



## What's the Deal By Daniel Lesser

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### How the industry should respond to OTAs' new challenge

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*(The views and opinions expressed in this blog are strictly those of the author.)*

OTAs – online travel agencies – are technology platforms that offer voyagers extensive capabilities for planning and booking travel. Roughly 10 years ago, during the Great Recession, the lodging sector was shortsighted and welcomed OTAs to place heads onto hotel beds. This experiment not only became economically expensive, it ceded control of the lodging industry's most precious commodity, namely guestroom inventory, to accommodate travelers.

OTAs operate on either a merchant or an agency model, both of which rely upon the hotel industry providing inventory to sell. While the two largest aggregators of OTAs, Expedia and Priceline Group, are not currently challenged with any of the risks associated with the ownership and/or management of real estate, the lodging industry needs to carefully consider a recent statement by Kayak (owned by Priceline) CEO Steve Hafner at the [November 2017 Phocuswright Conference \(Executive Roundtable: The Next Big Thing\)](#):

*"I think that the big guys, and I am fortunate enough to work for one of them, are going to move into differentiation of their content and their services, and that, to my mind, means owning the assets. I would not be surprised to see people moving into the hotel space by actually owning floors or buildings or even chains."*

The handwriting on the wall is now clear: Eat or get eaten. The OTAs, which today dominate the consumer point of entry to the hotel industry, have thrown down the gauntlet, planning to further intrude the sector by possessing and controlling their own inventory in the future.

Recent aggressive direct booking initiatives, which are the lowest cost for hotel owners, have resulted in the lodging industry finally gaining ground in shifting consumer behavior toward brand.com websites. At this juncture, I believe hotel companies need to restrict and ultimately eliminate inventory available to OTAs. Allowing Expedia and Priceline branded hotels to contest the major brand families must be deemed unacceptable.

The lodging sector needs to continue to push back on OTAs by investing in technology that creates seamless, friction-free booking of travel experiences, and that includes allowing guests features to pre-select specific rooms and check in on mobile telephones. Many will recall Room Key, the joint venture founded in 2012 by Choice Hotels International, Hilton Worldwide, Hyatt Hotels Corporation, InterContinental Hotels Group, Marriott International and Wyndham Worldwide. Room Key offers travelers access to Loyalty Member Rates for more than 45,000 hotels spanning 150 countries across more than 60 hotel brands.

The lodging industry needs to wake up and smell the coffee. It is time to play offense and double down on Room Key.

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