



Value of Online Travel Agencies (OTAs) to Travel Recovery and MSMEs

ATTIA – WHO WE ARE

The Asia Travel Technology Industry Association (ATTIA) represents companies operating in the Travel and Tourism Sectors in Asia-Pacific, with technology and innovation at their core. Our members include Agoda, Airbnb, Amadeus, Booking.com, Expedia Group and Travelport.

The continuous innovation of travel and technology delivers significant benefits for economies, communities, businesses, and travellers across the Asia-Pacific Region that positively impacts livelihoods, living standards, workplace opportunities and quality of life for citizens in the Region.

ATTIA seeks to promote a deeper understanding of the policy issues that stand at the intersection of travel and technology. ATTIA serves as a resource and a catalyst for closer collaboration and information-sharing for the development of aligned industry/government priorities and vision for Travel and Tourism in the Asia-Pacific region.

THE VALUE OF OTAs TO TRAVEL RECOVERY AND MSMEs

Prior to the COVID-19 pandemic, global travel was already undergoing dramatic changes, as more and more consumers opt to book their own travel online and seek a wider set of choices that suit their needs. Faced with a dizzying array of travel options, online travel agencies (OTAs) are increasingly popular with travellers seeking a convenient and user-friendly one-stop shop to access, research and book their travel. OTAs are online companies whose websites and/or mobile apps allow consumers to book various travel related services directly via the Internet. In that sense, COVID-19 has merely accelerated the trend towards digitalisation of travel.

ATTIA is a strong believer in the value that OTAs bring to the Travel and Tourism Industry, especially in supporting the recovery of the industry by helping Micro, Small & Medium Sized (MSMEs) to increase their visibility to travellers who would otherwise not have access to such small enterprises. OTAs drum up interest in destinations, drive significant volumes of bookings, are more efficient in converting researching consumers into travellers and drive increased spending and longer stays by travellers. To explain the value of OTAs:

OTAs ARE CRITICAL TO TRAVEL RECOVERY

Drive traveller volumes to support recovery of inbound tourism. OTAs, both domestic and international travel, have already captured 40% of the global travel market (inclusive of accommodation, airlines, packaged tours, cruises), including three quarters of gross online hotel bookings in Asia Pacific. In Asia Pacific, online travel grew by 17% annually from 2016-18, three times faster than the global market.¹

¹ Source: Rauch, Maggie and Jain, Deepak. "Asian Pacific Online Travel Overview 2019" Phocuswright, April 2019.

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Help destinations stand out. With powerful digital marketing and technology tools and expertise, OTAs have more extensive digital and social media reach, access to data and digital tools to support tourism recovery through collaboration with National Tourism Organisations and other stakeholders to conduct destination marketing. As travellers increasingly going online – a trend sped up by COVID-19 – online destination marketing, as an area of expertise of OTAs, will grow in importance.

Distribute to MSMEs the gains of travel recovery. By providing a platform in which MSMEs are able to be listed alongside larger tourism operators, MSMEs are able to increase the visibility of their business to a larger market. This allows travellers to have greater awareness of smaller enterprises would otherwise remain under the radar of travellers. Two-thirds of hotel bookings on OTAs are with small, privately-owned, independent hotels, thus spreading the benefits of travel recovery across more tourism operators.²

Attract travellers who stay longer and spend more. Through personalised advert targeting and by offering travellers with the diversity of travel options for travellers to choose and create their own customised travel experience tailored to their needs, OTAs are able to entice travellers to stay longer and spend more. A study of international and domestic travellers in Australia has shown that travellers who uses OTAs (even if only to research destinations and not for booking) stay longer and spend more, thus helping the country to net more revenue per traveller. On average, OTA hotel travellers stayed 22% longer than non-OTA hotel travellers. Bringing further value to the Travel and Tourism Industry, OTA hotel travellers spend 26% more on total hotel spend than non-OTA hotel travellers, and international OTA travellers spend 34% more on in-trip experiences and activities, and 42% more on meals compared to international non-OTA travellers.³

