

Travel Reviews Shield TRIP and Are GOOG's Next Step to Reshaping Industry

Companies: AWAY, EXPE, FB, GOOG, KYAK, OWW, PCLN, TRIP, YELP

September 20, 2012

Research Question:

Will Google's foray into the online travel sector take share from OTAs and review websites such as TripAdvisor?

Summary of Findings

- [Google Inc.](#) (GOOG) has online travel agencies (OTAs) worried, but will not take any significant share from them in the near term.
- OTAs fear Google will manipulate search results to feature its own travel content.
- [TripAdvisor Inc.](#) (TRIP) will be the least affected by Google. Traveler reviews are TripAdvisor's advantage and Google's shortcoming.
- TripAdvisor received positive reviews from OTA sources, including one whose advertising ROI benefited from TripAdvisor's cost-per-click model and who subsequently will increase ad spending with the site. Most hotel sources and customers also spoke favorably about TripAdvisor.
- Offering unpublished rates is OTAs' only way to differentiate themselves on price, but even this strategy has become overused. Industry consolidation is expected.
- As in Blueshift's previous reports, [Orbitz Worldwide Inc.](#) (OWW) continues to lag behind. However, sources in this report discussed having new online travel options, such as travel deals from Hungry Machine Inc.'s [LivingSocial Escapes](#).

Silo Summaries

1) OTAS

Four of five sources believe Google is a threat to OTAs though not in the near term. The remaining source believes OTAs have little to fear from Google because it is for referrals, not bookings. **Google's content still is limited**, but the company could boost content through the use of Google+. Google is less of a threat to TripAdvisor, which is still a draw for OTAs. **TripAdvisor's cost-per-click model is paying off for one source, who reported receiving higher ROI through the site.** TripAdvisor's main advantages are its extensive reviews and mobile reach. **Two sources expect industry consolidation**, including one who said TripAdvisor could become an acquisition target for Google.

2) BOOKING AGENTS

Three of four booking agents believe Google will take market share from OTAs in the long term. One of the three said the public is tiring of OTAs and would rather deal directly with hotels and airlines. Another source said suppliers, hotels and airlines are putting in more effort to gain direct consumer business. Our fourth source, who does not believe Google will capture share, predicted an increase in 2013 online travel bookings.

3) INDUSTRY SPECIALISTS

These five sources said Google will gain share of the online travel market if it is able to offer more content, possibly through acquisitions. Although one source sees TripAdvisor's integration of social media as an advantage, two others said TripAdvisor is vulnerable to duplication. One source believes TripAdvisor's value only increases from Google's entry into the industry because OTAs would rather spend their ad dollars with TripAdvisor than Google.

4) HOTELS

Five of seven sources were positive on Google Hotel Finder and its potential to take share from OTAs, but none expects this to happen in the near future. Three sources appreciate that customers can book directly with their own booking sites via Google Hotel Finder. One source stressed the importance of the mobile trend and said DealBase Corp.'s Hotel Tonight app now brings more business to his hotel than Orbitz or Travelocity.

5) CUSTOMERS

Three of four sources said they check OTA sites for pricing and then book directly through airlines' and hotels' sites. Sources also reported mixed reviews of Google Hotel Finder, which can lack hotel data and offer inaccurate results. However, they expect Google eventually to threaten OTAs as its data quality and quantity improve and it incorporates transaction capabilities.

	GOOG a Near-Term Threat	GOOG a Long-Term Threat	Travelers Booking Through Hotels, Airlines
OTAs	↓	↑	N/A
Booking Agents	↓	↑	↑
Industry Specialists	↓	↑	N/A
Hotels	↓	↑	↑
Customers	↓	↑	↑



Online Travel Industry: Google Inc. and TripAdvisor Inc.

Background

Google is in the process of growing its travel business through its Frommer's [purchase](#) and its own [Google Hotel Finder](#), which now is displayed above Google's organic search results for online hotel bookings. Google also has created [Flight Search](#) for airline fare comparisons.

Sources for our [Aug. 6 report](#) said TripAdvisor stood to gain a greater share of lower-tier OTA customer acquisition budgets if it could improve the ROI enhancements to customers. TripAdvisor recently [decided](#) to reduce the number of pop-up windows and provide more data and tools to advertisers. It also increased the bidding transparency for its OTAs. However, OTAs such as [Priceline.com Inc.](#) (PCLN) and [Expedia Inc.](#) (EXPE) are increasingly encouraging their users to share their travel experiences and write reviews on their own sites. This comes on the heels of questions about the [authenticity](#) of reviews on TripAdvisor.

CURRENT RESEARCH

Blueshift assessed whether Google's increasing presence in the travel market will result in lost market share for OTAs and review sites such as TripAdvisor. We employed our pattern mining approach to establish sources in six independent silos:

- 1) OTAs (5)
- 2) Booking agents (4)
- 3) Industry specialists (5)
- 4) Hotels (7)
- 5) Travel customers (4)
- 6) Secondary sources (3)

We interviewed 25 primary sources, including six repeat sources, and identified three of the most relevant secondary sources focused on m-commerce and mobile bookings in the travel industry, [Travelocity's](#) new [Hotel Deals](#) app that allows for last-minute bookings and iPhone camera scanning of credit cards for payment, as well as a LinkedIn question-and-answer series regarding the venue for the best return on hotels' advertising dollars.

Next Steps

Blueshift will revisit hotel sources to determine if Google's Hotel Finder is giving them the volume of traffic and bookings needed to garner more of their ad spending. We will monitor TripAdvisor's most recent cost-per-click model and its potential to boost advertising ROIs and to enable TripAdvisor to increase its cost-per-click rates. Finally, we will assess the consistency and quality of hotel data on Google's Hotel Finder.

Silos

1) ONLINE TRAVEL AGENCIES, OR OTAS

Four of five sources believe Google is a threat to OTAs though not in the near term. The remaining source believes OTAs have little to fear from Google because it is for referrals, not bookings. Google's content still is limited, but the company could boost content through the use of [Google+](#). Google is less of a threat to TripAdvisor, which is still a draw for OTAs. TripAdvisor's cost-per-click model is paying off for one source, who reported receiving higher ROI through the site. TripAdvisor's main advantages are its extensive reviews and mobile reach. Two sources expect industry consolidation, including one who said TripAdvisor could become an acquisition target for Google.

- **Marketing executive for an air-focused OTA; repeat source**
Google's emergence as an active travel competitor may not pose a near-term threat to industry leaders but raises barriers to entry for niche-oriented sites that still rely on search to build critical mass. TripAdvisor's new cost-per-click

Online Travel Industry: Google Inc. and TripAdvisor Inc.

model is paying off for OTAs that have already achieved appreciable scale. The Frommer's acquisition gives Google hotel-oriented content to combine with its strong [ITA](#)-based flight offering.

- “We have seen significant improvements in our cost-per-click and overall online ROI since TripAdvisor adjusted its pricing. I think we might be looking at high single digits already, and it's still the early days. What's great about it from our point of view is that we're paying for more serious traffic and not paying for robots, accidental searchers and who knows what.”
- “The real advantage in shifting more spend to TripAdvisor—which we have done and will continue to do—is that they're getting the mobile channel, and mobile doesn't like to use conventional search. Then you get into questions of whether people on a desktop or laptop actually look for fares and hotels on Google or whether they go straight to the sites themselves. I think they go straight to the sites. Everyone knows the name of at least one place to look for tickets and rooms, and they'll go there first. Who Googles their tickets?”
- “But if you're not one of the sites people have heard of, you need to pay for placement somewhere. Little sites and start-ups need to pay for search because it's all they have the money to do. They can't run a TV ad during the Super Bowl. And now that Google has signaled its willingness to take a share of the retail booking referral business itself, Google looks a lot less friendly as a way to build your own business. That's especially hard on the people who are still struggling to establish themselves, which I'd characterize as everyone below the top 10 travel sites.”
- “This doesn't mean Google Travel is going to be huge in itself. They have ITA behind them, so are the natural meta-search outlet for flight inventory or will be once they sharpen their user interface a little. Now they have Frommer's also on the hotel end. Alone or in combination, neither is an instant industry winner. Frommer's by itself struggled on as an also-ran hotel review site and made its money selling books. ITA had no retail-facing operation at all. Integrating them into something that can challenge the top OTAs will take at least a year to really start building a head of steam, if it ever does.”
- “Google has to retrain people to think of it as a place to book a trip. For well over a decade now a lot of money has flowed into increased intermediation, building in more and more levels of sites to route would-be travelers and collect rent along the way. We initially learned from the first generation of OTAs that it was a pain to search each airline site or call them individually, that there were third parties who could aggregate all the data and help you compare. Then there were too many OTAs and you needed meta sites like [Kayak \[Software Corp./KYAK\]](#) or TripAdvisor to compare all the OTA offers. Then you needed to search again to point you to the meta site of the day.”
- “In theory, Google Travel will just point you back to the carriers and the hotels themselves. Un-teaching that process takes time and will create some disruption. They're challenging the entire idea of the OTA in the long term.”
- “We compete because we have proprietary product in terms of the prepackaged trips. Other OTAs try something similar with their upsell approach—you bought the seat, do you need a rental car?—but because it's all still a la carte, they don't really improve their margins. It's just a larger overall ticket. We go the old-fashioned route of owning inventory and figuring out how to combine the pieces to add value that people will pay for. Google will never do that because they're the ultimate massive-scale do-it-yourself business.”

