

Priceline's Booking.com Hotel-Friendly, Industry Awaits Google

Companies: EXPE, GOOG, OWW, PCLN, TRIP

April 26, 2012

Research Question:

How is Priceline's Booking.com performing as it penetrates the North American market, and how does it compare to Expedia, Hotels.com, Travelocity and other OTAs?

Summary of Findings

- Hotel reservation agents said [Booking.com's](#) (Priceline.com Inc./PCLN) competitive advantages include its significantly lower fees. Also, reservation payments are made directly to hotels, which then pay Booking.com. Blueshift could find few hotels that did not use Booking.com.
- Customer sources said Booking.com's benefits over other online travel agencies (OTAs) are its more flexible cancellation and reservation change policies and the ability to pay at the time of stay rather than when booking. Six of seven customers chose Booking.com because it offered the most competitive price.
- [Expedia Inc.](#) (EXPE) still holds the dominant share position in North America, but two hotel reservation agents said Google Inc.'s (GOOG) entrance into the industry will threaten Expedia and other OTAs.
- Expedia once was considered an OTA innovator but now is copying [social media aspects](#) of Booking.com's site, according to an industry specialist.
- Two industry specialists and one hotel reservation agent believe [Orbitz Worldwide Inc.](#) (OWW) will fall by the wayside or be acquired.

Silo Summaries

1) RESERVATION AGENTS WHO USE BOOKING.COM

All five sources prefer Booking.com's model to its competitors because of its lower commissions and more hotel-friendly payment structure that includes booking revenue going directly to the hotel, which then pays Booking.com. This allows hotels' average daily rates (ADR) to appear higher. Expedia still is the dominant player in the United States, but two sources believe Google has the potential to threaten all OTAs' market share. One source also said OTAs' restrictive cancellation policies are prompting more consumers to book directly through hotels. Another said Orbitz could fold.

2) CUSTOMERS

One of our three sources believes Booking.com already is taking market share from competitors while another said the site is poised to claim share. Our third source does not believe Booking.com will have a significant effect and that it should distinguish itself by offering more hotel selections and better customer service, for which Expedia, Travelocity and Orbitz are not known. Our first source said Booking.com prices are less than one-half of its competitors'. He also noted that Expedia was an innovator a few years ago but now is copying the social media aspects of Booking.com's site. Two of three sources believe Orbitz is trailing the industry and will fall by the wayside or be acquired.

3) INDUSTRY SPECIALISTS

Six of seven sources said they chose Booking.com over its competitors because of price, but the remaining source also said price was behind his decision to go with a Booking.com competitor. Two sources each said Booking.com offers a more flexible cancellation/modification policy and the ability to pay at the time of stay rather than when booking. One source said hotels are getting more bookings directly rather than through OTAs.

4) TRAVEL AGENTS

One of three sources said Venere.com and Hotels.com (both owned by Expedia) are Booking.com competitors because they offer commissions to agents. Our second source said Travel Bound offers more cancellation flexibility and agent assistance for its 9% premium over Booking.com. Our third source said Booking.com is not gaining share. All three believe customers prefer using agents to online sites because of personalized service and support.

Priceline.com Inc.'s Booking.com

Background

Priceline, the world's No. 1 online hotel reservation service, experienced impressive revenue growth of 43% in 2011 thanks in large part to its Booking.com brand, which was acquired by Priceline in 2004. [Booking.com](#) represented 78% of gross bookings and 88% of consolidated operating income for Priceline in 2011. Booking.com, which attracts an average 30 million different visitors each month, could be the catalyst for Priceline to increase its presence in the United States, in which Expedia currently has the lead.

CURRENT RESEARCH

Blueshift assessed how Booking.com compares with and differs from dominant OTA players, particularly Expedia and its [Hotels.com](#) as well as Sabre Holdings Corp.'s [Travelocity](#). We also inquired about other potential threats to OTA heavyweights. We employed our pattern mining approach to establish and interview sources in six independent silos:

- 1) Reservation agents for hotels using Booking.com (5)
- 2) Industry specialists (3)
- 3) Customers (7)
- 4) Travel agents (3)
- 5) Secondary sources (3)

We interviewed 18 primary sources, including one repeat source, and included three of the most relevant secondary sources focused on Google's presence and technological expertise in the online travel business as well as on [BackBid](#), a new online travel website that allows hotels to compete for customer bookings in a non-[opaque](#) model.

Silos

1) RESERVATION AGENTS FOR HOTELS USING BOOKING.COM

All five sources prefer Booking.com's model to its competitors because of its lower commissions and more hotel-friendly payment structure that includes booking revenue going directly to the hotel, which then pays Booking.com. This allows hotels' [average daily rates](#) (ADR) to appear higher. Expedia still is the dominant player in the United States, but two sources believe Google has the potential to threaten all OTAs' market share. One source also said OTAs' restrictive cancellation policies are prompting more consumers to book directly through hotels. Another said Orbitz could fold.

