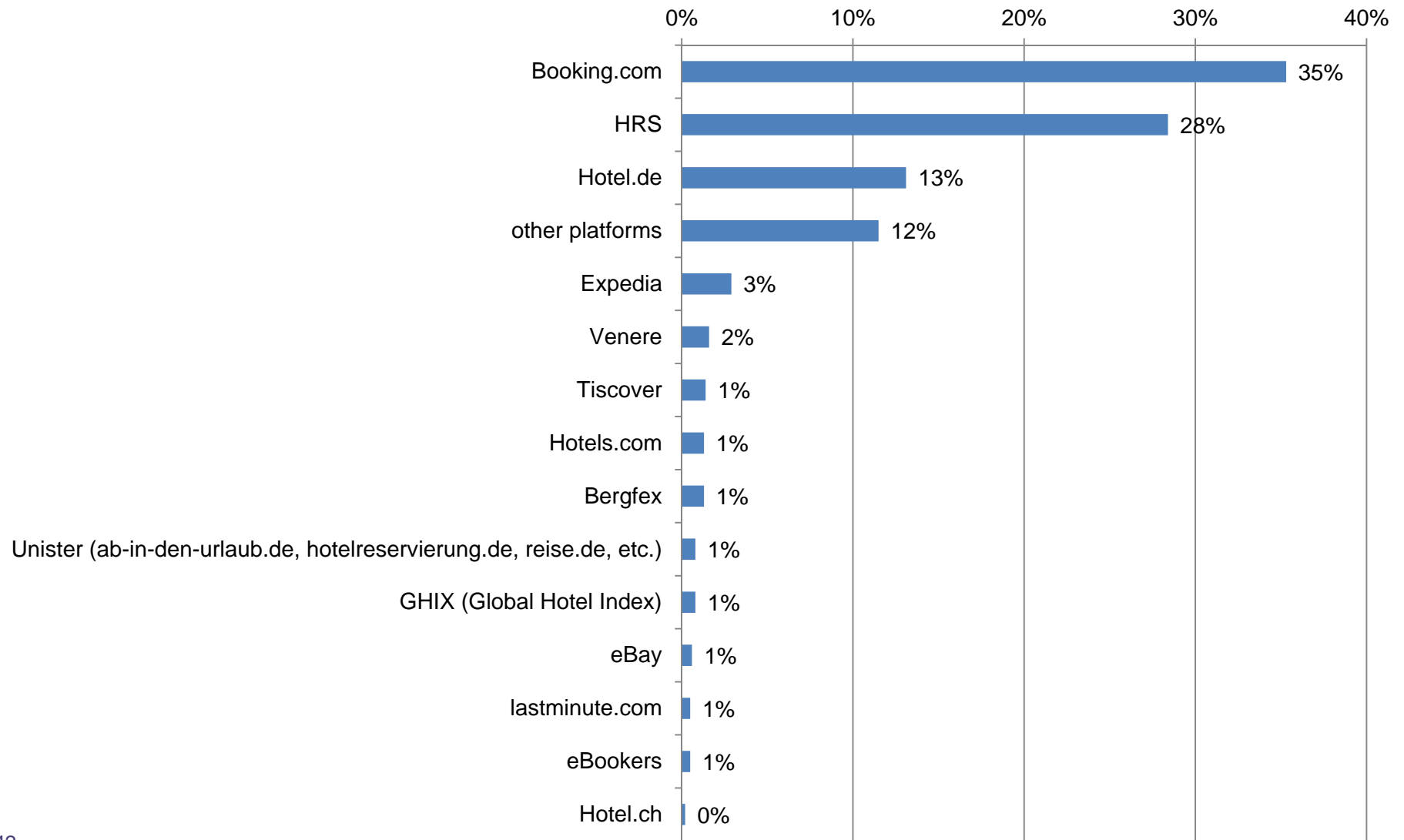
- **Direct booking channels** (telephone, fax, walk-ins, e-mail, form or booking engine on own website) are still the dominant sales tools for the hotels (67.7%) in Germany, Austria and Switzerland (D-A-CH), although their proportion in the distribution mix has been steadily decreasing in the last years. 10 years ago their proportion was about three quarters of all bookings.
- The trends towards **online booking channels** is unbroken. The channel with the highest growth rates are the Internet Distribution Systems (IDS) which could multiply their market share within the last 5 years.
- On average **18.9% of the bookings** in the D-A-CH region are realized through **IDS**. The proportion in Germany (19.5%) exceeds those of Switzerland (16.4%) and Austria (12.6%).
- About **one quarter of all enterprises generate more than 30% of all sales through IDS** whereas 18% of the hotels get between 20 and 30% of the bookings through this channel.

Observations booking Channels D-A-CH (2)

