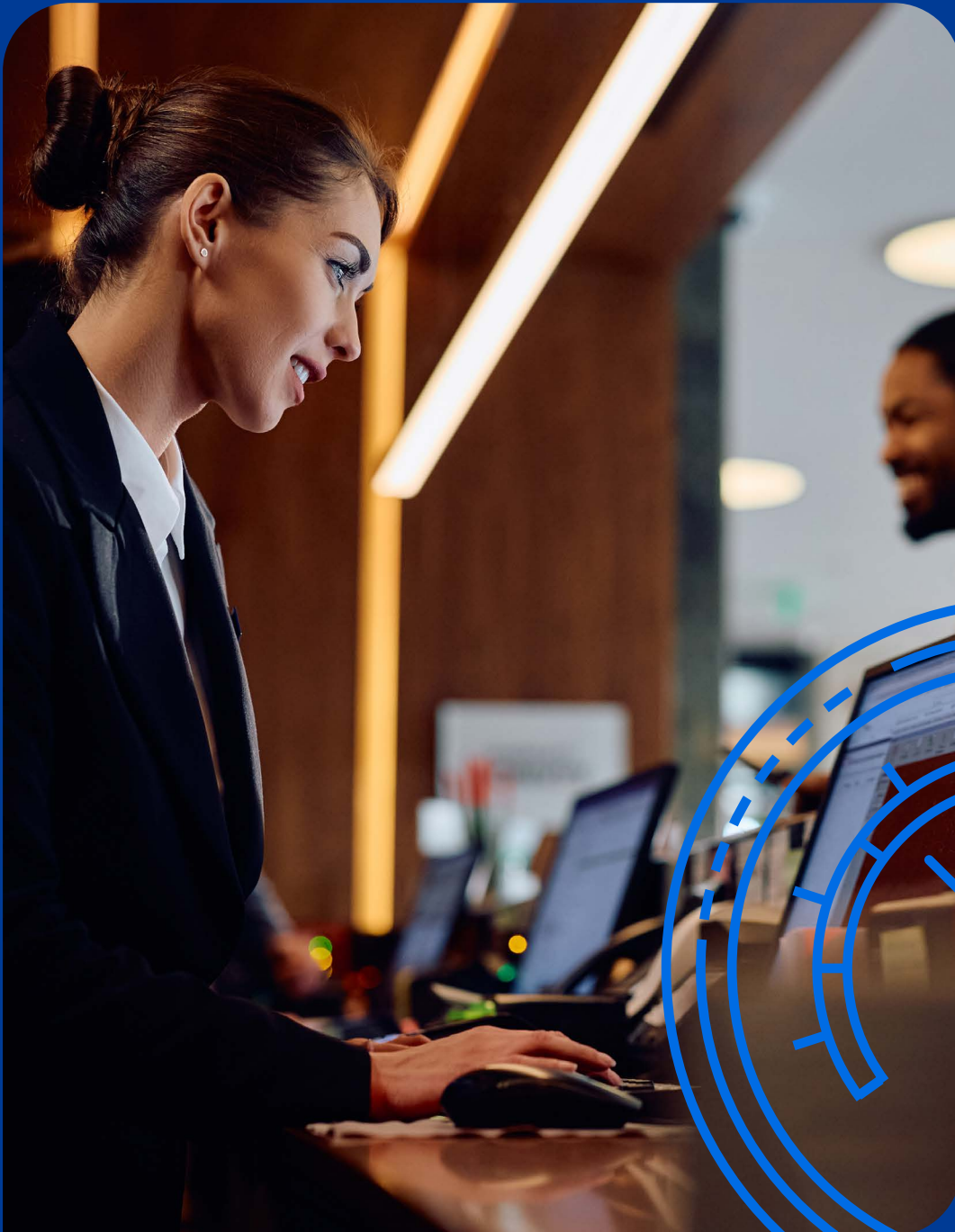


Booking.com



Issue Brief

The State of European Hotel Distribution

Executive summary

Hotel distribution is a key success factor for European hoteliers and a topic of increasing interest to policymakers and regulators. In this issue brief, we provide insights into the state of European hotel distribution, and in particular the role and value of online travel platforms. It is based on a representative survey of European hoteliers.