➤ General manager of an upscale hotel, California

This source has been working with Booking.com for eight months and said the partnership is bringing new customers to his hotel. He was pleased with Booking.com's commission rate compared with other OTAs. Also, Booking.com has allowed this hotel to attract a higher-caliber customer who is booking higher-priced rooms and suites. Expedia remains in the lead. Google could be a potential OTA competitor, but Orbitz could fold.

- "We started working with Booking.com probably eight months ago. And, for us, it is a more financially favorable relationship because the margin we give to Booking.com is less than the margin asked by Expedia, Travelocity and Orbitz."
- "Booking.com has added incremental revenue, but I haven't seen a decrease in Expedia with growth of Booking.com. I don't know they're necessarily pulling away customers from other OTAs as they are opening OTA exposure to new channels."
- "Our sense ... is that Booking.com customers are more willing to buy those ocean-view rooms and suites as opposed to Expedia customers, who seem to be looking for the cheapest room they can get."
- "I would love to see Booking.com start to take away market share from those others because their margin is better and the ADR has been better."

We started working with Booking.com probably eight months ago. And, for us, it is a more financially favorable relationship because the margin we give to Booking.com is less than the margin asked by Expedia, Travelocity and Orbitz.

*General Manager, Upscale Hotel
California*

Priceline.com Inc.'s Booking.com

- “Expedia is the dominant player. Of all the OTA business we do, Expedia is 80% of it. It’s simply a question of marketing dollars; they have more money than anybody else. And with Expedia you work with the local market manager. It’s not a dollar per placement. They look at which hotels more consistently give them inventory and good value pricing.”
- “You don’t see Orbitz going anywhere in terms of producing significant volume, and you don’t see them advertised. I would suspect you would see Orbitz disappear.”
- “With Priceline and [Expedia’s] [Hotwire.com](#), the majority [of their rooms] they move in the opaque market. You shop for a four-star hotel in San Diego, and then you make transaction without knowing whom you’re making the booking with. ... We’ve made the decision to not want to play in opaque because the value we see in using an Expedia or Travelocity is they bring a customer who doesn’t know us and the biggest part of the value is in having them display the name of our hotel.”
- “They’re getting millions of visits, and I don’t get as much value from an opaque model where the customer isn’t seeing who I am. We proved that out over the year during sample time windows, where we shut down inventory with OTAs. We saw a corresponding decrease in traffic to our proprietary website. When we give them inventory back where we get displayed, we see a corresponding rise in traffic.”
- “The thing that the hotel industry is missing the point of is the other OTAs, especially Expedia and Hotels.com, have hundreds of millions at stake and they know how to market and do a great job of making their product a household name.”
- “Google has been dabbling around in the travel industry, but they haven’t really figured it out. I’m sure they will figure it out.”

➤ General manager of a hotel belonging to an international hotel group

Booking.com’s model is more desirable for hotels because of its commission rate and payment process, which includes payment going directly to the hotel. Expedia still is the OTA giant, but Google’s entry into the industry has prompted all OTAs to advertise heavily. More consumers are booking directly through hotels to avoid OTA cancellation policies.

- “We have used Booking.com for a long time. Our relationship is good.”
- “We prefer the Booking.com model. We are paying less commission, and the payment process is quicker. We are paying them commission versus a company like Expedia where they are taking all the money and then paying us.”
- “The big giant is Expedia. They have more ads than all the other OTAs combined.”
- “Priceline and Booking.com have a completely different audience. One is opaque and those travelers are going for a rate, not a brand. They are not concerned where the hotel is or anything else. There are others who are more selective. They are looking for brands, location and the different model. The name is so important for branding. From my [hotel’s] perspective you don’t want to dilute the brand [with an opaque model].”
- “There is a lot of competition among the OTAs, and they’re all petrified of Google coming into the game. They are advertising like crazy and doing anything they can to make booking easier. One way they are doing that is by adding frequent booking or loyalty programs. Customers are not loyal. They are looking for the best deal, and the points are an attempt to keep the customer base.”
- “People are going to sites and booking, but they are not enchanted with the cancellation policies. They are looking at OTAs and then booking with the hotel [directly].”
- “Hotels are in bed with the devil at the moment with OTAs. Each grows from a different market share and pool. There are OTAs in Europe that Expedia, Travelocity, Orbitz can’t penetrate. Same with China and Australia. You can’t be aligned with just one. That might not drive the volume.”
- “Prices are generally all the same because of rate parity. But Priceline and Hotwire are opaque; you can’t compare properties, you are dealing with last-minute inventory, and they are usually packaged as well. The rate is not easily identifiable.”
- “Expedia’s business travel [[Egencia](#)] has no brand loyalty. It’s different with corporate travel because the company is paying for it. But for personal travel, customers’ desires and needs differ.”

