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Duff on Hospitality Law

OTA & Travel Distribution Update: The rising importance of metasearch; hotel resort fees still making headlines; hoteliers and short-term rental hosts' challenges with Agoda

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This week's Update features a variety of topics - OTAs, short-term rentals and loyalty. Enjoy.

The Rising Importance of Metasearch

("How metasearch became the most important marketing channel in travel," Phocus Wire on Jul 10, 2019)

Online marketing spend data reported this past week by European-based Mirai demonstrates the growing influence of metasearch. Highlights from the report include the following.

- Prior to 2017, keyword-based display advertising on Google, Bing and other search engines captured the majority of online marketing investments.
- That phenomenon changed in 2017, when investments in metasearch for the first time exceeded traditional display advertising. Since that time, the amount of investment in metasearch has continued to grow.
- Among the many available travel-oriented metasearch platforms, Google (Google Hotel Ads) is the clear favorite (75% of metasearch investment). Google's success can be attributed to its ever evolving (and improving product), the subtle integration of search and Google Hotel Ads and the ever-expanding influence of Book on Google.

While this data may help explain why keyword restrictions and negative keyword requirements are far less controversial than years earlier, it also underscores the need for hoteliers to gain some control over the metasearch practices of their distribution partners. As the significance of metasearch continues to grow (and OTAs seek to seize upon that growth by better leveraging their marketing investments), the price for admission for hoteliers on this important marketing channel will only escalate.

Resort Fees Still Making Headlines

("DC Sues Marriott Over 'Deceptive' Resort Fee," Law360 – Hospitality on Jul 9, 2019) (subscription

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required)

The DC attorney general filed suit last week against Marriott, alleging that the hotelier's imposition of resort or amenity fees violated the District's Consumer Protection Procedures Act. According to Jimmy Rock, Assistant Deputy Attorney General for the District of Columbia and the District's lead counsel on the case, the suit arises out of a 50-state investigation into hoteliers' pricing practices that began in 2016. Unfortunately for Marriott, Rock, who agreed to examine Marriott's practices because of its proximity to DC, was one of the early proponents of the country-wide investigation and the first to conclude his assigned investigation. According to Rock, other states' investigations into the industry's practices are ongoing. Hoteliers outside of the DC area should take note of this important "shot across the bow" and expect to see further enforcement activity by state regulators in the months ahead.

Agoda: It's Hard to Say Goodbye

("Agoda Dubbed 'Hotel California' in Asia as Hotel Suppliers Say They Can Never Leave," Skift Travel News on Jul 11, 2019)

Skift published an interesting article last week detailing the many challenges that hoteliers and short-term rental hosts continue to experience with Agoda. Listed examples include Agoda's inability (or unwillingness) to provide customer service to short-term rental guests, unauthorized rate discounting (far beyond simple price matching) and controversial sales tactics (e.g., inflated discounting). Additional examples can be found on Booking.com's Partner Hub page. The difficulty, as identified by hoteliers and hosts alike, is that termination of a host's or property's relationship with Agoda and subsequent removal of its property listing from the Agoda platform is nearly impossible. Termination of a host's or hotelier's direct contractual relationship with Agoda only leads Agoda to then source the same property's rates and inventory from other sources (albeit at lower (shared) margins), including Agoda's sister company, Booking.com. Unfortunate for many, Booking.com to date has been unwilling to address hosts' or hoteliers' concerns with the questionable practices of its onward distributor and sister company. Let's hope those practices change soon.

Other news:

Accor committed to growing Onefinestay homesharing business

Travel Weekly on Jul 11, 2019

Accor's foray into homesharing might have encountered some early setbacks, but the Paris-based company's commitment to its Onefinestay brand of high-end vacation rentals appears finally to be paying off. The homesharing startup, which promises travelers "the finest homes and villas in the most desirable destinations," was acquired by Accor in 2016 for approximately 148 million euros ($166 million). The sizable price tag made headlines, as did the subsequent news that Onefinestay had contributed to a roughly $288 million write-off in Accor's second quarter last year, implying an issue with profitability. Rather than jettison the business, however, Accor has remained steadfast in its long-term plans to expand Onefinestay.

How Delta's Loyalty Offering Is Improving Its Direct Booking Business

Skift Travel News on Jul 11, 2019

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Another strong quarter for Delta. Investing to create more customer loyalty is paying off. What a concept. Doing what it takes to keep people keep coming back. A decade ago around a third of Delta Air Lines tickets were sold via online travel agencies. That amount today is somewhere between 10 and 15 percent, and CEO Ed Bastian only sees it continuing that way. "Delta.com is going to take more and more of the traffic," he told analysts on an earnings call Thursday after the release of the company's second-quarter results. "So I don't think we need to put a stake in the ground and say that we won't sell over those channels.

Sonder Becomes Travel's Newest Billion-Dollar Brand After Raising $225 Million For Its Airbnb-Style Hospitality Business

Forbes – Consumer on Jul 11, 2019

Francis Davidson admits it's easy to look at Sonder's website and think the hospitality startup is just trying to clone Airbnb's succcess. The company offers apartment-style rentals with kitchens and unique decor but manages them professionally with fresh towels and 24-hour concierge available via text. But that's just the start for Sonder's cofounder CEO. He wants to build the next Hilton. "My hope is that we're going to be able to build an iconic consumer brand within hospitality," Davidson, 26, says. On Thursday, Sonder announced it had raised $210 million in funding and is in the process of closing an additional $15 million from real estate developers, bringing its total Series D funding round to $225 million.

Posted in OTA Update

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