

COULD RATE PARITY ISSUES THREATEN THE RISE OF OTAS?



2015 has been the year of the OTAs - online travel agents - with strong gains already projected over other companies and single brands - they saw an 15.1% increase in the first quarter of 2015 compared to the 7.1% increase for other giants like Google and Amazon.

This should be good news for these large-scale operations but while they are keen to expand even further, concerns over rate parity issues could change the global picture.

Expedia and Priceline are dominating the markets thanks to strong growth and aggressive marketing.

Taking Expedia as the prime example of an OTAs on the rise, they now have approximately 60% of the US market share due to a merger with Orbitz. This is impressive but it is Priceline that is the dominant global force; Expedia may be the household name, especially in American homes, with its strong branding and public profile but much of the global market can be traced to Priceline. Expedia has been trying to match them through an expansion of its portfolio of businesses into global markets. The aim is for 65% of revenue to come from international bookings, such as the emerging South American market, in 2015.

Aggressive tactics of these OTAs, through heavy spending on advertising and massive mergers, mean that these brands expand significantly and single brand operations struggle to keep up. The use of technology is also important here; mobile booking and app use are important for the modern tourist and three major companies already have Apple apps compatible with the Apple Watch - Hotwire, Hotels.com and, unsurprisingly, Expedia.

These giants of online travel agents can continue to spend money and do battle but rate parity issues mean that a change may be on the way.

Simply put, rate parity means the ability to maintain rates for a tourism product or business, like a hotel, through all of its online distribution channels, no matter how much commission the OTAs is making from the deal. This is where smaller companies have been losing out, such as Booking.com, one of Priceline's European subsidiaries. There is, however the belief that the tide may be turning and rate parity may go out of favor. If so, this would mean hotels would have more control over prices on different channels, customers would be able to differentiate between those channels and those individual brand sites may see a surge in business.

A potential rise in the individual business rather than the wide-reaching OTAs is also good news for those two global icons mentioned before - Google and Amazon. They want their piece of the tourism pie, Google having launched their "book with Google" price alert system and Amazon's Destinations product building on its capabilities, and if the global share of Priceline and Expedia begin to fall, we should not be surprised to see these ventures gathering momentum.

The article was written in collaboration with [ScreenPilot](#).

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