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*Marketing Executive
Air-focused OTA*

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Air-focused OTA*

Online Travel Industry: Google Inc. and TripAdvisor Inc.

➤ Online travel industry veteran, founder of a major OTA, and CEO of another OTA

The online travel industry has little to fear from Google. Its entrance into the travel sector actually will drive more users to online travel sites because it has to refer people to other agencies to book hotels and flights. OTAs have far more robust information, reviews, products, tools and expertise. Hotel Finder basically is an advertising ploy, but Google should not go on to create an OTA. TripAdvisor is an excellent site, and its impressive traffic is a big draw to OTAs.

- “I don’t think [Google] going to take market share away from OTAs and review sites. Research shows that people look at multiple sites before booking, and this is just going to get more eyeballs to travel overall. It’s providing additional tools to travelers and hotel sites, actually, because they have to refer you to someone else to book.”
- “Google does dominate the market in search today but maybe not tomorrow. Other search engines have come and gone.”
- “I’m familiar with Hotel Finder, and I find the mapping function very good. But its content is very limited; it will usually show two to four hotels. It’s nowhere near as robust as an online travel agency; a lot of product is missing. It’s also kind of hidden and buried, and a lot of consumers don’t even know about it. Google is just getting their feet wet at this point.”
- “OTAs are much more robust, have a much richer product and better tools, and are much more selective [than Google Hotel Finder]. People who do a lot of traveling typically go to an OTA. There they have the ability to shop in one convenient place and book a room or flight. Hotel Finder is sending you to other places. It’s basically an advertising tool.”
- “Google should do what they’re best at rather than trying to be a jack of all trades. If they keep the focus on deep and accurate information, they can be another source of referrals and business for the travel industry. But creating an online travel site—they should not be going there. I don’t think they want to go there either. There are plenty of online travel sites that have that expertise.”
- “TripAdvisor is a great site. ... Their reviews are excellent, very honest, really industry standard. They draw tremendous traffic. ROI is different for every vendor, but we really like them.”
- “The big benefit of OTAs for hotels is wide distribution at no upfront cost. Consumers can shop multiple hotels on an OTA site, and the OTA can push hotels that their customers would not otherwise get to. Savvy hotels watch the market closely and dynamically adjust their rates and inventory.”
- “Cities like New York City, Boston, Chicago are very strong markets. It’s incredible how big the demand is for New York right now. There are smaller cities that aren’t seeing the pick-up; Vegas, for instance, is nowhere near capacity.”
- “Our online travel agency uses reservation clerks besides giving people the ability to book online. If there are problems, you want to feel you are talking to a human being, not cyberspace.”
- “We include some unpublished hotel rates that makes it attractive to consumers. They have to contact us to find out the unpublished rates, which can be as much as 50% below average. Sometimes we also give people a timeframe in which they have to book to get the best rate. We know from research that consumers often look at multiple sites, so this will help them take action to get the best deal. It’s working very well. ... We also sometimes create a hotel within a hotel: that is, we buy up a block of rooms within a hotel, change the name slightly, and then sell it at a much lower rate.”

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*Online Travel Industry Veteran &
Founder of a Major OTA*

➤ Marketing executive for a tier 1 OTA; repeat source

TripAdvisor’s new approach is a step in the right direction, but its site already was too crowded to justify the advertising cost. Google will not be a viable competitor in the short term and likely will be uninviting as a travel advertising platform. Consolidation pressure in the industry is building and will lower the cost of acquiring a rival OTA. Value-added travel properties will become premium acquisition targets, but commoditized providers lack the cash to pursue truly strategic combinations.

- “I am not expanding my advertising on TripAdvisor or Google. ... We still maintain our existing placement but are not fighting for share right now.”
- “We’re not a fan of Google’s efforts to bypass the travel agents and become a vendor on their own behalf, but it was inevitable since at least 2010 when they bought ITA. It’s only now that that threat is starting to look like it’s

Online Travel Industry: Google Inc. and TripAdvisor Inc.

going to become real in a year or two. In the meantime, Google is still the top site in the world for travel or anything else. If you're not advertising there, you're not really in the game."

- "TripAdvisor is making progress by decoupling its platform from Google and helping us make an informed decision about where and how to spend between two increasingly differentiated outlets. When we were spending on TripAdvisor and getting a big slice of Google on the side from that investment, it didn't make a lot of sense. Now we can look and say each dollar is going to TripAdvisor or Google with none of that ambiguous piggyback proposition. If I want to buy Google placement, I buy Google placement. And if I don't, I can buy TripAdvisor placement."
- "The problem is that TripAdvisor is already full of sponsor links and pay-for-play promoted deals. I'd pay to be the only sponsor on some of the destinations and listings, but I'm a lot less eager to pay to be just one of the five or six usual suspects on every single page. And TripAdvisor won't entertain the idea of letting us push each other off the page. They want us all there on a broad shelf that ultimately doesn't do us much good. As more OTAs become tired of the fight over search words and pay to be added to TripAdvisor, it only gets worse."
- "The industry is far too crowded as it is, a sort of mirror image of what you see on TripAdvisor. It's always us and the other usual suspects on every single hotel, every single destination, most of the actual flights. And then there are endless little companies jostling for the crumbs. How are they different? We all point to something: We have our relationships with the vendors and think that's our edge. ... But these are relatively small differentiators, and you're going to see a shakeout in the next year."
- "In the here and now, the cramped conditions on TripAdvisor and the colder climate on Google force people to fight harder for eyeballs and ultimately for customers. Fighting harder is expensive, so burn rates go up. Those without the cash to burn need to sell out or go under. Those with the cash may find it easier to buy business by rolling up failed rivals."

► Tim Gibson, founder of AlphaFlightGuru.com

Google is making all travel portals like Expedia, Travelocity and others squirm. TripAdvisor, on the other hand, is in the content business, and "content is king." It eventually could become an acquisition target for Google. Hotel margins are improving.

- "Google's entrance into the travel sector will take share from online travel portals because [Google] bought ITA, which is the No. 1 flight data-service provider in the world."
- "[Google does not] have to make any money; they will have more hotels, flights than anybody else. They are going to squish everybody else that is not content."
- "They will build the biggest database and will throw money at it and become a travel consolidator. They have a bigger database than anyone else. Google Hotels has the largest number of hotels in the world."
- "[Expedia's] Hotels.com used to be the default place [to go for hotels.] Now it will be Google."
- "TripAdvisor has millions of users and hundreds of millions of responses. And content is king."
- "TripAdvisor has the user base; that is the No. 1 place that people find out about us. They are a content provider and are not selling flights."
- "There is a lot more [TripAdvisor] can do. What they need to do is expand the ability to gather user-generated content. They need to build their database of all the hotels in the world. ... If they build a pile of the content, they could be acquired by Google."
- "People are definitely [using] TripAdvisor and a number of the other feedback portals, [such as] FlyerTalk.com, looking for information about our company and competitors and how our product works. It is competitive to some degree."
- "There are a lot more multi-airline fares and a lot of hidden [information]. They call them [Hacker Fares](http://HackerFares) on Kayak but, much like Priceline, you do not know which carriers will provide the service for you. That is a big trend."
- "Expedia ... force[s] the hotels to lower their prices but do not lower the price to the consumer."
- "Expedia loses money on every flight to make money on the hotels."
- "[Hotel] margins are getting better."

