Rachel Tooke-Marchant
is Head of Insights at digital agency Crafted. With a PhD in Mathematics, she spends her time carrying out in-depth analysis of clients' customer and website data to improve their online marketing. Crafted has offices in London and Ipswich and specializes in web and software development, search marketing, conversion rate optimisation (CRO) and user experience (UX).

Opinion Piece

Online travel agents (OTAs) and their dominance of search engine results: Can independent hotels compete?

Rachel Tooke-Marchant

Received (in revised form): 28th January 2015

Abstract

This article examines research that finds that online travel agents (OTAs) dominate 73 per cent of the organic and paid search results on page one of Google UK for a range of popular hotel terms. The author argues that, although OTA dominance makes it difficult for independent hotels to compete for direct bookings online, resulting in significant commission payments that can impact on profit margins in an already competitive market, there are ways for hotels to outwit these comparison sites to increase sales on their own websites. A range of organic and paid search marketing tactics are explored.

Journal of Direct, Data and Digital Marketing Practice (2015) **16**, 154–156. doi:10.1057/dddmp.2015.3

Keywords: hotel marketing, hospitality marketing, search marketing research, online travel agents, travel marketing

How to plan a holiday

Majority of bookings are online

Expensive route to market

Rachel Tooke-Marchant
Pill Box 115 Coventry Road London
E2 6GG UK
Tel: +44 (0)845 619 8054
E-mail: hello@crafted.co.uk

Overview

With the approach of summer, many of us start to think about getting away for a bit. Maybe a beach holiday, perhaps a city break, or how about a few days relaxing in a luxury country spa? But how do you choose your hotel? Do you walk into a High Street travel agent, or do you pick up your smartphone and see what offers you can find online?

As travellers increasingly turn to Google to find their next hotel break, the internet continues to have a profound impact upon the hospitality and travel industries. More than 148 million travel bookings are made online each year, with the internet accounting for 57 per cent of all travel reservations (*Source:* Statistic Brain). For hotel marketers, trying to ensure that these sales are not lost to competitors is key. But it is not just rival hotels vying for a customer's attention; hoteliers also have to contend with the might of the online travel agents (OTAs).

Appealing to time-starved and price-conscious travellers looking to find the best deal online, OTAs enable consumers to compare hotel rooms all in one place. Although these websites can be valuable to the hospitality trade for filling last-minute occupancy and providing an additional route-to-market, sales via OTAs can involve significant commission payments that impact on profit margins in an already competitive marketplace.

OTAs outspend independents

An obvious solution would be for independent hotels to channel bookings directly through their own websites, helping them to be more competitive and perhaps even see their profits rise. Unfortunately, things are rarely that simple. Boasting recognizable brands, sizable marketing teams and even larger media budgets, OTAs dominate the search engine results, making it difficult for independent hotels to compete for direct bookings online, unless they have the right digital marketing strategy in place. I wanted to explore the true scale of this dominance and see just how much of the Google results are occupied by these comparison websites.

Researching popular search terms

The findings

I looked at five popular UK cities and tourist destinations — Brighton, Edinburgh, Leeds, Liverpool and Oxford — and analysed the organic and paid results on page one of Google UK for a selection of the most popular search terms, such as ‘hotels in [location name]’ and ‘[location name] hotels’. Ten organic and paid results were explored and a further five for Google+ Local results.

Dominance of organic search by OTAs

The findings painted a stark picture of OTA dominance. Comparison websites occupy approximately 73 per cent of the organic listings on Google’s first page for generic hotel search terms, such as ‘hotels in Liverpool’. Large national chains, like Travelodge and Premier Inn, occupy a further 24 per cent, often leaving independent hotels competing for just one remaining position.

Similar dominance of paid search

A similar picture occurs in the paid listings, with the OTAs also dominating 73 per cent of the adverts at the top and right-hand side of the search results for generic phrases like ‘Brighton hotels’. National brands occupy an additional 19 per cent, meaning there is, on average, just 6 per cent available for independents, once other miscellaneous results are taken into account (for example, websites such as ask.com seeking to drive web traffic). This is because pay per click (PPC) is a tactic open to any organization, provided they have the budget.

Long-tail results less skewed

What is interesting here is that the long-tail terms tell a different story. OTAs are far less dominant for more detailed phrases, such as ‘luxury hotels in Oxford’, occupying only around 57 per cent of these results.

How to outwit OTAs

How independent hotels should respond

If this all sounds worryingly pessimistic, you will be pleased to hear that there is some good news. Although it would certainly be difficult for independent hotels to play these comparison sites at their own game without spending a considerable amount of money, the research highlights that there are ways for independent hotels and chains to outwit the OTAs.

Savvy marketing

Comparison websites rely on scale, running a large number of generic online marketing campaigns to dominate Google results. With smaller marketing teams and a narrower focus, independent hotels can be more agile and emphasize their unique customer propositions through savvy online marketing tactics that do not rely on multi-million pound budgets.

Google+ Local

For example, although OTAs appear to have conquered the organic search results, there is one area of the Google listings in which they cannot appear — the Google+ Local results. This set of localized search results, which appears in the centre of the organic listings, is partly influenced by a business's Google+ Local page. These pages can only be created by individual businesses, and because comparison sites do not own the websites and hotels they advertise, they cannot create Google+ Local pages for them. As such, they cannot feature in the Google+ Local results.

Reviews help rankings

By claiming their Google+ Local pages and completing their profiles, independent hotels can then begin to gain online citations and encourage customer reviews on their page. These are all ranking factors in the localized search results, helping independent hotels to gain a presence on page one by exploiting the tactics not open to OTAs.

Using specific PPC terms

Organic search is not the only way to outsmart the comparison sites. As OTAs are less dominant when it comes to long-tail PPC, there are clear opportunities for independent hotels to compete by running campaigns using more detailed and specific keywords, such as 'wedding hotels Leeds', enabling them to appear in search results for the phrases the OTAs are seemingly avoiding.

Brand phrases open to all bids

However, before independent hotels begin experimenting with more expansive PPC campaigns, they need to ensure that they are appearing in results for their brand phrases. As PPC operates on an auction model, almost any organization can appear for a particular phrase, providing they bid enough money. This means that OTAs can, and often do, bid to place their adverts when a consumer searches for a hotel by name. With the top PPC ads appearing above the organic listings, this is problematic because the first result a consumer sees could be an advert by an OTA encouraging them to book via its website rather than direct, with the hotel paying commission for the sale. By bidding on their brand terms, independent hotels can help to reclaim traffic and increase bookings on their websites.

Increasing the clickability of ads

There are also ways that independent hotels can make their adverts more 'clickable' than an OTA's. Ad extensions, for example online reviews or clickable telephone numbers, can be added to PPC ads to make a hotel's listings more enticing by providing consumers with useful information that helps them decide whether or not to click-through to the website being advertised. They also increase the size of a hotel's advert, giving it more prominence over others and making it more likely that a consumer will click on their ad rather than one belonging to an OTA.

Room to fight back

Potential for better margins

OTAs are certainly useful sales channels, but increasing direct bookings can help independent hotels to be more competitive and even increase profit margins. Comparison sites may have large budgets and significant resources, but I hope that my research has demonstrated that it is possible to outwit them with the right digital marketing strategy.

The full report is available at <http://bit.ly/1y6wkQJ>.

Editor's note – the terms of Google+ Local have changed. For an update, go to <http://www.theidm.com/resources/journal/current-issue/>