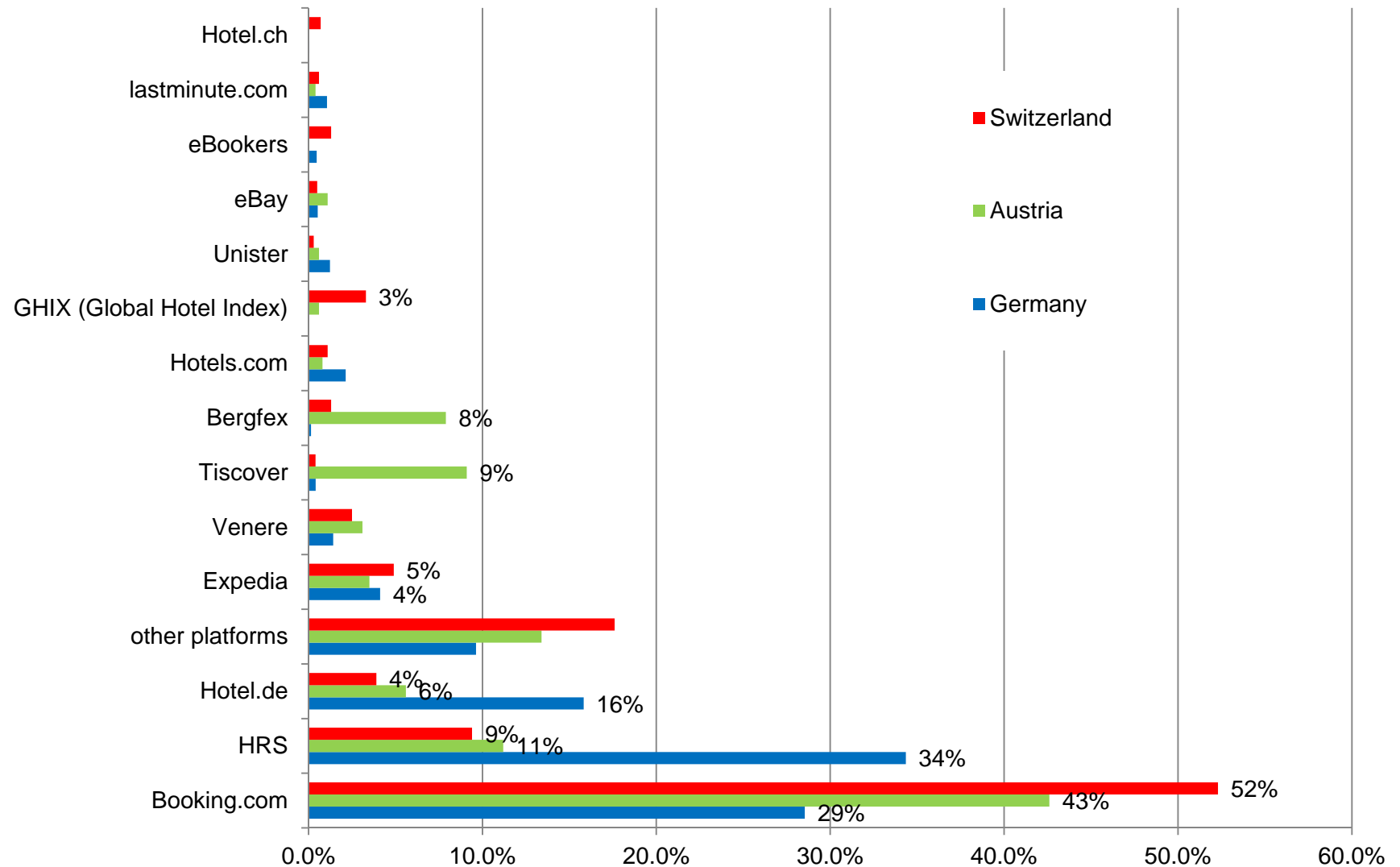
- The market share of the **tourism organizations** has been stagnant resp. slightly declining over the last years and is currently fluctuating at 3.3% of all bookings. In Switzerland the market share of the DMO is clearly higher with an average of 4.9%, but the overall trend is also negative (in 2006 for example 6.5% of all bookings in Swiss hotels were realized through DMO).

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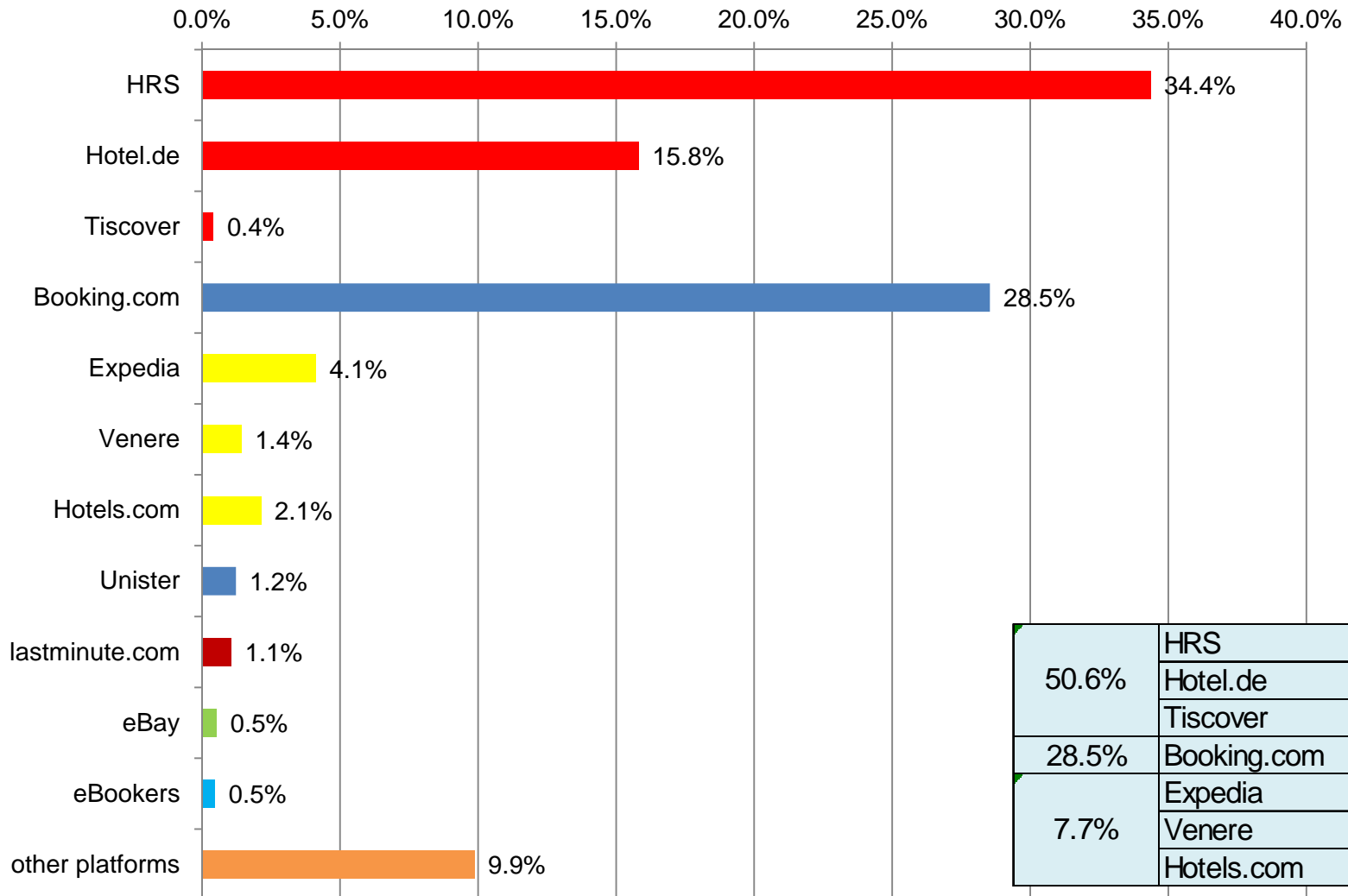
D-A-CH: Market Shares of Internet Distribution Systems (OTA)