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- Carl Kim, product development lead for [MyDestination.com](#), with input from [CEO Neil Waller](#) and Cofounder James Street Google's purchases of ITA, Zagat and Frommer's are troubling and suggest that it is working on a "seamless" A-Z travel booking experience that would take share away from OTAs and review sites. Google+ will be used to gain user review content. What Google lacks is an understanding of the human, subjective and whimsical side of travel.
 - "[Google Hotel Finder's advantage over competitors is] not much at the moment. But in the future we expect Google to 'synergy' [Hotel Finder] as part of its total set of offerings. [This creates] a seamless environment where users' need to book holidays are not separated into stages of finding a destination location, perusing a destination's location on maps, finding accommodation in the area, finding the accommodation's location, reading reviews about it, booking it and socializing about it before, during and after the stay."
 - "Another critical advantage is that Google does not need to create brand awareness for its service in the way that competitors such as [Priceline's] [Booking.com](#), Expedia, Hotels.com do. Google's hotel service will appear by default as soon as the user is on one of Google's many sites."
 - "Our concern for the travel industry is the monopoly that Google will hold on controlling how and to what extent users will find travel operators on its search result pages."
 - "The travel industry is, and will continue, to be highly fragmented. For users to be able to access such a fragmented market, they rely heavily on Google. As a conduit, Google needs to be impartial. For Google to own content and services that compete with travel-related sites—and to promote its content and services above those of travel-related sites—creates a monopolistic power."
 - "As a result of these acquisitions, Google will eventually offer ... information on flights and other transactional information as part of its search results. ... [By doing so] it will take share away from OTAs."
 - "[We also foresee that] reviews generated by Zagat will appear as part of its search results, together with results from other sites such as TripAdvisor. However, the Zagat reviews will have greater prominence, placement and integration with other Google-generated services/results. To this extent, it will take share away from review sites such TripAdvisor."
 - "We expect that Google+ will be seeded with Zagat reviews, and Google+ will act as a platform to further extend user reviews. There Google will own these reviews, rather than relying on third parties' user reviews."
 - "Google's approach is very much premised on data. ... However, a large element of travel involves the human nature of tips, of subjectivity of what is good/bad, nuances of local insights."
 - "The disadvantage for users is that, firstly, the user experience is not something that Google is known for. Secondly, for a lot of the time travel is very much an inspirational endeavor, even during the research and booking stages. As things are, Google's user interface is not geared toward the whimsy of 'inspirational.'"
 - "MyDestination.com is well positioned to weather this threat from Google because its proposition is premised on local expertise, which is created by human experts who are local to each destination. This is different to user-generated content in that the human experts of MyDestination.com are professionals who have the added imperative to offer quality information and service, as it is their professional obligation."
 - "Another measure that MyDestination.com is taking to fend off Google's potential threat and to be less reliant on Google is by focusing on social media."
 - "Social media gives us another thing that Google can't, and that's *retention*. ... Social media gives us both *acquisition* and *retention*, whereas Google gives mainly *acquisition*."
 - "[We have issues with Google] only in so far as their [Panda](#) updates are wildly unpredictable, with little prior information and notification, and yet it is impacting everyone in the industry. Whilst Google harps on that the secret ingredient is 'optimizing user experience' in order to rank well, this is still far from the truth or the sole consideration. Therefore, we are at Google's mercy of what seem like a whimsical approach to its search algorithm and practice."

2) BOOKING AGENTS

Three of four booking agents believe Google will take market share from OTAs in the long term. One of the three said the public is tiring of OTAs and would rather deal directly with hotels and airlines. Another source said suppliers, hotels and airlines are putting in more effort to gain direct consumer business. Our fourth source, who does not believe Google will capture share, predicted an increase in 2013 online travel bookings.

Online Travel Industry: Google Inc. and TripAdvisor Inc.

► Independent sales agent for a travel agency with more than 1,500 offices

Google's effect on the travel sector remains to be seen, but it has entered the market at a time when the public is tiring of online travel portals whose prices are very similar. The agency's own business has increased as a result of consumers' loss of faith in OTAs. Although the source uses TripAdvisor for updated reports on hotels prior to booking, he said only TripAdvisor's customers know if its new strategy is providing a return on investment. Most travelers would rather deal directly with a hotel or airline.

- "For Google, they are the place a great number of people go first to begin their search. If people never leave Google to complete the transaction, then the others will suffer. Google ceases to be a neutral source that treats everyone equally and [instead] becomes a competitor."
- "There are a large number of simple transactions that have moved to the Internet: airline flights, domestic hotel stays, domestic car rentals. Since these are simple to do and passengers know what they want and need, there is very little a travel agent can add to the transaction. In my experience, the more expensive and complex the transaction, the less likely a client will trust their vacation or their money to an Internet company."
- "[OTAs] are spending fortunes touting their search engines, when in fact there is not a major difference between them. Travelocity, Expedia, Kayak, Priceline, Hotels.com are all going to the same vendors. Those vendors are also creating their own search engines. ... Most clients would rather deal directly with a vendor rather than an Internet intermediary."
- "Most vendors are not going to offer better pricing to one vendor over another. If they do, they risk alienating a potential source of business."
- "[Hotels] mostly fear ... that they will be continually hammered for lower prices for the privilege of being part of the online agencies' inventory. There is no more useless commodity than last night's unsold hotel room or yesterday's open airline seat."
- "The vendors will invest where they will get the most bang for their buck."
- "It seems that for the more complex travel packages—those involving international destinations especially—clients have lost faith in the Internet and are turning back to agents. ... Our international business has had a nice jump in the past two years."
- "As a travel agent, I use TripAdvisor to check for updated reports on the hotels I either use or would like to use. It lets me know if there are service issues, management changes, construction, etc. Because the site allows me to compare pricing on multiple hotel search engines, I can check to see what each of them is quoting. Very often I either have the same negotiated rate or can book the rate with the hotel directly and still collect my commission."

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*Independent Sales Agent
Travel Agency, Over 1,500 Offices*

► Partner of a New York City professional travel consultancy; repeat source

Existing OTAs need to compete for placement on TripAdvisor as well as on search engines. Online travel is a mature business unlikely to reward further efforts to create new brands, and Google's entrance is potentially disruptive. The lucrative business travel segment remains the province of conventional offline or hybrid on/offline agencies. User-generated reviews and other content distract from the transaction-oriented OTA business. Loyalty programs have yet to demonstrate any real value.

- "TripAdvisor is the biggest and best of the review sites and has an established identity as the place to go for qualitative peer-created information from other travelers. It's essential for the Priceline, Expedia and Travelocity type companies to maintain a presence there, or else they'll lose relevance to the site's fairly massive audience. It's already hard enough for them to keep their names in front of the public. None of them dare risk abandoning those millions of visitors to their competitors."
- "The same necessity argument is true of Google as well. None of these sites can give up search or the review sites to their rivals, so all are really locked in a death grip here."
- "There are too many travel sites as it is. ... Travelers are eager to compare and buy tickets online. But the differential between the amount of capacity for providing that service and the amount of demand is too high."
- "The problem is that too many people are trying to be all things to all travelers. That's good for the travelers because it encourages competition and creates opportunities for a very smart traveler to self-book a cheaper

Online Travel Industry: Google Inc. and TripAdvisor Inc.

package. And it's good for the companies that sell to these companies. Google and TripAdvisor have everything to gain here because they sell to everyone. The more OTAs desperate to keep up with the Pricelines, so to speak, the more money they can charge and the more times they can charge it. But this situation is terrible for the OTAs themselves!"

- "There's a situation where the big names spend a lot of money to hold their place and smaller names see their market position erode unless, of course, they find a way to set themselves apart from the crowd. I don't see any new OTAs emerging without some new 'killer' app or value-added feature."
- "Google presents a potential better mousetrap simply because they're so closely aligned to the search engines themselves. If I can search all the hotel inventory in my destination city, I don't need Priceline anymore. I can do it myself with as many—or fewer—clicks. Priceline now needs to spend more aggressively simply to keep driving the self-directed traveler to the site. It's a defensive strategy that doesn't represent much optimism."
- "Google's emergence as a travel search leader will be faster than anyone expects. We could start seeing the impact in three to six months. On the other hand, given Google's track record of failure and dumped projects, if we don't see immediate viral success over that time period, it could take two to four years minimum for the OTAs to start feeling the pain. And it may never do anything at all."
- "Business travel would be another natural edge for some OTA to buy or build. They've tried it in the past, but it's too alien to their business model. Business travelers are profitable because they pay a lot more than coach fares and discounted rooms. And they pay a lot more because their needs are more complicated—requiring extra handling and human intervention on the fly—or they demand high-touch service. None of that is available from a website. If Expedia can meet your \$400-an-hour executive at the gate with all the international visas to Hong Kong already stamped, it deserves better margins. But they can't do that, so they're stuck competing on price along with everyone else in that group. Business travel doesn't scruple over price. They choose low-cost commodity packages."
- "Frankly, the [company] I think would be an interesting entry would be Facebook [Inc./FB] because they already have so much Web 2.0 user-generated travel content in terms of the endless wall posts people make on vacation. That is the sleeping giant that will shake up the industry and wash away all the current OTAs. You trust your Facebook friends' reviews."
- "Building and maintaining travel content makes you a travel website, a travel magazine. Nobody in the OTA world knows how to run a magazine. Running a magazine is nowhere near their core business. It takes money and a long-term view to run a magazine, even as a loss leader for your real operation of selling tickets and rooms. TripAdvisor effectively runs a magazine. Anyone who tries it in the OTAs is going to have a hard time doing it on their own."
- "Cost-oriented consumers aren't loyal at all. They won't stick around with one OTA preferentially over the years like they did with the airlines. They will go to whichever OTA offers them the cheapest deal on that particular trip, and then they will repeat the process next time. Anyone who tells you their loyalty program is working needs to be questioned very closely. Also remember, an airline loyalty program is not a cost center or even a marketing center. Airline loyalty is a profit center. Can any OTA claim that?"