We are paying them commission versus a company like Expedia where they are taking all the money and then paying us.

*General Manager
International Hotel Group*

Priceline.com Inc.'s Booking.com

► Assistant revenue manager for a hotel belonging to a large, international hotel group

Booking.com will take a little market share away from all OTAs, not just one. Booking.com's commission and revenue structures are appealing. OTAs were aggressive during 2008 through 2010, but as the economy improves, hoteliers are "grabbing power back" and are renegotiating terms.

- "From the hoteliers' perspective, Booking.com is great. Hoteliers like Booking.com's commission and the way the revenue comes in. ADRs look higher though flow-through is not as great."
- "It's tough to pick one market share loser. Booking.com won't take from one but chip away from all."
- "[Booking.com] won't ever get to other OTAs' volume, but they have the advantage of rates, giving hotels more freedom to discount."
- "Booking.com is more European, the international traveler."
- "Pay-as-you-stay with Priceline is huge for them. It differentiates them from Expedia, Travelocity or Orbitz."
- "Priceline searches Booking.com inventory, so the customer might not know it's Booking.com."
- "OTA in general—especially the larger ones—were aggressive at the right time: 2008 to 2010. OTAs were pulling hotels around, dictating allotments. Hoteliers are grabbing power back. There is more demand than in previous years, and OTAs have to be a little more friendly."
- "The traveling public is becoming more Internet-savvy. There is still some preference to the [traditional] travel agent, but it's an aging practice. Still, it is commonplace abroad."

From the hoteliers' perspective, Booking.com is great. Hoteliers like Booking.com's commission and the way the revenue comes in. ADRs look higher though flow-through is not as great.

*Assistant Revenue Manager
International Hotel Group*

► General manager of a boutique hotel in a small group of hotels, 44 years of industry experience

This source would like to see Booking.com's model spread as it means more profit for the hotel. Sixty percent of the hotel's reservations come from OTAs, mostly Booking.com, Expedia and Hotels.com. Expedia excels at marketing and advertising and will continue to be the market leader, but is being quickly approached by Priceline. Social networking will play a larger role in bookings.

- "It's going very well [with Booking.com]. It's not as discounted, or they don't discount like Expedia and Travelocity. They're working on a 10% commission rate, like a travel agent."
- "I would love to see [that model] grow. The customer is getting ... what they perceive is a lower rate. They see \$139—the same price on Booking and Expedia—but that's what they're paying, not the distribution to the hotel. The end result is more profit for the hotel."
- "People are more savvy about their travel. There is more dependence on social media like [Yelp \[Inc./YELP\]](#) and [TripAdvisor \[Inc./TRIP\]](#). They give the savvy public a good base to rely on recommendations. We rely on those to help promote and market, especially the small hotels."
- "The social networking trend will continue and not just for comments, complaints or praise; they will have booking agents. If you are looking at TripAdvisor, researching a hotel, you can book the reservation as well. ... If you are on Facebook [Inc.] or Twitter [Inc.], you can see the comment and make the reservation right there for the hotel or restaurant."
- "Thirty percent of our reservations come from our own website and a small percentage, maybe 10% to 15%, directly on the phone. The remainder is third party, mostly Expedia, Hotels.com and Booking.com."
- "Expedia is the easiest to work with. If there is any complaint requiring a refund or concession, Expedia has always done so, where other third parties have not."
- "Expedia is all over the TV, Internet, print. They've been in the industry a long time—one of the first—so they took the lead immediately. Priceline is good and coming up fast."
- "There are a handful of travel agents around, but they deal with niche markets like cruises. Even that niche, mainly for independents, is starting to go."

The customer is getting ... what they perceive is a lower rate. They see \$139—the same price on Booking and Expedia—but that's what they're paying, not the distribution to the hotel. The end result is more profit for the hotel.

General Manager, Boutique Hotel

Priceline.com Inc.'s Booking.com

➤ Sales manager for a large international hotel

This source supports Booking.com because of the lower commissions, but Expedia will retain its share because the volume is higher. An upswing is occurring in the leisure travel market.

- “I’m in support of [Booking.com’s model] because of the lower commission, but the end user doesn’t see the difference and they are not as familiar with Booking.com.”
- “Hotwire and [Kayak \[Software Corp.\]](#) will remain. The others, I don’t know. We will only use the top [companies].”
- “The market is turning around. There is more leisure travel. It’s a good sign nationwide, and we’re happy.”
- “[Booking.com] does more internationally. There’s buzz about it, but I haven’t seen it yet.”

The market is turning around. There is more leisure travel. It’s a good sign nationwide, and we’re happy.