Comparison of the Market Shares of Internet Distribution Systems (OTA) by Countries

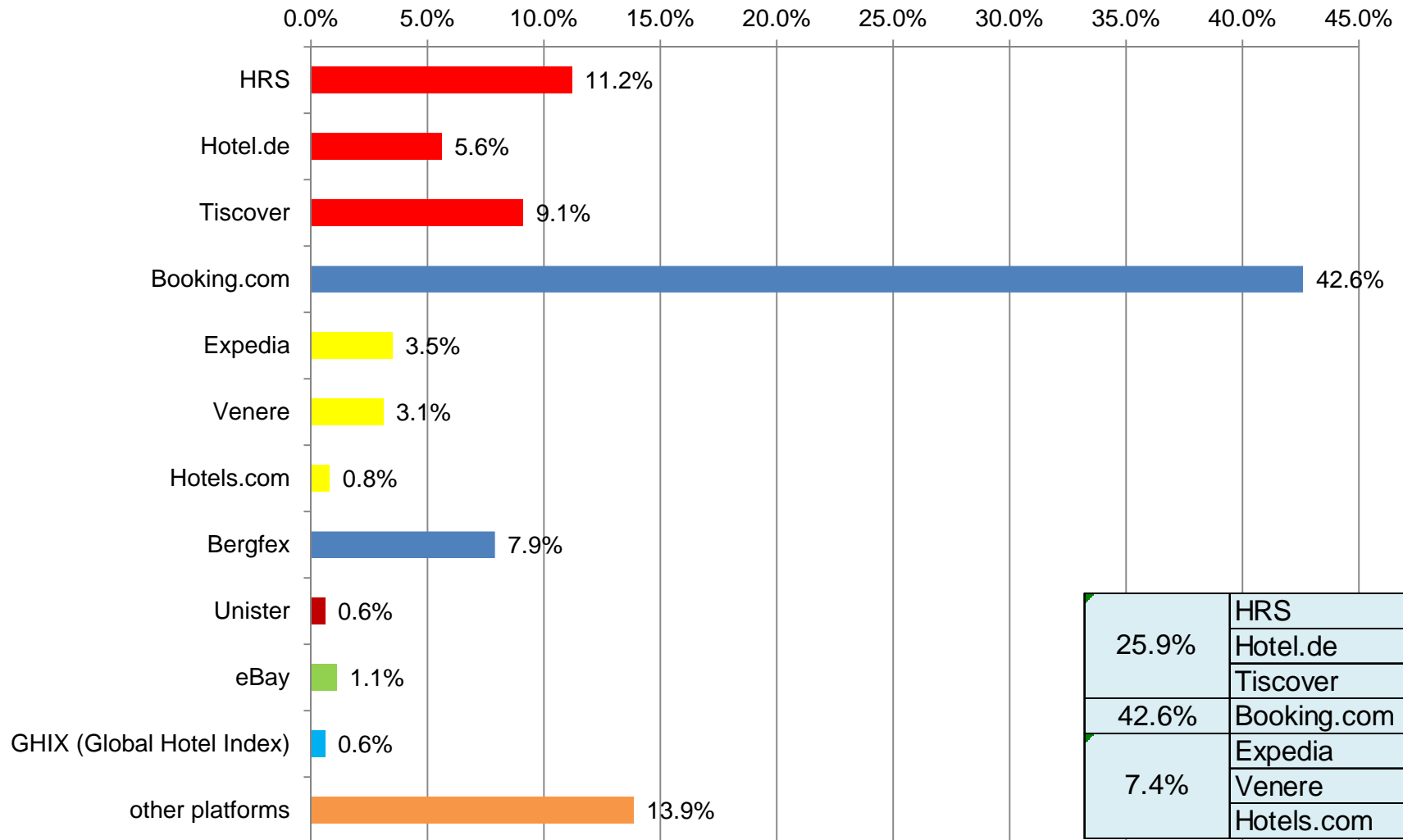


Comparison of the Market Shares of Internet Distribution Systems in Germany 2011



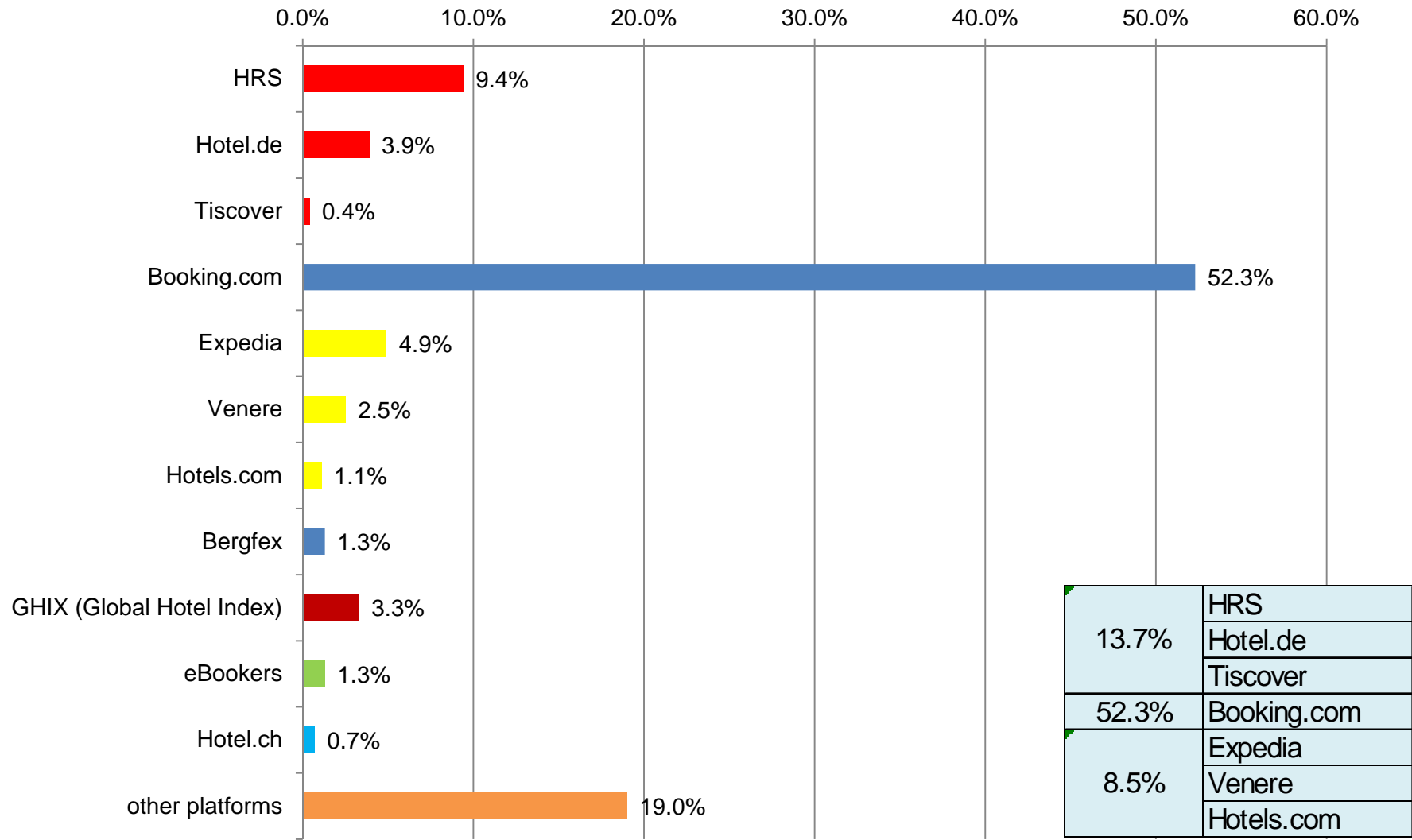
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Comparison of the Market Shares of Internet Distribution Systems in Austria 2011



25.9%	HRS
	Hotel.de
	Tiscover
42.6%	Booking.com
7.4%	Expedia
	Venere
	Hotels.com

Comparison of the Market Shares of Internet Distribution Systems in Switzerland 2011



Observations on Internet Distribution Systems (IDS)

- **Booking.com** , **HRS** and **hotel.de** are the most frequently used IDS in Germany, Austria and Switzerland.
- **Booking.com** is dominant in **Austria** with 43% as well as in **Switzerland** with 53%.
- In Germany, **HRS** with a market share of 34.4% is the clear leader. If you add the booking shares of hotel.de (15.8.5%) and Tiscover (0.4%) to it, HRS reaches 50.6% of the bookings realized through online booking platforms in Germany, followed by booking.com with 28.5%.
- **Expedia** is a further important player, especially for business hotels, for 4-5 star hotels and for hotel chains.
- The market share of **booking.com** is bigger in the **leisure hotels** (44%) than in the business hotels (28%), whereas for **HRS** it is quite the contrary (business hotels: 37% and leisure hotels: 18%)

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Estimations of Revenues and Commission Costs

- The estimations on the following slides are based on different hypotheses:
 - The calculations use the lodging revenues of the hospitality sector as well as on the hypothesis that the booking turnover can be distributed proportionally to the market shares of the survey channels.
 - The transposition of the figures of the sample to the hospitality sector is only valid to a certain extent.
 - A full cost calculation should also take into consideration the fixed costs of particular channels (staff), in addition to clearing costs or the costs of the PMS interface.
- The presented data/estimations show therefore only an order of magnitude!