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*Partner
NYC Professional Travel Consultancy*

➤ Travel agent and cruise specialist in Portland, OR; repeat source

Google's entrance will affect the online travel sector, and its success will depend on ease of use and overall presentation of data to the consumer. This source does not use online booking sites but visits TripAdvisor to browse content and to post reviews. Vendors are marketing directly to the consumer and cutting out the travel agent, but many customers are becoming frustrated with the results.

- "I do use [TripAdvisor] for information, and I have written several reviews that are published under my name."
- "Suppliers are marketing direct to the consumer and cutting out the travel agent. We get calls from the frustrated consumer who can get what they want over the Internet or want us to get what they found but could not confirm or purchase."

Online Travel Industry: Google Inc. and TripAdvisor Inc.

➤ Owner/president of an internationally focused travel agency; repeat source

Online travel likely will rise in 2013, but Google may not succeed in the travel market because it offers little advantage over other sites. The source said hotels are worried about online sites misrepresenting them. TripAdvisor could see a boost in revenue if its clients can make money through its site.

- “I do not think Google will be successful [in taking share from OTAs].”
- “I have not used Google Travel. I doubt if there is any advantage.”
- “I do not benefit from TripAdvisor.”
- “I do not use travel sites except to analyze the features.”

3) INDUSTRY SPECIALISTS

These five sources said Google will gain share of the online travel market if it is able to offer more content, possibly through acquisitions. Although one source sees TripAdvisor’s integration of social media as an advantage, two others said TripAdvisor is vulnerable to duplication. One source believes TripAdvisor’s value only increases from Google’s entry into the industry because OTAs would rather spend their ad dollars with TripAdvisor than Google. Two sources noted few differences between OTAs.

➤ Former executive for Frommers.com; repeat source

Google Hotel Search has no intrinsic advantage over existing sites, but could benefit from the addition of unique, high-profile travel content. OTAs’ placement on TripAdvisor will be more valuable as the site becomes a true alternative to search. Competitors that currently rely on search placement are unlikely to build unique offerings fast enough.

- “Google’s travel listings are really vestigial, barely more than their traditional location-based search with some notes on historical rates and a space for sponsored results up top. It’s all user-generated reviews and, so, relatively untrustworthy. Feeding in the Frommer’s reviews will help to give them some credibility and also a brand identity. It won’t make them a competition-killer right away, but it’ll get them on the road to some kind of critical mass.”
- “It might make more sense for Google to simply use the Frommers.com site as their primary travel brand and feed their advertising network to it. Frommer’s may only receive 5% of the traffic of a site like TripAdvisor, but those millions of existing visitors are still a much higher base than zero. Otherwise, they’re really not buying a brand but just a store of pregenerated reviews and other travel content. I don’t know what that buys them.”
- “In theory, all Google has to do is turn on the travel or Hotel Finder buttons across its network ... and it’s got the home court advantage over any other site that cares to advertise on Google. If Hotel Finder becomes successful, it will be through pulling hotel seekers out of the normal search process and finding them rooms without ever contacting an OTA. Google skims a larger piece of the room referral fees out of the traffic flow and leaves the casual researchers to the ad word traffic. So to the extent to which Google gets anything out of this, it hurts the search-dependent OTAs who are suddenly paying as much as ever for lower-quality traffic.”
- “In that case, the OTAs have the choice of doubling down on their expensive offline and banner ad spending to boost their direct traffic or building a differentiated product for themselves to defend the brands they have now. It takes time to build a differentiated travel brand. They don’t have that time.”
- “If Google Travel fails, it’s just status quo as the OTAs compete for ad word placement. In either scenario, I can’t help but think the OTAs would rather pay TripAdvisor than to subsidize a channel that’s demonstrated its interest in competing with them directly. This is a positive for TripAdvisor as the Google alternative.”
- “TripAdvisor has established itself as a go-to travel hub. People know the brand and that knowledge persists between trips, whereas market share among most of the better-known trip booking sites—Priceline, Orbitz, Travelocity, Expedia—is much more fluid and depends on whatever word-of-mouth or ads you saw right before

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Former Executive, Frommers.com

Online Travel Industry: Google Inc. and TripAdvisor Inc.

deciding to book your trip. People come back to TripAdvisor, and so TripAdvisor can charge a premium for that traffic compared to what the booking sites would pay Google or some other search engine.”

- “The more focused TripAdvisor’s ads become, the more value the site provides advertisers. ... The perceived problem with simply buying [Google AdWords](#) is that it’s not really motivated traffic. ... And competition for those AdWords is so robust that every casual non-tourist you pay for is actually quite costly.”
- “The problem for all the OTAs is that their offering is practically interchangeable to the typical person. They all promise low prices and deals, and the smart traveler has to check them all to make sure they’re seeing all the deals. That’s why I still look at Kayak.com before I do any deeper research myself.”

➤ **Principal for an online ad agency that manages search engine campaigns, including on Google**

Google’s vertical entry into the OTA sector will give it the power to take revenue share from other OTA players through market-specific search and communities.

- “Google is inching their way into a handful of verticals. If Google keeps traveling further and further down the value chain, then they will have more power to extract higher fees from the Expedias of the world.”
- “I think Google is really good at user intent and search and good at pulling content together. ... Google knows how to scale, so I think absolutely Google encroach and steal or at least have the ability to take more revenue from the Pricelines, Expedias and the TripAdvisors.
- “If Google keeps encroaching with information and data and keeps users on Google-owned websites before they go to Expedia, for example, then Google will have more and more leverage with Expedia and can demand bigger revenue shares or bigger advertising fees.”

If Google keeps encroaching with information and data and keeps users on Google-owned websites before they go to Expedia, for example, then Google will have more and more leverage with Expedia and can demand bigger revenue shares or bigger advertising fees.

Principal, Online Ad Agency

➤ **Founder of a website focused on travel destinations**

Google could take this industry by storm. It has the ability to snap up content providers and become the best source for content. TripAdvisor’s model is faulty because the data is easy to manipulate. Expedia.com, Hotels.com and other sites can offer both deals and the ability to book trips.

- “Google has expressed interest in providing content [and] said they do not want to be in the booking business. There is a tremendous void ... for a focus on the experience vs. the deal. Google could fill that void.”
- “Google has the ability to buy up content providers and become the source for the best content.”
- “We believe that the site that offers superior content and the ability to book will have an advantage.”
- “I think the TripAdvisor model is faulty. It is too easy to manipulate the data. How else do you explain the high rankings of mediocre properties and restaurants?”
- “I think once someone offers an alternative to TripAdvisor, people will flock there.”

➤ **Hotel industry publication expert**

TripAdvisor’s business strategy is still too new to assess, but many industry minds think the model is unsustainable. OTAs are worried about Google and its future plans for the travel industry. Thus far, its focus remains on search. To compete with each other, OTAs are establishing loyalty programs while hotels are searching for channels other than OTAs, which they view as too expensive.

- “Hotel companies are trying to embrace [TripAdvisor’s new] model, but there are a lot of people who think that model will give way. It is too early to get a solid answer as to how effective it has been.”
- “OTAs are worried about Google—the 800-pound gorilla in the room—and whether or not Google will find a way to further monetize and tap into the revenue generated by the OTAs.”
- “Google is not in the market. They are still in search. They are tinkering in various ways, but are they selling rooms yet? No, you cannot book a room on Google. They will probably take a piece from the OTAs in one way or another, but that is not clear yet. Will they influence the market? Absolutely.”
- “It is too early to figure out where Google is heading. ... It looks like they are trying to find their niche and certainly have the way to influence future uncertainty and impact the OTAs.”
- “There is nothing stopping [Google]. They can get into any business if they wanted to from a sales perspective, but they have not. Travel is a huge opportunity, but they have not made it clear as to how they will impact [this industry] other than selling their keywords and ads.”