*Sales Manager
Large International Hotel*

2) INDUSTRY SPECIALISTS

One of our three sources believes Booking.com already is taking market share from competitors while another said the site is poised to claim share. Our third source does not believe Booking.com will have a significant effect and that it should distinguish itself by offering more hotel selections and better customer service, for which Expedia, Travelocity and Orbitz are not known. Our first source said Booking.com prices are less than one-half of its competitors’. He also noted that Expedia was an innovator a few years ago but now is copying the social media aspects of Booking.com’s site. Two of three sources believe Orbitz is trailing the industry and will fall by the wayside or be acquired.

➤ President of a company that helps hotels and destinations develop proprietary online booking systems

Booking.com already is taking market share, including from its parent company, Priceline, because its fees to hotels are typically 15% rather than the 25% to 30% charged by Expedia, Travelocity and Priceline. Expedia is taking note and adopting some of Booking.com’s social aspects, a move unimaginable a few years ago when Expedia was the innovator. Market dominance in the next year or so will be a close race between Expedia and Priceline. Orbitz could fold or get acquired. Also, Google’s purchase of [ITA Software](#) could make it the next large competitor.

- “[Booking.com is] taking away market share from everybody and maybe even from Priceline.”
- “They’re the golden apple in Priceline’s portfolio. They have a lot of market share [in Europe]. They’ve managed to grow on smaller margins. Their site claims to have the highest conversion rate. You can see Expedia copying a lot of the stuff that Booking.com was doing.”
- “I don’t know if it’s enough to alarm Expedia, but they’re clearly taking note. For example, Booking.com has a lot of user-interaction type tools. When you go to Expedia, now this bubble pops up saying there are three other people looking at this hotel or this hotel was booked two hours ago. These are things Booking.com has been doing for years. Five years ago if you told someone Expedia was copying another site, that would be a big deal. Expedia used to be the innovator; they were the ones people would copy.”
- “Hotels these days are pushing to pull in as much directly as possible. They’re sick of paying the 25% to 30% margin you have on Priceline, Travelocity or Orbitz. Whether this is a conscious decision on Priceline’s part or not, for Booking.com to come into the U.S. market is a great way to take market share from the other OTAs.”
- “For the hotels we work with, we’re seeing more bookings coming from Booking.com and they’re not always from Europe. Not only are they working with directly with U.S. hotels, but they’re capturing from the

[Booking.com is] taking away market share from everybody and maybe even from Priceline.

Hotels these days are pushing to pull in as much directly as possible. They’re sick of paying the 25% to 30% margin you have on Priceline, Travelocity or Orbitz. Whether this is a conscious decision on Priceline’s part or not, for Booking.com to come into the U.S. market is a great way to take market share from the other OTAs.

*President, Online Booking Systems
Development Firm*

Priceline.com Inc.'s Booking.com

U.S. market.”

- “If I were running a hotel and I had one channel charging me 15% and another charging 25% or 30%, I would do everything I can to send business to the 15% channel.”
- “Expedia makes you sign a charge contract, but the smart hotels spend 80% of their time trying to figure out how to break it.”
- “Expedia has the most to lose.”
- “Hotels.com is in the same boat as Expedia. When you sign with Expedia, you’re signing with Hotels.com.”
- “It’s a toss-up between Expedia and Priceline. Either one of those will be the dominant player in the next year.”
- “It’s a possibility that a company like Orbitz won’t be around in a year. They’re not as strong a company.”
- “I think the OTAs have been around a long time. They’re dealing with old, clunky technology, and a lot of the other players have newer more agile apps that customers will adopt on their phones or tablets. I don’t know if the OTAs are fast enough to compete. Today’s customers are looking for new and innovative apps.”
- “Google purchased ITA software, and that allows them to create a huge shopping engine for airlines. A lot of people are speculating what Google will do and how much of a player they’re going to become in the travel space. They also launched a [hotel finder](#) on the site too.”

➤ Senior consultant for a hotel consultancy

Priceline may be establishing a dominant position through its aggressive and creative advertising and its Booking.com subsidiary. Many hotels are regretting their OTA partnerships and the related loss of control in setting rates. Mobile booking apps will become more popular. Orbitz is falling by the wayside.

- “Priceline could be poised to take market share with their Booking.com acquisition and aggressive advertising.”
- “Priceline is going to keep Booking.com as a successful European arm for the most part and maybe cross-shop it a bit. If it’s a dominant player there, there’s no point in changing it significantly to compete over here.”
- “Many hotels wish they hadn’t become as involved with OTAs as they have because hotels have lost control over setting rates. Now OTAs are a necessary evil.”
- “Orbitz is falling by the wayside.”

Many hotels wish they hadn’t become as involved with OTAs as they have because hotels have lost control over setting rates. Now OTAs are a necessary evil.

Senior Consultant, Hotel Consultancy

➤ Travel editor for a major U.S. newspaper

Overall, Booking.com has had little effect so far on the OTA market. It could catch on in the United States if it were to become more transparent and offer more choices. Priceline likely is the top choice for leisure travelers looking for bargains or those with flexible schedules, but it does not have much appeal for the important business traveler segment. Kayak and Expedia’s Hotels.com are strong sites because they are easy to use and remember. The OTA industry is in a tough spot because the players are too similar and travelers have so many other booking options that offer better customer service.