Europe is the world's number one travel destination and the European hotel sector is among the most successful in the world. For hoteliers, filling their beds every night is a key priority. Overnight stays are a perishable good: the opportunity cost of a bed that goes empty can never be recovered.

It is therefore no surprise that hotel distribution is among the most debated topics in the accommodation sector. It is also a topic that is of increasing interest to European policymakers and regulators. In 2022, the European Commission published an extensive market study with empirical findings on the key features and dynamics of hotel distribution.¹ Hotrec, the umbrella organization of European hospitality associations, also publishes an biannual hotel distribution survey.

In this issue brief, we provide detailed insights into the state of European hotel distribution. It builds upon the findings of the European Commission's market study, but benefits from a larger geographic coverage and larger sample size. In contrast to Hotrec's annual survey, it is based on a representative sample of the European hotel sector.²



The issue brief focuses on the role and value of online travel platforms for hotel distribution. Over the past twenty-five years, as travel has become more international and digital technologies have become part of consumers' everyday lives, online travel platforms have helped hoteliers respond to the changes in consumer behavior and capitalize on new opportunities.

Europe's accommodation sector is characterized by the prevalence of small and independent hotels, which account for about 70 percent of all properties. These hotels have particularly benefited from partnering with online travel platforms as they often struggle to compete effectively with the large investments in marketing and technology that global hotel chains can afford.

¹ European Commission: LE Europe, VVA Economics & Policy, Market study on the distribution of hotel accommodation in the EU, 2022

² Hotrec's survey suffers from incurable methodological failures and has no statistical validity. In particular, its survey is publicly accessible on the internet. The survey link is posted on the landing page of various Hotrec member associations. Anyone – from occasional website visitors to Chinese bots – can participate in the survey. It has therefore no statistical validity, as it is entirely unclear who has been surveyed. Even if it were only hoteliers participating in the survey – which is unlikely – it suffers from self-selection bias.

Some of the key results of our European hotel survey



Four in five European hoteliers believe they have **multiple options to effectively market their rooms to consumers** and they **optimize their distribution mix in line with their business objectives** (75%).

The vast majority

(88%) of hotels use two or more online travel platforms and if they are unhappy with a particular platform, they will switch to another provider (61%).

It is evident from these results that European hotel distribution takes place in a dynamic environment, where multi-homing* is common, and with mutually beneficial effects for hoteliers and distribution partners. Online travel platforms, by virtue of their scale and technology investments, create efficiencies that, to a substantial degree, are passed on to partnering hotels. As a result, Europe's fragmented hotel sector has continued to thrive and contributed to Europe's success as the leading global destination. In other words: the state of European hotel distribution is strong.



Hoteliers use online travel platforms, because it enables them to **increase their occupancy rate** (82%) and it **makes their business more profitable** (74%), i.e. by lowering their customer acquisition cost (63%).



Over the past years, **hotel's own distribution channels** (e.g. hotel website) have become more important for the majority of hoteliers (68%).

