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Duff on Hospitality Law

Buzz, Skepticism about Room Key Hotel Search Site

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Room Key, a brand new player in the on-line hospitality market, launched in beta on January 11, 2012 to some excitement and some hard questions. Room Key is a joint venture among six U.S.-based hotel chains-Choice Hotels International, Hilton Worldwide, Hyatt Hotels*, InterContinental Hotels, Marriott International * and Wyndham Hotel Group-that allows users to search for available rooms at almost all of the chains' global properties, or about 23,000 rooms total. More Kayak than Expedia, users search the Room Key site for inventory and are then redirected to the individual property (or chain's) home site to complete booking. The idea is to drive traffic to the hotel websites and away from on-line travel agencies (OTAs) like Expedia, Priceline, and Travelocity. And, of course, to provide a customized, personable hotel booking experience to the user–and who better to do that then a group of hoteliers–says CEO John Davis.

While often perceived-accurately-as partners with hotels, OTAs also compete with them. Virtually all hotels, whether chain or independent, have their own websites and booking capabilities. Expedia et al. can provide greater distribution, higher booking percentages and the convenience of packaging flights, rental cars and activities, but it's at a price to the hotel. Room Key is making an effort to lower or eliminate that price, while still providing some meta-search convenience and, later, social media components. Room Key's launch reflects hoteliers' growing concerns with the cost of distribution, particularly on-line, and their understanding of the shifting roles hotel booking websites might play in 2012.

The OTAs will almost always have more and more diverse inventory and currently they are not participating in the Room Key platform. It's an open question as to whether they will be permitted to do so; for example, TravelWeb, a similar multi-chain venture in the early 2000's, was partially owned by Priceline which then acquired a majority ownership position and folded the TravelWeb brand and function into the main Priceline site. It is also not clear whether any GDS will be able to participate.

While called a "shot across the OTAs' bows" by industry analyst Henry Harteveldt, there is also skepticism on the part of certain financial analysts who see Room Key's limited inventory and high start-up marketing costs as significant negatives in the on-line hospitality space. Then again, Room Key did announce the day after launch that Best Western International was to be its inaugural commercial partner and other hotels interested in participating are invited to simply email Room Key at partners@roomkey.com.

The site officially launches in March, so stay tuned for more developments.

*Full disclosure: Marriott and Hyatt are clients of our firm.

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