- “I do not see Booking.com taking market share away.”
- “Priceline is the leader; I think it continues to be a terrific tool for the leisure traveler. I’m glad because the leisure traveler often gets the short end of the stick in the travel world. It’s a terrific tool, [but] is it the first choice of every traveler? No. That’s because the business traveler makes up a significant percentage of travelers.”
- “If Booking.com were to convince me that it was absolutely unbiased, showing the full field of available properties and not in a paid relationship, I could be in love with that.”
- “[Priceline is] the first choice for people looking to find lower-price accommodations and are more flexible and are more risk takers. ... With Priceline, if your plans change, you’re screwed. ... I get a huge number of letters from readers that say, ‘I booked through Priceline. XYZ happened, and I didn’t get my money back.’ My response is good luck with that.”
- “Someone in the industry told me the OTAs have a fairly contentious relationship with the hotels based on who is setting the rates. This has been going on for a long time.”

Priceline.com Inc.'s Booking.com

- “A lot of people have grown very accustomed to two things: Kayak.com and Hotels.com because they’re both so easy to remember. Kayak has been around for a while. ... Hotels.com is easy to use, easy to remember; as far as I’m aware, I’m getting a fair shake.”
- “The trouble with OTAs is that they so far have not distinguished themselves in a way that makes my loyalty to them absolutely mandatory. I haven’t been impressed by their customer service. You’ve got to distinguish yourself somehow, and I can’t see that any of them has.”
- “Expedia, Travelocity and Orbitz are in kind of a funny situation. They have had a reputation in the past for not providing extraordinary customer service. There’s no point in using an online travel agency like those three if you’re not going to get customer service.”

3) BOOKING.COM CUSTOMERS

Six of seven sources said they chose Booking.com over its competitors because of price, but the remaining source also said price was behind his decision to go with a Booking.com competitor. Two sources each said Booking.com offers a more flexible cancellation/modification policy and the ability to pay at the time of stay rather than when booking. One source said hotels are getting more bookings directly rather than through OTAs.

➤ Woman, California

This source chose Booking.com because of price and the ability to cancel and to pay when checking into the hotel. She plans to use Booking.com and Hotwire.

- “I booked hotels in San Francisco and Napa. ... I had never heard of Booking.com before, but it popped up on Kayak and it had the lowest prices. I picked them because of the low prices and the ability to cancel.”
- “I will definitely use Booking.com again. I didn’t know it existed until recently.”
- “I like Hotwire for certain situations, but sometimes you don’t know what you’re getting. ... I like Hotwire because I’ve gotten good deals.”

I had never heard of Booking.com before, but it popped up on Kayak and it had the lowest prices. I picked them because of the low prices and the ability to cancel.

*Booking.com Customer
California*

➤ Woman, California

Booking.com’s price was the lowest for a hotel booking in Big Sur. The source found Booking.com through a Google search for hotels. She had to cancel the reservation but found it very easy to do. A previous cancellation through Expedia was much more difficult and confusing. The most successful sites will be those that capture Facebook users and other social networking audiences. House-rental sites like [Airbnb Inc.](#) are popular in Los Angeles.

- “I just booked a hotel in Big Sur through Booking.com. I actually had to cancel it because something else came up. ... I did it through my email. It was super easy.”
- “I have had trouble canceling a hotel reservation with Expedia before. It was a pain to cancel, I wasn’t sure if I was supposed to call the hotel or Expedia. It was not an easy click like with Booking.com; I did the whole thing through my phone.”
- “For hotel bookings, I call Hilton first because I have [Honors points](#). ... Then I Google hotels in the location I need, and I pick what comes up. That’s how I found Booking.com.”
- “I go to Expedia more than others.”
- “Booking.com offered a lower price than the other I checked. It was for a [La Quinta](#).”
- “Whoever gets on Facebook first will do the best in the future.”
- “In Los Angeles, sites like Airbnb are a lot more popular. They like the adventure, the voyeuristic aspects of staying in someone else’s house, but above all else, you get an entire house—maybe with a pool or hot tub—for the price of a hotel.”

I have had trouble canceling a hotel reservation with Expedia before. It was a pain to cancel, I wasn’t sure if I was supposed to call the hotel or Expedia. It was not an easy click like with Booking.com; I did the whole thing through my phone.

*Booking.com Customer
California*

Priceline.com Inc.'s Booking.com

➤ Man, California

This source prefers Booking.com because of price, flexibility and customer service. He also has used Hotwire.