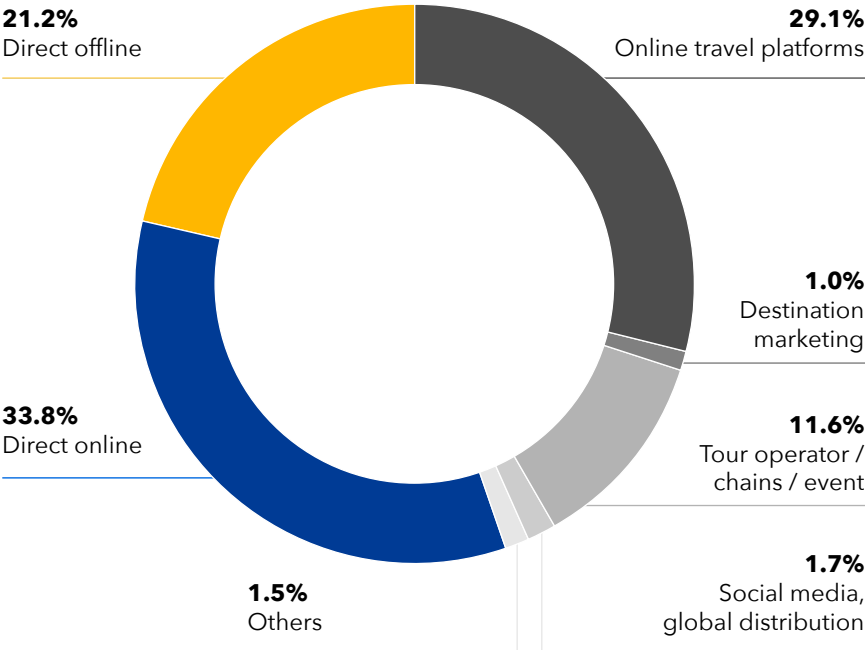
* Multi-homing refers to the practice of simultaneous use by hotels of several distribution channels, physical or virtual.

Choice and distribution strategies

European hotel distribution is characterized by a multitude of channels. Most overnight stays are booked directly with the accommodation provider and the vast majority of hoteliers agree that they have multiple options to market their rooms to consumers.

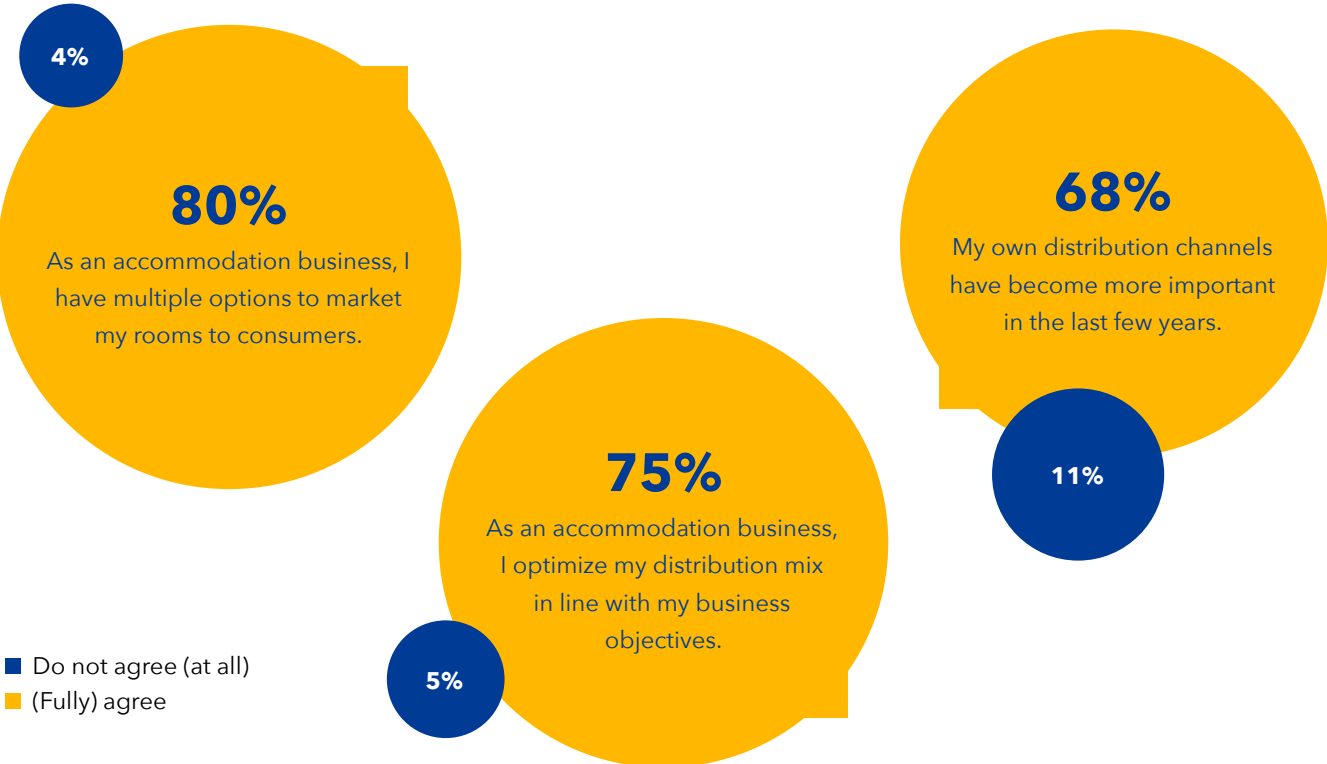
Multi-homing is common in the accommodation sector with hoteliers optimizing their distribution choices across and within channels. A large majority of accommodation providers have a dedicated distribution strategy and they optimize their distribution mix in line with their business objectives.