D-A-CH: Estimation of Revenues and Commission Costs by Distribution Channel

- In 2011 online booking channels (GDS, IDS, real-time booking on hotel website) generated a turnover of 7.6 billion Euros in the hospitality sector of the three countries.
- The total amount of commissions paid to intermediaries by the hotels is almost 1.3 billion euros, thereof just under 800 million Euros for online booking channels.
-
- The online travel agencies (OTAs) with estimated 594 million Euros seem to profit most.

Germany: Estimation of Revenues and Commission Costs per Channel

- In 2011 online booking channels (GDS, IDS, real-time booking on hotel website) generated a turnover of more than 5 billion Euros in the German hospitality sector.
- The total amount of commissions paid to intermediaries by the hotels is more than 900 million Euros, thereof 575 million Euros for online booking channels.
- The online travel agencies (OTAs) with estimated 421 million Euros seem to profit most.

Austria: Estimation of Revenues and Commission Costs per Channel

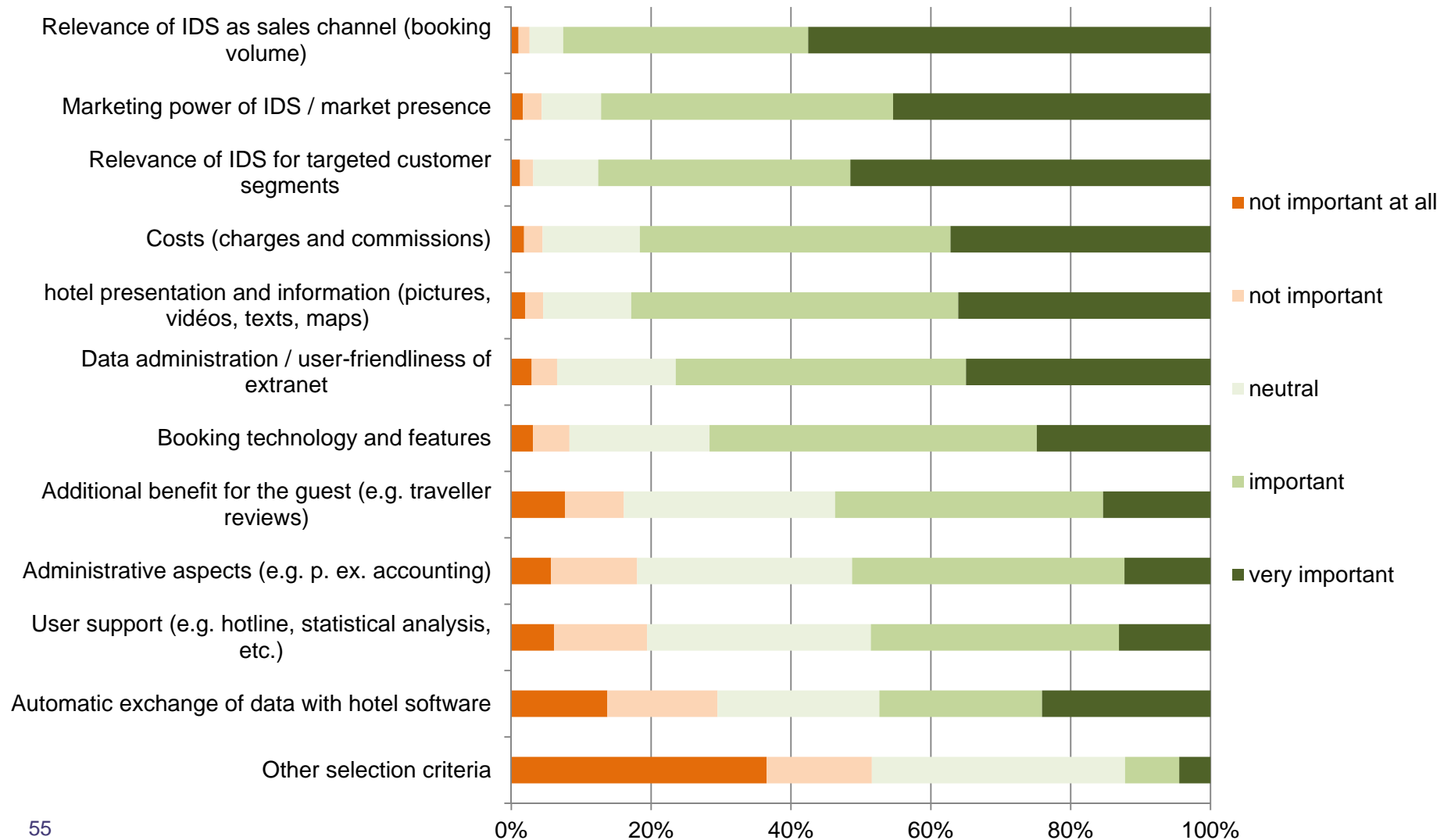
- In 2011 online booking channels (GDS, IDS, real-time bookings on hotel website) in the Austrian hospitality sector generated a turnover of just under 1.3 billion Euros.
- The total amount of commissions paid to intermediaries by the hotels is about 251 million Euros, thereof 134 million Euros for online booking channels.
- The online travel agencies (OTAs) with estimated 101 million Euros seem to profit most.

Switzerland: Estimation of Revenues and Commission Costs per Channel

- In 2011 online booking channels (GDS, IDS, real-time bookings on hotel website) in the Swiss hospitality sector generated a turnover of more than one billion Swiss francs (1'061 millions).
- The total amount of commissions paid to intermediaries by the hotels is almost 178 million Swiss francs, thereof just under 110 million Swiss francs for online booking channels.
- The online travel agencies (OTAs) with estimated 85 million Swiss francs seem to profit most.