- “[Booking.com] has the best prices for the year or more that I’ve used it. I had to cancel a reservation, and they were pretty good about it. I didn’t get my money back, but I got through to someone immediately. I’ve done pretty much everything on there. I’ve booked a hotel and then I didn’t go so I got a no-show and had to forfeit the money.”
- “I booked a hotel with the wrong dates, and I was able to call them. ... They said it’s up to the hotel to change it, and they were able to change it. ... They’re responsive, intelligent, and they called the hotel for me. A lot of those outfits hire Muppets, and they’re just dumb. And that wasn’t the case with them.”
- “I think Booking.com came to me via Kayak.”
- “I did use Hotwire in the past. I think I got pretty good prices on Hotwire for their unnamed hotels. I don’t think Booking.com does that.”
- “Expedia’s prices were not that good. Orbitz has been pretty good.”

➤ Man, Maryland

Booking.com’s prices are often lower than Expedia’s, Travelocity’s and Hotels.com’s, and the source has used Booking.com more than any other site during the last few years. However, he also books rooms directly through hotels, and looks for rebates and complimentary services.

- “For our trips, Booking.com has more often had lower prices than Expedia, Travelocity, Hotels.com, HRS.com and [Expedia’s] Venere.com, other travel websites and booking directly with the hotel.”
- “I use whichever travel website gives us the best price for what we want on that particular trip. Looking over our trips the last few years, I’ve used Booking.com more than any other website, but that is somewhat less than half the time.”
- “The most important thing I’ve learned about booking hotels over the years is that there is no one website that will have the best price every time. You have to shop around. Also, be sure to check for extras that you can sometimes get through travel websites: better cancellation policies, free breakfast, rebates, points for future travel, etc.”

The most important thing I've learned about booking hotels over the years is that there is no one website that will have the best price every time. You have to shop around. Also, be sure to check for extras that you can sometimes get through travel websites: better cancellation policies, free breakfast, rebates, points for future travel, etc.

*Booking.com Customer
Maryland*

➤ Man, Texas

This source has used Booking.com once and chose the site because of price and content. Still, because of its savvy marketing, he expects Expedia, followed by Hotels.com, to dominate the market a year from now.

- “I used Booking.com once because of a website search, cost and good information.”
- “I chose Booking.com because of price and content.”
- “Booking.com was very helpful.”
- “Booking.com is cheaper than Hotels.com, Expedia and Travelocity.”
- “[In one year from now] Expedia may be the dominant online travel website for hotel bookings. Expedia has marketing going for it. Hotels.com may be second.”

➤ Man, Pennsylvania

This source has used Booking.com once and found the site through Kayak, but he generally uses other booking sites out of familiarity. Booking.com’s prices are the same as or better than Hotels.com’s, Expedia’s and Orbitz’s. He typically uses Kayak to weed through booking sites, and expects Kayak to be a strong player a year from now.

- “Booking.com prices are typically the same or better than Hotels.com, Expedia.com and Orbitz.com. I tend to shop based on the price at the same hotel I am looking at, so whoever has the best price at the same place gets my business.”
- “A secondary factor, which probably hurts Booking.com in getting my business, is that I have a longer history with Expedia, Orbitz, and Kayak so I tend to go with them in case there are rewards points to be earned and because I am just more familiar with their protocols. The Expedia site especially has lots of information about hotel amenities, nearby attractions and customer reviews. I have not explored the Booking.com site that much, but it is definitely easy to research a hotel at Expedia.”

Priceline.com Inc.'s Booking.com

- “I turn to Kayak for my initial search. Through Kayak I can connect with Expedia, Orbitz, Hotels.com and Booking.com.”
- “I used [Booking.com] about a year ago, but ended up cancelling the reservation I made due to a family health emergency. There was no problem with the cancellation process.”

➤ Woman, Chicago; repeat source

This source has browsed Booking.com but has not booked travel through the site because she is more familiar with and has found better prices through Hotels.com, Expedia and Travelocity. She believes individual hotel sites will dominate in one year because of lower prices and no cancellation or hidden fees.

- “I have visited Booking.com but never booked there.”
- “I use other competitor sites over Booking.com because of familiarity, better prices.”
- “In one year, the dominant online travel sites will be individual hotel sites because they offer the lowest prices without any cancellation charges or any other hidden booking charges.”

4) TRAVEL AGENTS

One of three sources said Venere.com and Hotels.com (both owned by Expedia) are Booking.com competitors because they offer commissions to agents. Our second source said [Travel Bound](#) offers more cancellation flexibility and agent assistance for its 9% premium over Booking.com. Our third source said Booking.com is not gaining share. All three believe customers prefer using agents to online sites because of personalized service and support.

➤ Leisure travel consultant for a large, Southern-based travel agency

Booking.com and Hotels.com face steep competition from Venere.com. Hotels.com and Venere.com both give commissions to agents, who then increasingly use the sites, especially for moderately priced rooms. This source does not comparison-shop between the online travel sites, but said travel agents are the main losers now that Booking.com is active in the United States.