Online Travel Industry: Google Inc. and TripAdvisor Inc.

- “Online travel agencies are trying to compete more directly by establishing their own loyalty programs ... to become more of a brand that consumers can relate to.”
- “[Established online travel portals] have branding. They have incredible marketing budgets that have attracted the consumer.”
- “Hotels seem to be somewhat at peace with OTAs right now and see them as an expensive channel but it a channel they more or less created by giving them inventory. They continue to try to find different channels other than the OTAs to drive their business. Hotels’ budgets are miniscule compared to the OTAs’. They are trying to create their own model.”

➤ **Hassan Bawab, CEO of Magic Logix, a global marketing agency whose clients include hotels and OTAs**

Google will take market share, but innovation will carry the day. Google’s travel competitors will have a chance to reinvent themselves and succeed. TripAdvisor’s integration with social media gives it a competitive advantage.

- “Google is getting bigger, and it has a better brand. It will definitely take a share of that market, but many OTAs also have a long-lasting brand. They do a lot of advertising. What the competition means is that ... OTAs need to be unique, to differentiate themselves for the end user.”
- “Google already has a lot of data, and combining it with flight and travel data will make it stronger. But online travel agencies have established relationships, built-in relationships. They work harder on customer relationships. At Google, it’s hard to talk to anyone. Also, Google cannot really advertise its travel services; that might violate [antitrust] regulations.”
- “TripAdvisor has already integrated itself with social media. That will help them a lot. They have a big presence on Facebook. You can go to TripAdvisor and find where your friends have visited. That data is extremely important because it’s your friends. Google has so much competition with Facebook, Twitter, etc.”
- “The most important worry hotels have in their relationship with OTAs is their commission. The really cheap packages are also a worry. ... Hotels don’t want OTAs to make more money than they do. They also prefer a direct relationship with the customer.”

The most important worry hotels have in their relationship with OTAs is their commission. The really cheap packages are also a worry. ... Hotels don’t want OTAs to make more money than they do. They also prefer a direct relationship with the customer.

CEO, Global Marketing Agency

4) HOTELS

Five of seven sources were positive on Google Hotel Finder and its potential to take share from OTAs, but none expects this to happen in the near future. Three sources appreciate that customers can book directly with their own booking sites via Google Hotel Finder. One of the five said TripAdvisor was not at risk of losing share to Google Hotel Finder. Also, one of the two outlying sources said Hotel Finder does not drive enough traffic to be relevant. One source said Expedia will be releasing a way hotels can be paid directly, rather than through Expedia. Another said Expedia will have a payment option that will encourage bookings through its own site. One source stressed the importance of the mobile trend and said DealBase Corp.’s [Hotel Tonight app](#) now brings more business to his hotel than Orbitz or Travelocity. Sources also reported greater business for Kayak and, in terms of luxury travel, HomeAway Inc.’s (AWAY) [VRBO.com](#) but less demand for Expedia and Orbitz in particular.

➤ **Sales director for a national hotel chain**

Google Hotel Finder eventually will be able to take share from OTAs. The source currently does not advertise with Google beyond its pay-per-click advertising, but likes Google Hotel Finder’s approach over other OTAs in that it gives the user the option to book directly through the hotel’s own site. This hotel brand currently relies heavily on business placement ads with TripAdvisor, which has gained market share over the last 18 months. This hotel’s largest OTA account is with Expedia, but the business relationship is forced. Expedia has a loyalty program for its customers and intends to implement a payment scheme next year that will encourage bookings through its own site.

- “Eventually Google Hotel Finder will take share from other OTAs. Right now, and increasingly so over the past six months, TripAdvisor has become a more established player in the marketplace. Over the last 18 months, their offering of business listings has really solidified them as the player in the market in terms of customer review

Online Travel Industry: Google Inc. and TripAdvisor Inc.

buying decisions. So, we are seeing more and more that most buying decisions for hotels were made based off customer reviews rather than property websites or other marketing materials that are out there.”

- “Currently, I do not think that Google Hotel Finder is taking share from other OTAs. ... I don’t hear about Google Hotel Finder much outside of the industry. I think they are still in the testing-the-waters phase. ... I don’t feel it comes close to offering the market share percentages that TripAdvisor has right now. I think the general public has an established trust with TripAdvisor right now.”
- “Google Hotel Finder’s goal here is to direct you. Where Google Hotel Finder is making its money is on their advertising, on a pay-per-click basis. I can buy the top spot.”
- “I know how much I spend on Google [AdWords]. I’m not paying for placement on Google Hotel Finder right now because they don’t have the bandwidth for me to want to pay that yet. I’m not seeing any organic results yet. I’m not seeing enough people click on my hotel. I don’t really need this.”
- “With regards to our percentage with Google Hotel Finder, it’s really minimal right now. We spend a more significant amount of any type of our marketing funds on our business listings on TripAdvisor, and we work very closely with TripAdvisor on a daily basis to manage our reviews and manage our customer base and ensure that that’s where our focus is. I can see that in the next couple of years your TripAdvisor ranking is still going to be where people go. It’s going to remain more important than your star rating on any of these—Expedia or Hotel Finder. TripAdvisor, because it’s a ranking, it’s let’s people look at it and it’s a trusted source. They have that cache right now and people are going to keep going to them.”
- “When we measure a lot of our customer opinion metrics online, we are focused on TripAdvisor right now. That’s not to say we don’t look at [Yelp \[Inc./YELP\]](#) and Google Hotel Finder. TripAdvisor is still the measure of success.”
- “The advantage I like over Google Hotel Finder from someone who uses Google is that it’s simple, it’s in the same format as my maps, it shows me where everything is. I like the layout. As someone who searches for hotels, I don’t like TripAdvisor. I don’t like the layout. I think it’s way too ad-laden.”
- “Google Hotel Finder drives the person to my website, which I love. I can still do that with TripAdvisor but only because I pay for a business listing on TripAdvisor that allows me to have my website there. And it’s still not very clear. Most people from TripAdvisor end up booking hotels on Expedia. So instead of paying a 20% commission on our room, I just pay 99¢ [per click] for someone to click on my link if I paid for that ad, and that’s nothing, that’s fine. So I prefer Google Hotel Finder from the business side. I’d much rather people find me through this method because it allows for great organic tracking. It gets them to my website. It’s get them the best available rate that I have publicly priced.”
- “All OTAs are working more and more to be the one point booking system for business and leisure travel where one can go and book everything from flights to hotels to rental cars. ... Every customer that I can get to go to our company’s website to book a room is a win. Every customer that goes to Expedia costs me 20% or so.”
- “Now we have Expedia offering their own rewards and incentive points system. Expedia has an [Expedia Rewards](#) program. That further incents customers to book through Expedia. Next year (and this memo is as fresh as this week so I haven’t read it, but I know it is coming) I believe Expedia is going to offer two options—a ‘pay now’ and a ‘pay later’ option ... which is going to cost the hotel on the commission side. Essentially, we pay a commission on the booking upfront. ... It’s another step in the direction of trying to get the customer to book on OTAs.”
- “Distressed inventory sites, such as [Expedia’s] [Hotwire](#), Orbitz and Priceline, are skewing the mindset of the customer into thinking that if they wait until the last minute, they can get the best rate. ... The more influence OTAs have over the industry, the worse it’s getting in that the customer is being trained in finding deals last minute.”
- “Expedia is our largest and my least favorite OTA. The back-end commission is extravagant. There’s no utility or benefit for us in selling our product, our brand or messaging. It’s very structured. The only thing that they offer is

TripAdvisor has become a more established player in the marketplace. ... We are seeing more and more that most buying decisions for hotels were made based off customer reviews rather than property websites or other marketing materials that are out there

Sales Director, National Hotel Chain

I’m not paying for placement on Google Hotel Finder right now because they don’t have the bandwidth for me to want to pay that yet. I’m not seeing any organic results yet.

Sales Director, National Hotel Chain

Online Travel Industry: Google Inc. and TripAdvisor Inc.

distribution. Expedia is a company that you have to play within in this industry. It's a company that I'd venture to say that most brands would prefer not be involved with. It's rarely an amicable relationship. It's a relationship out of necessity on both sides. It will be interesting to see where that goes over the next two to five years."

- "At the end of the day, Google Hotel Finder would be a more preferred OTA than Expedia. Google Hotel Finder is a research engine which is what Google is meant to be, I think. That piece of it we like. It shows organic information from our website to the customer. We appreciate that. Most companies appreciate that push to the customer."