OTAs ARE KEY TO MSMEs' PARTICIPATION IN TRAVEL RECOVERY

Access to powerful digital marketing tools. With limited resources and marketing know-how, MSMEs lack access to effective marketing tools and the knowledge of how to harness marketing tools to increase their brand awareness. The lack of brand awareness limits the reach of MSMEs to potential customers. OTAs can help MSMEs increase their brand awareness by providing them with powerful digital marketing tools to reach a large captive global audience of would-be travellers on OTAs' platforms as part of MSMEs' collaboration with OTAs.

Guest ratings and reviews as a crucial driver of travellers' decision-making. As one of the few one-stop shop providers of transparent reviews for accommodation with instant book functionality, OTAs are an important source of reliable peer reviews that drive travelers' decision-making. Travelers are willing to pay a price premium for accommodations with a higher guest rating, more so than the price premium for branded hotels, enabling MSMEs to reap the rewards for doing what they do best – to provide a positive traveler experience. In the US, travelers are 72% more likely to value guest ratings than brands and this has shown in the prices of accommodation. While branded hotels command a 11-12% price premium relative to accommodation in the vicinity, accommodation with a guest rating of 4.4 (out of a total of 5) commands 26% price premium while accommodation with a guest rating of 4.9 commands 38% price

² Source: "Online Travel Agencies in Asia: A Major Opportunity in E-Services." Asian Trade Centre, 2017,

³ Source: "Online Travel Agent (OTA) Impact Report I: A global study into how OTAs bridge Australia to the world." BVA BDRC, 2019.

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premium relative to accommodation in the vicinity. Travelers are willing to pay 35% more for accommodation with a guest rating of 4.4 compared to accommodation with guest ratings of 3.9.⁴

Harness big data and market insights to drive business decisions. Having captured 40% of the global travel market, OTAs are sitting on a rich trove of data. MSMEs typically do not have access to big data analytic tools, but through collaboration with OTAs, MSMEs have access to data and trends that can help MSMEs make data-driven decisions on crisis monitoring, creating recovery strategies and identify target markets and position themselves accordingly.⁵

Access to a large market of travellers. OTAs, both domestic and international travel, have already captured 40% of the global travel market (inclusive of accommodation, airlines, packaged tours, cruises), including three quarters of gross online hotel bookings in Asia Pacific. In Asia Pacific, online travel grew by 17% annually from 2016-18, three times faster than the global market.⁶

Diversify peak seasons and source markets to build resilience. MSMEs are able to tap onto OTA's global reach and innovative digital marketing tools to diversify peak seasons through broadening seasonal digital marketing in source markets and to tap new source markets. This helps create a steady flow of travellers throughout the year and reduce MSMEs' reliance on traditional peak tourist seasons and diversify their source markets.

Deploy multiple levers in managing inventory and demand. Other than marketing tools to increase traveller demand during off-peak periods, MSMEs can utilise data analytics and pricing tools provided through their partnership with OTAs to manage demand and inventory to ensure the most efficient use of inventory for maximum revenue.

CONCLUSION

ATTIA believes that OTAs are key to restoring travel in a way that distributes the fruits of travel recovery with the backbone of the economy – MSMEs. ATTIA is keen to engage to collaborate on ways to help governments to support travel recovery in an inclusive manner to ensure that MSMEs benefit from the recovery.

⁴ Source: Abhijit Pal. "The Big Decision: How travelers choose where to stay". Expedia Group, 2019.

⁵ Source: Rauch, Maggie and and Jain, Deepak. "Asian Pacific Online Travel Overview 2019" Phocuswright, April 2019.

⁶ Source: Rauch, Maggie and and Jain, Deepak. "Asian Pacific Online Travel Overview 2019" Phocuswright, April 2019.