- “I think Booking.com and Hotels.com will still be around [in one year]. Venere.com seems to be growing. Both Hotels.com and Venere.com have a way for agents to receive commissions. ... Agents are using those two sites more and more, especially when we need moderately priced rooms.”
- “Since Booking.com entered the U.S. market, travel agents are the main losers.”
- “Booking.com is always at the top of Google hotel searches.”

Booking.com is always at the top of Google hotel searches.

*Leisure Travel Consultant
Travel Agency, Southern-based*

➤ Travel agent, Portland, OR

Online bookings offer no flexibility. This source said she regularly fields complaints about hotels booked online. Travel Bound charges rates that are 8% to 9% higher than Booking.com's but offers more cancellation flexibility and traveler assistance support.

- “All the online hotel and car booking engines seem to offer similar rates, though some discount for immediate purchase. The restrictions are absolute: no cancellations, no changes. The buyer has to commit.”
- “As an agent, I get comments from clients that they booked the hotels online. I do hear back from the few who were disappointed or treated poorly or found they had no reservation when they arrived or were ‘walked’ to another hotel due to oversold status.”
- “I did a spot check on four hotels, checking the [CRS](#), Travel Bound (one of our preferred hotel vendors), and Booking.com. Our Travel Bound rate was within 8% to 9% more than Booking.com, but under a more flexible cancellation and change policy and with the traveler assistance support. The CRS rates and our Travel Bound rates were too close to calculate. For a mere 9% or less, the agent can offer the expertise and assistance a traveler wants and eliminate the time spent on research and shopping. I think we're worth that!”

➤ Travel agency owner, Southern California

Booking.com is not gaining market share. This source books directly with hotels and suppliers, and expects her business to pick up over the next year as new and established customers turn to travel agents for more personalized service.

Priceline.com Inc.'s Booking.com

- “Booking.com is not successfully gaining market share in the U.S. I have only heard of them one time.”
- “As a brick-and-mortar travel agent, we do not use any of these [online] cut-rate companies. We have our own suppliers and agreements with hotels.”

Secondary Sources

Our first two secondary sources discussed Google's entrance into the online travel arena as well as its partnership with [Seekda GmbH](#), which will allow Google to display real-time hotel rates and availability. Our third secondary source highlighted [BackBid](#), a new online travel website that allows hotels to compete for a customer's booking in a non-opaque model.

► April 23 Xconomy [article](#)

Google has entered the OTA field with its ITA acquisition and its expansion of travel products. The real payoff for Google will be in gaining advertising revenue from its knowledge of consumers' travel plans.

- “For ITA Software by Google, we're doing what we're doing, and things are going great. We're continuing to sign up customers for pricing and shopping. We now finally got our reservation system out there. We're in the middle of conversations with several airlines about it, which is very exciting. On the consumer side, we managed to get Flight Search up very quickly, within a few months of being allowed to finally work together,' [said Jeremy Wertheimer, Google's vice president of travel and ITA's co-founder and CEO].”
- “Last September, Google rolled out its initial flight search product, Google Flights—which uses ITA's QPX software—to mixed reviews. People liked the speed and simplicity of the site, but wanted more options and airlines represented. Since then, Google has added more features, like flights from the U.S. to 500-plus international destinations, flights between smaller regional airports, and snazzier visualization tools”
- “Hotels also have been a big focus for Google. Last summer, the company released an experimental tool called [Hotel Finder](#), which lets you search for and discover places to stay in many cities. The effort built on the company's efforts in listing hotels in Google Maps, and required working with hoteliers to get pricing and availability data, as well as things like high-quality photos of their establishments. One neat feature: being able to specify the geographic region and neighborhoods you're searching on a map, by dragging the corners of a four-sided perimeter shape.”
- “Wertheimer sums it up this way: ‘We want to make planning a trip no harder than buying a book or a song or a movie, and executing on it no harder than executing on buying [those things]. That would be my goal.’”
- “To that end, ITA's business, including its revenue model, is ‘pretty much as it was’ before the acquisition, says Wertheimer. ‘We put the name on, ‘[ITA Software] by Google,’ but didn't actually change the business that much. We liked the path it was on, Google liked the path it was on—we're still on the path.’”
- “But that raises a question about the future of the reservation system (PSS) part of ITA's business—and what Google's interest in that might be. After all, it seems unlikely that Google wants to invest in building software for airlines to run their businesses. But there might be more than meets the eye here.”
- “What if ITA's system (used currently by Cape Air) became the back-end technology for lots of airlines? Would that allow Google, with its vast computing and analytics capabilities, to connect the dots and radically transform travel logistics and business in ways we can only imagine? In an ideal world, could some sort of real-time, global airline and air-trafficking system reduce delays and reroute flights more efficiently?”
- “As Butler (the ad executive) alluded to, the real payoff for Google lies not in outcompeting other travel search sites or collecting fees from airlines or travel agencies—it's in gaining advertising revenue from knowing more about consumers' travel plans and experiences, and being able to serve up more personalized ads and content.”