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What are your Selection Criteria for Online Travel Agencies (OTA) resp. Internet Distribution Systems (IDS)?



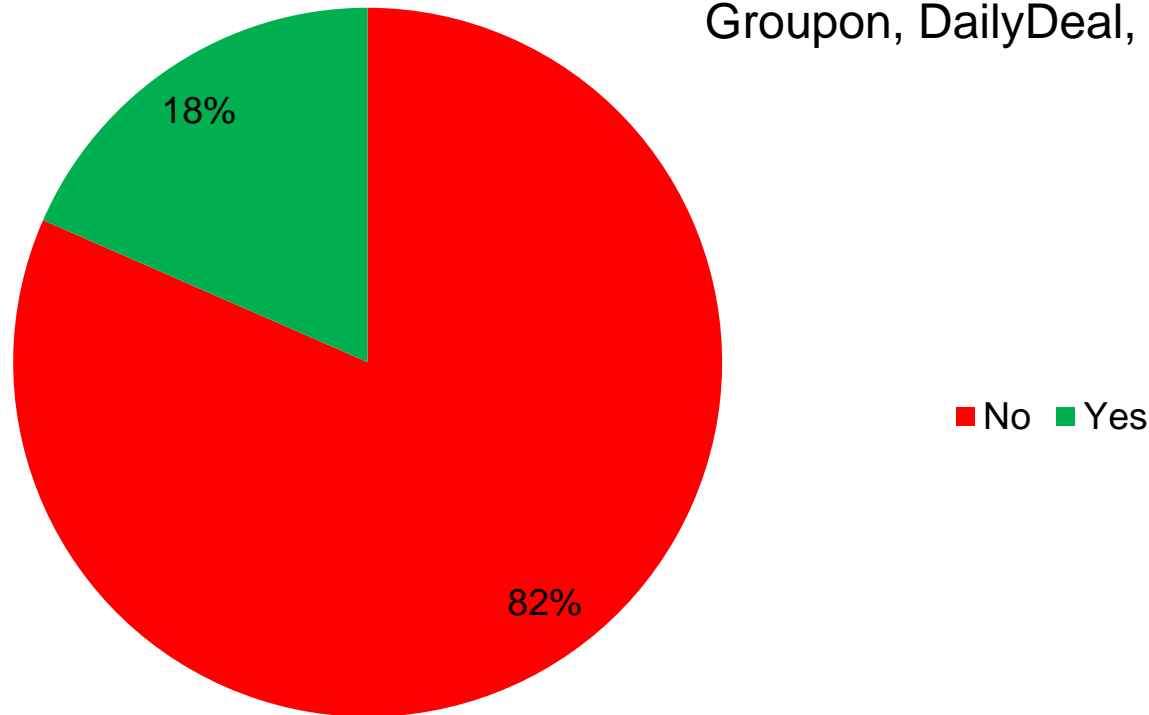
Selection Criteria for Internet Distribution Systems (IDS)

- The main criteria for choosing an adequate Internet distribution system are its sales strength, that means the hotels are looking for players with high booking volumes, strong marketing activities and which are popular for the customers in the target markets (important to very important for 90%).
- The costs are also relevant (important to very important for about 80%), but not decisive for the decision-making process.
- Other relevant criteria are connected to the data administration and the possibilities of presentation of the hotel, as well as to the quality of the booking technology of the IDS.

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Use of new Distribution Forms: Deal Offers

Do you use deal offers of online portals (e.g. Groupon, DailyDeal, etc.)?



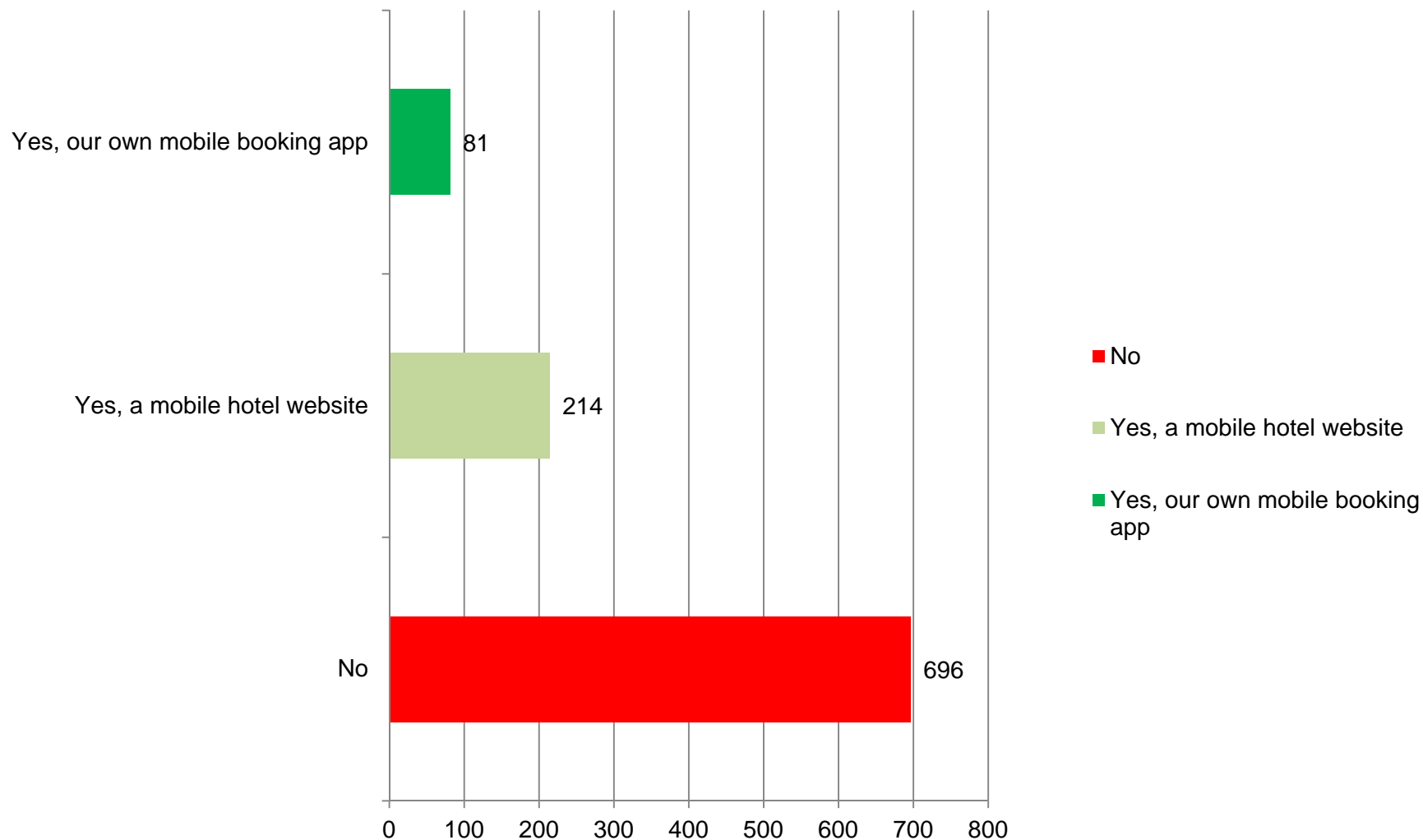
The experiences of current users of *deal offers* mostly proved to be positive. For hotels not using such offers currently respectively having used them in the past their experiences rather proved to be negative.