➤ Vice president of a Southern California hospitality and residential property company

Google is a long-term threat but will need time to take share from established players like Expedia.com and Hotels.com. Expedia is the source's partner of choice for advertising, but eventually his company's own website may become the dominant advertising and marketing venue. Hotels are worried about commissions paid to OTAs. This firm has not made any major changes to its online travel agency allocations.

- "[Google's entrance will] perhaps take share from competitors, but it will take a long time as these other sites are credible for their specific niche of the industry and have developed loyalty overtime."
- "[I am seeing a] shift more to same-day bookings and mobile devices."

[I am seeing a] shift more to same-day bookings and mobile devices.

*VP, Hospitality & Residential Company
Southern California*

➤ Chief marketing officer for a boutique New York City hotel group

Google Hotel Finder presents an attractive alternative to the traditional OTA process. OTA commissions are inflated, and hoteliers have learned to negotiate better deals by playing sites against each other. Hoteliers have the upper hand as formerly airline-focused OTAs offer concessions to get or keep inventory. Expedia is the dominant player in hotels. Travelocity and Orbitz are lagging behind other OTAs.

- "The sites' capacity is unlimited and there are several [OTAs], so in a sense they have all the demand and I have limited supply. Naturally, my interest is in moving as many of those rooms directly as I can. That's TripAdvisor and Google. It's not the OTAs."
- "There is no reason for us to work with an OTA who works mostly with TripAdvisor for one simple reason: TripAdvisor will display the profile page we control along with a direct link to us and any special offers we are running. That goes on top of the OTA partner links. If someone comes to TripAdvisor and finds us, they'll never click back to the OTA and then book a room through us unless they were extremely focused on getting the best possible rate and for some reason the OTA was underselling us. That's not going to happen, I assure you."
- "Expedia and Booking.com have paid to be the top TripAdvisor partners on our page. More power to them. We've had good luck with them as independent referral sources, but I don't think they've sold many of our rooms directly from TripAdvisor. The six other TripAdvisor partners will have had worse luck since to get to them you first have to field offers from at least three other vendors."
- "Google's service is interesting because it runs on our existing business profile. We just contribute historical pricing information and pay to promote any offers we want to promote. Google's mapping search does the rest. It depends on price and the other details, but I can see it being a smarter approach than simply buying normal search placement on Google proper. The question will be whether it interferes with existing location search placement, which we do pay a bit for and have found very rewarding."
- "Over the last year, nobody's really impressed me among the OTAs. Expedia and Hotels.com are the leaders in terms of traffic, but it's a pain to work with them and they tend to flaunt their status. Booking.com is a second-best sort of name. Orbitz was never all that relevant in hospitality and seems to be giving up. At least, that's the impression I get from our interactions with them and the amount of business they push back to us so far this year. Travelocity is similar but has been more eager to give us better terms in exchange for our business. That might be because we're a luxury brand."
- "In general, all the sites charge too much for a maintenance business. ... Relying on them will end up robbing you of 20% to 25% of your

Expedia and Hotels.com are the leaders in terms of traffic, but it's a pain to work with them and they tend to flaunt their status. Booking.com is a second-best sort of name. Orbitz was never all that relevant in hospitality and seems to be giving up.

*Chief Marketing Officer
Boutique New York City Hotel Group*

Online Travel Industry: Google Inc. and TripAdvisor Inc.

overall revenue for every room they sell for you, and that is insane.”

- “We tend to make the sites come back to us with specifics: guaranteed number of rooms booked at a guaranteed price. If they can meet those numbers, that’s all I want. If more than one site can meet the numbers, then it’s up to them to give me the best possible return on my inventory. I’m not going to them as an outsourced reservation desk. They’re coming to me to help me move a few rooms.”
- “The OTAs are competing a lot harder for hotel inventory this year than they were in the past. I think it’s because of the sense that their old air ticketing business has hit a wall and now this is where they can grow and maybe find more profitable ways to leverage their site traffic.”

➤ General manager of a privately held hotel chain in Southern California

Google will take share away from many OTAs but not TripAdvisor. Expedia generates this chain’s largest number of OTA customers. However, the source cited the growing importance of mobile apps in the OTA industry. The Hotel Tonight app is the chain’s No. 5 account and brings in more business than Travelocity and Orbitz.

- “I don’t expect Google to take away share from TripAdvisor, but I would expect it to take a decent chunk out of the other OTA business if they do it well.”
- “Most people start their venture into finding a hotel by Googling. Google doesn’t have to pay themselves to get great coverage for their product. They are in a place of power. I don’t know how Expedia and Priceline are going to combat that.”
- “Expedia is really the most competent of the OTAs. Competition isn’t that fierce. Travelocity and Orbitz have pretty poor technology. They are inefficient. Booking.com is also very difficult to work with. ... If Google can be better than Travelocity and Orbitz, they will gain lots of market share because they will get more partnership. I don’t think that’s going to be that difficult.”
- “The main reason I would say that Expedia is biggest is because they’ve got the most money.”
- “We don’t intend to spend a lot of money on advertising. We get good reviews, and that helps us. We have our post with TripAdvisor.”
- “When somebody books a room, [OTAs] typically take a 25% to 30% commission on the booking. They do sell advertising on top of that; however, they break down their contracts in all kinds of different ways. For example, if you go exclusive with Expedia and don’t go with Travelocity and so on, you can get a better commission and better placement on their page.”
- “We’ve cut off Booking.com, we’ve cut off [Wotif.com \[Holdings Ltd./ASX:WTF\]](#). Expedia wanted us to cut off Booking.com, and we agreed to it to get at a better commission percentage.”
- “Google hasn’t contacted us.”
- “[The trend] is going mobile. Expedia is extremely aggressive about keeping other smaller mobile apps out of the market. Expedia’s mobile apps are bad, probably the worst part of their portfolio, so if Google could do something inventive or creative, they could also do well there.”
- “The mobile app Hotel Tonight is the one that Expedia hates. Just to be fair, they don’t give me the best rate, I have to provide a very low rate, but it’s only last-minute business that I get it for. They’re great; they’re my No. 5 account. It brings me more than Travelocity and Orbitz despite the fact that you can only book on the same day.”

The mobile app Hotel Tonight is the one that Expedia hates. ... They’re great; they’re my No. 5 account. It brings me more than Travelocity and Orbitz despite the fact that you can only book on the same day.

*General Manager
Independent Hotel Chain
Southern California*

➤ Chief financial officer for an independent Boston hotel

Most OTAs offer little unique value beyond simple representation as one among endless rival hospitality organizations. Google’s move into the field is exciting because it allows hoteliers to align their direct marketing efforts with their online advertising strategies. Hotels.com remains essential, but Orbitz and Expedia appear to be in a decline. An unmet need exists for a true value-added partner willing to help hoteliers develop their strategic nonleisure conference and professional travel businesses.

- “The Google Hotel Finder pages are wonderful because they’re more transparent portals into our existing Google profiles and ultimately our own home page. People who find us via Google can book with us directly, using the e-commerce and marketing engine we’ve already paid to create. Frankly, that’s endlessly easier for us to manage and should be significantly cheaper for us as well. And, of course, the more of our rooms we can book directly,

Online Travel Industry: Google Inc. and TripAdvisor Inc.

the fewer we need to even consider pushing out to the OTAs. Every room we can move via Google is a win for us. Via the OTAs, there's always a chance we're just burning off inventory to feed their business, not ours."

- "All the OTAs are the same. They buy inventory, and then we provide concessions for placement. We also pay for a better profile, more pictures, essentially everything it takes to run a captive miniature of our own site on theirs so people who come to their site can see ours. ... It's just the cost of doing business, and nobody likes it."
- "The difference here of course is that there are so many sites you feel like you have to be on. We run our campaigns based purely on traffic relevant to us. If a particular site is more about Florida than it is about Boston due to some demographic quirk, we won't be inclined to do much with them."
- "We currently do some work with Expedia, Priceline, Orbitz, Hotels.com and are constantly fielding queries from everyone else. Hotels.com is the unique winner there because they have the only intuitive Web address. Expedia seems to be transitioning toward Hotels.com, so that traffic is deteriorating for us. Orbitz is just deteriorating. I don't know what's going on there. This is all compared to last year."
- "We don't want to invest in or subsidize any OTA's loyalty program. That's absurd. Once people come to us the first time, we want them to know they can always reach out to us directly. The OTA is not an essential middle man. Making themselves essential is what those loyalty programs are about."
- "What I would love is an OTA or similar entity that's willing to work with conference sponsors and professional groups to bring the equivalent of enterprise travel our way. The OTAs are all very oriented around retail leisure travel, the almost casual vacationer who books his or her own package. I don't turn those people away by any stretch of the mind, but they're not my core business and I would eagerly sign up with someone who can bring me enterprise. I'm not saying Google will do that, but it's something to think about."