The real payoff for Google lies not in outcompeting other travel search sites or collecting fees from airlines or travel agencies—it's in gaining advertising revenue from knowing more about consumers' travel plans and experiences, and being able to serve up more personalized ads and content.

Xconomy Article

Priceline.com Inc.'s Booking.com

- “Indeed, Google’s competition with companies like Kayak and Fly.com in so-called ‘metasearch’—aggregating travel data for search and redirecting consumers to other sites to make purchases—may no longer be as important to the industry. ‘Metasearch is less and less relevant,’ says Michael Raybman, the founder of travel site WaySavvy. “It’s about more personalized search results, and a lot of innovation in advertising.”
- **April 23 Seekda [information page](#) on Google travel ads**
Seekda’s own website describes how it has partnered with Google to display real-time hotel rates and availability via Google, Google Maps, Google Places and Google Hotel Finder.
 - “Hotels can now more effectively reach consumers searching online with a new Google program that displays real time hotel rates and availability. Part of a limited set of partners for this program, Seekda provides the opportunity and technology to feed its customers’ content to the price ads shown on Google, Google Maps, Google Places and Google Hotel Finder.”
 - “With that, hoteliers can act at eye level with the big booking platforms also using this service, gaining the possibility for upselling.”
- **Jan. 30 [USA Today article](#)**
BackBid, which is operating in 16 U.S. markets, lets hotels to bid for consumers’ bookings. The consumer posts an existing reservation on BackBid, and then hotels that suit the consumer’s needs and wants are allowed to offer better rates.
 - “Montreal-based BackBid lets you post an existing hotel reservation made on another hotel or online travel agency website, then sit back as competing hotels bid for your business.”
 - “BackBid, which operates in 16 U.S. markets, launched in beta in November. Here’s how it works: You create a free profile and can include your rewards programs and AAA membership, as well as your preferred amenities, such as valet parking, Wi-Fi and hotel spa.”
 - “You then enter information about a hotel reservation you’ve made elsewhere, including check-in and checkout dates, your confirmation number and where you booked the property.”
 - “One of BackBid’s strengths is its transparency and relative ease of use. BackBid identifies the hotels making competing bids and details their proposed rates, star ratings, amenities and cancellation policies. The site provides photos and maps, and even lets you compare three hotel bids in terms of star ratings, rates, when the offers expire, check-in and checkout times, hotel amenities and the numbers of rooms and floors.”
 - “If you decide to accept one of the hotel offers, you merely click ‘Book Now,’ enter your personal and credit card information, and await your reservation confirmation. (Most of the hotels require prepayment at the time of booking.)”
 - “You can also invite hotel bids without an existing reservation by entering your travel intentions. But BackBid recommends having a reservation to get the best deals, as the hotels will know you are serious about traveling.”
 - “For now, BackBid is limited to the USA. And it doesn’t guarantee you’ll get bids.”
 - “You should try BackBid only if your existing hotel reservations don’t require prepayment and can be canceled before the stay without penalty. Otherwise, you’ll be stuck paying for two rooms.”

Next Steps

Blueshift will monitor OTA commissions charged to hotels in the face of Booking.com’s more competitive rates. We also will track Google’s entrance into the market and its competitive pressures on Booking.com and other traditional OTAs. We will follow Orbitz’s sales and market position, which a few sources said are on the decline. Finally, we will assess BackBid’s effects on opaque OTA sites such as Hotwire and Priceline.

Additional research by Cheryl Meyer, Maria Hunt and Lindsay Gadsby

Priceline.com Inc.'s Booking.com

The Author(s) of this research report certify that all of the views expressed in the report accurately reflect their personal views about any and all of the subject securities and that no part of the Author(s) compensation was, is or will be, directly or indirectly, related to the specific recommendations or views in this report. The Author does not own securities in any of the aforementioned companies.

OTA Financial Group LP has a membership interest in Blueshift Research LLC. OTA LLC, an SEC registered broker dealer subsidiary of OTA Financial Group LP, has both market making and proprietary trading operations on several exchanges and alternative trading systems. The affiliated companies of the OTA Financial Group LP, including OTA LLC, its principals, employees or clients may have an interest in the securities discussed herein, in securities of other issuers in other industries, may provide bids and offers of the subject companies and may act as principal in connection with such transactions. Craig Gordon, the founder of Blueshift, has an investment in OTA Financial Group LP.

© 2012 Blueshift Research LLC. All rights reserved. This transmission was produced for the exclusive use of Blueshift Research LLC, and may not be reproduced or relied upon, in whole or in part, without Blueshift's written consent. The information herein is not intended to be a complete analysis of every material fact in respect to any company or industry discussed. Blueshift Research is a trademark owned by Blueshift Research LLC.