New Forms of Distribution: Important Providers of Deal Offers

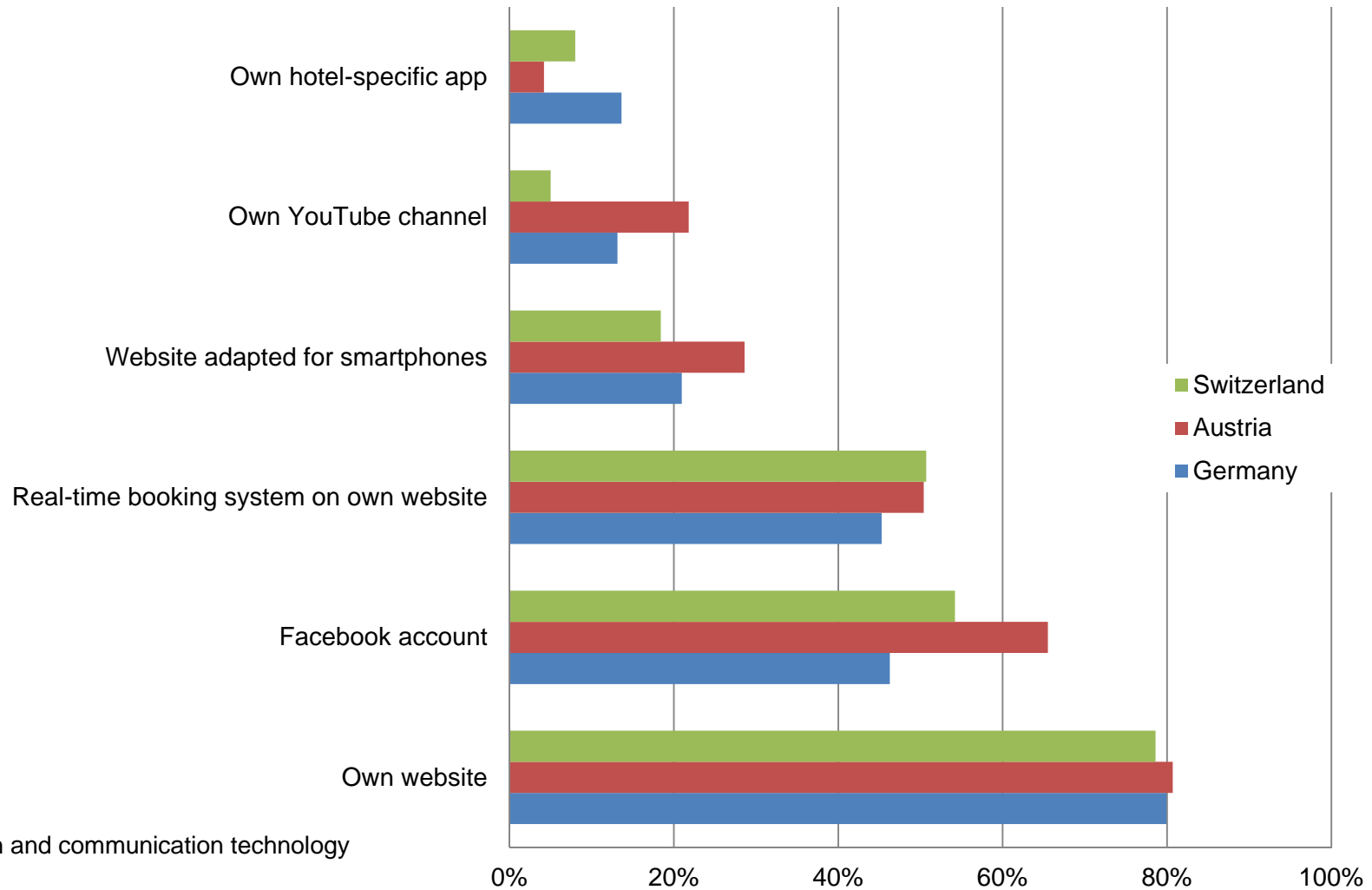
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HRS "Hot Deal"	104	10,1%
booking.com	41	4,0%
Groupon	25	2,4%
Hotel.de	19	1,8%
HolidayCheck	15	1,5%
Dein Deal	9	0,9%
DailyDeal	5	0,5%
Venere	4	0,4%
eboutic.ch	3	0,3%
Expedia	3	0,3%

All in all 37 different providers of deal offers were mentioned. The corresponding offers of the leading internet distribution systems such as HRS and booking.com are mostly used.