Expedia seems to be transitioning toward Hotels.com, so that traffic is deteriorating for us. Orbitz is just deteriorating. I don't know what's going on there. This is all compared to last year.

*Chief Financial Officer
Independent Boston Hotel*

➤ Revenue manager of a midprice luxury hotel chain with travel properties in several states

This hotel chain uses all the major OTAs but does not use Google Hotel Finder. The source does not think Google could take share away from OTAs unless it bought a travel agency. Expedia is creating a platform so that hotels can be paid directly by the OTA customers. He dislikes TripAdvisor and said the reviews can be manipulated by hotel competitors, disgruntled ex-employees, and guests seeking extra discounts.

- "We have not done anything with Google's Hotel Finder except for making sure that our Google places is active and accurate. I think the jury's still out on [Google Travel]. ... I don't think they can take share away from OTAs unless they buy a large OTA like Travelocity or Orbitz. That would take share away from Expedia or Priceline."
- "I imagine OTAs are concerned about Google Hotel Finder because Google could manipulate the search to have Google Travel stuff show up first. Those computer guys are very smart."
- "We work with all the major OTAs. ... Companywide, we use Expedia and Booking.com the most. It doesn't matter so much which ones you use because [they] ... carry the same prices. It's not a government regulation; it's just that almost all the OTA contracts stipulate that you have to use the same published room prices; you can't give anyone an exclusive on published rates. You can, however, give someone an exclusive rate on unpublished data."
- "Expedia is going to create a platform to allow customers to pay hotels directly. ... Hotels are very in favor of that; it's much better for our business. We prefer the guests pay us; that way we can get a much more accurate ADR [average daily room rate]."
- "What established OTAs have over Google Hotel Finder is ... more hotels, better listings and more control over the content. Google Hotel Finder seems to pull it from other areas. With an OTA, if you need to make an update, they can do that right away. But you might not know who to contact at Google to make a correction."
- "Many hotels have an issue with TripAdvisor. We are covered by TripAdvisor, but I would rather not have anything to do with them. The site has been so abused by competitors and other people posting [dishonest] reviews."

➤ Manager at a high-end luxury resort chain located on the California Coast

This source was not aware of Google's new Hotel Finder and Flight Search sites, but did stress the growing importance of VRBO.com, which is creating competition for the luxury hotel sector.

Online Travel Industry: Google Inc. and TripAdvisor Inc.

- “We are definitely seeing Kayak as the overall engine that filters down the best rates, whether it’s through Expedia, Priceline, etc. People are moving toward checking on Kayak vs. specifically looking at some of the other sites. People want ease and quickness; they are really researching on their own.”
- “However, in the high-end luxury market, like ours, people are still using travel agents. Travel agents in the high-end luxury market are ‘preferred partners,’ which means they offer free breakfast, late checkout, etc.”
- “Our biggest target is American Express Platinum.”
- “VRBO.com, I think, is going to be the next really interesting thing in the next two years. That’s the biggest growing market and our biggest competition in the luxury end.”
- “People look at TripAdvisor all the time. We encourage our guests to make comments on TripAdvisor because that is the strongest leader as to how the experience is.”

5) TRAVEL CUSTOMERS

Three of four sources said they check OTA sites for pricing and then book directly through airlines’ and hotels’ sites. Sources also reported mixed reviews of Google Hotel Finder, which can lack hotel data and offer inaccurate results. However, they expect Google eventually to threaten OTAs as its data quality and quantity improve and it incorporates transaction capabilities. Google’s intuitively designed user interface exceeds TripAdvisor’s. One source recently bought a travel package via LivingSocial, another threat to traditional OTAs.

➤ Videographer and frequent traveler, West Coast

Although Google Travel has a better user interface, it offers few and often inaccurate hotel listings. TripAdvisor, though not as user-friendly, has more hotel listings and reviews, more accurate data and a more personal feel.

- “A few days ago I used Hotel Finder for the first time. ... The strength of Hotel Finder is that its design is very clean and neat. As always, Google’s design is really pretty intuitive and clean, and they feel younger, hipper and more urban than TripAdvisor. The site also brings up a map in which you can draw a square around the area you want to stay in. You can’t do that on TripAdvisor. That feature is really nice.”
- “There are a number of drawbacks to Google’s Hotel Finder though. You need to go somewhere else to book a hotel, and the hotel data also seems out of date or just inaccurate. ... Most of the hotels say ‘price unknown’ or ‘sold out.’ But when I checked on another site and then called the hotels, they weren’t sold out. The prices—when they existed—were also different than what Hotel Finder said.”
- “The advantages to TripAdvisor to Hotel Finder is that they have a lot more reviews, and they are very informative. Also, the prices seem more up to date. I use TripAdvisor about once a month. ... I look there even when I don’t have a destination in mind because I’m always looking for bargains on new places to travel. I like TripAdvisor’s reviews because there are so many of them and they seem very honest, with regular people posting. The star rating is also very helpful. I also like it that people can post their own photos.”
- “As far as drawbacks to TripAdvisor, I’d say the user interface could be better. I don’t like how when you try to search for prices, you open a gazillion windows. I’d say I spend about two hours on TripAdvisor in one setting.”
- “One other thing about TripAdvisor is that I get the feeling that it is written more by families or older people. Google seems more like [people my age].”
- “I usually book online through an airline or online travel agencies, including Expedia, Hotels.com, and Travelocity. For flights, we use

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*Videographer & Frequent Traveler
West Coast*

I haven’t noticed any new trends in OTAs over the last six months, except for price variance. I used to find more variation in price, but not recently. The prices seem a little higher. The sites try to give you the impression that they’re different, but as far as price goes, they all seem pretty much the same.

*Videographer & Frequent Traveler
West Coast*

Online Travel Industry: Google Inc. and TripAdvisor Inc.

Kayak a lot. I'll use Kayak for some searches, then go the airline website and book it there."

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► Freelance reporter and travel writer

This source has had mixed results when using Google Hotel Finder, and said Google may become a threat to OTAs but not in the near future. His other travel preparations involve online travel agencies, especially Orbitz, and TripAdvisor, which he likes for its reviews.

- "I just used Google Hotel Finder for the first time the other day and found it to be a little hit-and-miss. I was using it to find a place in Baker, NV, and it didn't come up with anything. And I knew there were accommodations there because I had seen them before in Google search. I was able to book something, but I certainly didn't get any help from Hotel Finder. It seems like it may not have any real data on hotels in small, rural towns."
- "I did use Hotel Finder successfully to book a place in Estes Park, CO. ... I could swear Hotel Finder said it was a 3-star hotel, but when the confirmation letter arrived it said it was a 2-star hotel."
- "I use Google search and maps all the time when planning trips ... which means at least 20 times a year."
- "Google might take share away from OTAs and review sites. ... The Google name is certainly an important advantage. But it is nowhere close to doing that now."
- "Who I use to book my trips varies. I generally use Orbitz but not always. I sometimes book directly with the hotel. I also comparison-shop. ... I haven't used a travel agent in a really long time."
- "I use TripAdvisor a lot when I'm planning to travel. The reviews feel authentic. But, as on Google, you have to go somewhere else to book."
- "I haven't noticed any change among online travel agencies or TripAdvisor over the past six months; they look the same."
- "Orbitz is easy to book with, but one time I had to cancel a hotel reservation and I know if I had booked with the hotel, I would have gotten a refund. But Orbitz wouldn't refund the money. ... I was pretty ticked off and swore that I would never do business with Orbitz again ... but I did."

► VP of a health content website in California

This business and leisure traveler was not aware of Google's Hotel Finder or Flight Search, but is a frequent user of Google Maps and the reviews generated through those searches. She also relies on TripAdvisor reviews and visits Travelocity to get a general sense of flight prices. She did not share an opinion about Google's ability to take share away from other OTAs. She generally books directly on a hotel or an airline website but recently purchased a hotel package deal for London through LivingSocial Escapes. Doing so prevented any foreign transactions fees.

- "I use Google Search and Google Maps."
- "I will look up information on Travelocity to get a sense of what the range is on different airlines. ... I rarely end up booking through them; I just look at them for pricing. This might be a bias of mine, but I think airlines are more flexible if you buy directly through them. The fares are generally comparable, and once in a while if they are running some kind of a special, it might even be better than on the Travelocity site."
- "I've used the Google hotel reviews that pop up when I do a Google Maps view while looking for a hotel in a particular area. I'll read those reviews and consider those opinions, but I've not yet tried to book a hotel through Google, and I'm not sure I can book a hotel through them. It's not something that I've noticed."
- "I use TripAdvisor's reviews a lot too. I feel the community there is good. I feel the reviews are honest. In general, people tend to post reviews if things go really well or really badly, so that's something the reader has to keep in mind."
- "I will always check the hotel's website for special pricing. I do often book directly through hotel websites. Once in a while, I'll find a better price on one of these online booking sites."
- "I found a deal on LivingSocial Escapes that happened to be for exactly at the time we were going. ... It was better [in price] than what they had on their own website, and there was a package that included a few extra

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California*

Online Travel Industry: Google Inc. and TripAdvisor Inc.

things. So I ended up buying that through LivingSocial and then called the hotel directly to get those dates ... The payment was processed through LivingSocial, so I didn't have to pay the foreign transaction fee."

- "I was Googling hotels for the our Oxford stay. I was looking at all the hotel websites and different reviews that came up either through Google Maps or through other review websites."

➤ California-based OTA customer who travels domestically and internationally for business and leisure

This customer believes Google will not take share away from OTAs because of its lack of transaction capabilities, but will take share from review sites like TripAdvisor through its search capabilities. The source began using ITA Software for flight searches about three years before Google's 2010 purchase of the company. He uses Orbitz out of habit to conduct hotel and car rental searches, but never completes transactions on the site. Instead, he goes directly to the airline, hotel or car rental websites to make purchases.

- "I don't think Google will take any share away from OTAs, but it will take from the review sites like TripAdvisor. I view Google as a search site, not as a transaction site. To buy an airline ticket, I can probably use Google to find out what is the best sale, and what is the best route. But then I'll probably have to go to either the airline's website or the travel agency website to actually buy the ticket. I don't think Google has the filters for me to actually purchase the ticket."
- "TripAdvisor provides a lot of information for people to go and see what others have experienced, and Google can easily put together something that can be used by travelers to check the history or the merits of an establishment, airline, hotel, whatever, and find the feedback that people have provided."
- "The advantage that Google has is that they are already very strong in search. ... They can also be very smart in doing so and understand what the customer is looking for and come up with other searches that maybe the customer didn't specifically search for but would be indeed interested in."
- "Google's disadvantage is that they don't necessarily sell any products or merchandise in terms of travel. They don't have the establishment to be able to work with the airlines and price tickets and sell them to the end user. They are mainly providing information."
- "If I'm traveling for leisure, I go directly to the source. I book my air travel through the airline website directly, book my hotel space through the hotel directly, and so on."
- "If I'm traveling for work ... I work with a travel department within the company, which in turn works with a travel agency who in turn purchases the air ticket, hotel, etc."
- "For searching airfare, I use ITA Software, which is Google's acquisition. But they're still running under the name ITA Software. ... That's what I do for search, but you cannot make a purchase. ... For hotel stay or car rental, I usually use Orbitz. ITA Software doesn't have anything for hotel or car."
- "ITA does one thing very well. Google can do a lot of other things very well. ITA complements that."
- "It's probably a force of habit that I use Orbitz. ... I don't actually buy anything through Orbitz, even though I can. I see the prices for a rental car, then I go straight to the website of that car rental agency."
- "I use TripAdvisor to search for what people think about a specific hotel or something."

Secondary Sources

Our first secondary source highlighted [TDS North America](#) themes, including the role of m-commerce in driving mobile bookings. The second article discussed Travelocity's new Hotel Deals app, which allows for last-minute bookings and payment via a credit card scanned by an iPhone. The remaining source showcased answers to a LinkedIn user's question on the most effective place for hotel advertising dollars; answers favored TripAdvisor over Facebook and Google AdWords.

➤ Sept. 5 Eye for Travel [article](#)

Themes to be covered at the Sept. 13-14 TDS North America included a rise in mobile bookings, attaining the right balance of user-generated and curated content, and social media's role in travel options. Mobile travel bookings make up as much as 65% of Expedia's bookings and 32% of Las Vegas bookings.

- "According to Marco Saio EyeforTravel's Director of Global Research, we should 'anticipate an even greater rise in the same-day mobile booking trend. Expedia reports that 65% of hotel bookings within this last 24-hour window are via mobile, and 15% for flight bookings. Vegas is a particularly striking example of this last-minute

Online Travel Industry: Google Inc. and TripAdvisor Inc.

mobile booking trend with 32% of all bookings coming in via mobile,' he claims, adding that 'the opportunity this creates for mobile revenue growth is both staggering and largely untapped.'"

- "But what the industry really needs to do now is focus on how the customer got to that point, how they moved through and interacted with each channel and what role each channel played in getting the customer to book."
- "This brings us to m-commerce. 'Any technology that makes commerce even easier on mobile devices is going to gain huge traction,' argues Jared Simon Chief Operation Officer at HotelTonight. Though still in its infancy it seems inevitable that people will become more comfortable transacting via mobile and some standards should start to emerge."
- "Getting the right balance with content—both user-generated and curated—will be another ongoing theme as Google's recent acquisition of Frommers, a respected source of travel information which also offers travel deals, photos, blogs and user-generated content, has clearly highlighted."
- "How Facebook starts to monetise travel will be an interesting space to watch. It recently dropped Facebook Credits in favour of local currency pricing which implies it aims to become a serious contender in the payments world. Other interesting developments: Google stepping up its travel game with the acquisition of travel content and reviews firm, Frommers."

➤ Sept. 17 USA Today [article](#)

Travelocity launched an iPhone app called Hotel Deals for last-minute shoppers. The app enables travelers to pay through a credit-card scan feature using an iPhone camera.

- "Travelocity today launched an iPhone app for on-the-go, last-minute hotel shoppers called Hotel Deals by lastminute.com."
- "The app ... promises deals on three-star-and-up properties for people needing hotel rooms tonight, tomorrow or the next day for up to seven nights."
- "This particular app tries to save travelers time by offering users a credit-card scan feature that uses the iPhone's camera to capture and auto-fill the billing information."
- "The time-pressed, wallet-aware audience is an increasingly sought-after market."

➤ July LinkedIn [question and answer](#)

Responses in this question-and-answer series highlighted TripAdvisor's prominence in hotel marketing from both a hotel and consumer point of view. TripAdvisor is a more economical option for hotels to market their properties than Facebook or Google's AdWords.

User Question: "What is a better source to allocate my advertisement budget as a Hotelier, Google Hotel Finder, Google ADWords or Tripadvisor? We are refraining from using Google ADWords, as it has been shown to be very expensive for general terms, I am not too sure on whether ADWords would translate to bookings, what do you think? Google Hotel Finder is relatively new, our hotel is in Vermont, I was wondering if it was worth it to post a direct link there to get bookings."

Answers:

- "I have had clients ask me about hotels they have found on Tripadvisor. I have not had a client ask me about Google Hotel Finder. It is important for a hotel to watch and respond to reviews on Tripadvisor."—Executive Travel Counselor at American Express
- "When I travel I use (as do several of my colleagues) Tripadvisor. We find the reviews are a reliable accurate source."—Satisfaction Marketing & Business Consultancy
- "Our property is listed on Tripadvisor, but it's a free listing. I think it's important to be on Tripadvisor, because lots of people use it to search for a hotel, B&B ... when they book a holiday. They can read the reviews of previous guests. Be sure to put the widget on your website. I think that the best return on investment is booking.com, you have to pay them a commission for every booking that comes through them, but they do give you extra bookings (they are very highly ranked when people search) Facebook is also an option for advertising, but it's not cheap."—Manager @LaCasaBlancaBB Spain
- "On first blush I would suggest TripAdvisor as the best option as it is the most targeted, least expensive and will generate a listing for clients looking in the area of VT. However if I may (and I may be old-fashioned), you are

I have had clients ask me about hotels they have found on Tripadvisor. I have not had a client ask me about Google Hotel Finder. It is important for a hotel to watch and respond to reviews on Tripadvisor.

LinkedIn Question & Answer

Online Travel Industry: Google Inc. and TripAdvisor Inc.

looking at all your ad buys on search engines or related. I may suggest if your budget allows is to target market using social media.”—Creative Marketing & PR Counselor

- “I would definitely advertise on Trip Advisor. When searching for any hotel on Google, Trip Advisor always shows up early on in the searches, and most people decide to look and see where the hotel you want to book ranks among other hotels in the area.”—Global Sales Manager
- “I don’t know anything about the cost and ROI for those Google tools but as a frequent traveler (for tourism/pleasure as well as for business) I can tell you that I and almost everyone I know defaults to Tripadvisor first for info and reviews.”—Education Professional

Additional research by Scott Martin, Cheryl Meyer, Liana Mortazavi and Diana Hembree

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