New Forms of Distribution: Do you use mobile Distribution Channels?



D-A-CH: Use of new Media (ICT)*



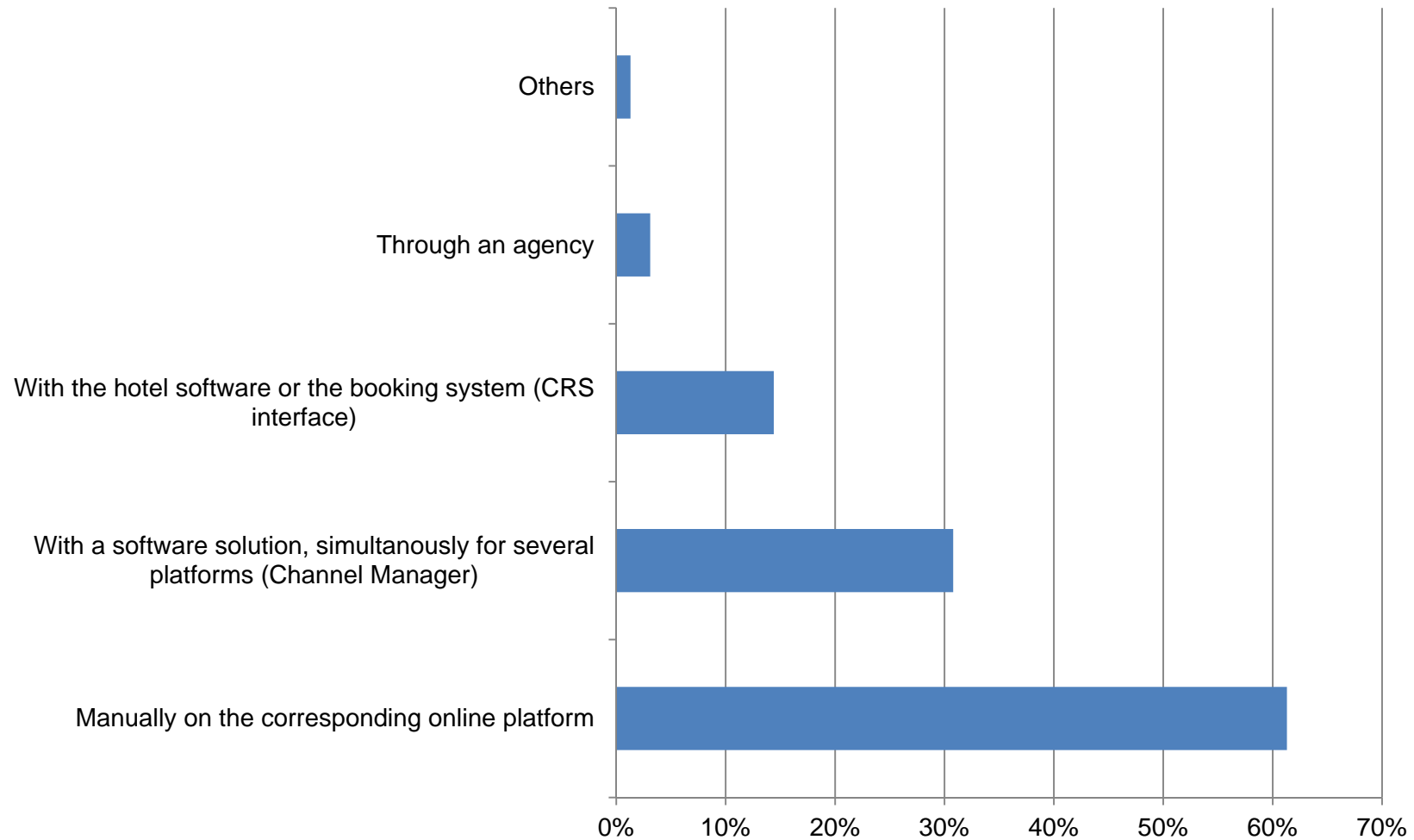
Use of new Forms of Distribution

- New distribution forms such as the deal offers of the internet distribution systems are only used by a minority of the hotels (<20%). The experiences of current users mostly proved to be positive, whereas the non-users were considerably sceptical.
- The market leader of the deal offers are HRS and booking.com, which can be explained by their strong position in the online market. Further frequently mentioned offers are: DailyDeal, Groupon
- Just under one third of the enterprises uses mobile forms of distribution. More frequently they use websites, which are adapted to mobile end devices (e.g. iPhone), than a specific app.
- Hotels, having invested in those new possibilities of distribution, have the following characteristics: 4-5 star hotels, hotel chains, big hotels.

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How do you manage your rates and availabilities on the internet booking platforms?



- Two third of the questioned hotels managed their rates and availabilities manually on the internet booking platform.
- There is an above-average use of channel managers in 4-5 star hotels, hotel chains, business hotels as well as urban hotels.

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