Most overnight stays are booked directly with the accommodation provider

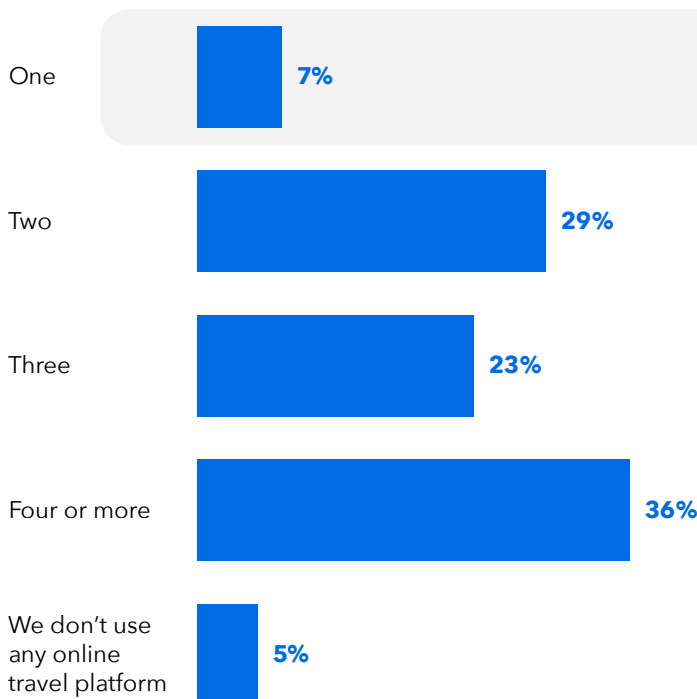


Source: Hotrec, 2024

Accommodation businesses benefit from a diversified distribution mix



88% of hotels use two or more online travel platforms



61%

If I am unhappy with a particular online travel platform, I will switch to another provider

What are the reasons for only using one online travel platform?



Online travel platforms are an integral part of many distribution strategies with the vast majority of hoteliers using multiple platforms interchangeably and in parallel. Almost 60 percent of European hoteliers use at least three online travel platforms. Where hoteliers work with only one platform, it is because it is in their best interest to do so – either because working with more than one platform would be operationally too complex or working with one platform is sufficient to achieve business objectives.

As more consumers are booking travel online, hoteliers' own distribution channels (e.g. their own website, hotel newsletter, direct mail marketing) have become more important. According to Hotrec, the share of consumers booking via a hotel website with direct booking functionality has more than doubled over the past ten years.

Having a multitude of distribution options means hoteliers are not dependent on any one channel. This is particularly true for online distribution channels. Channel management software, used by the majority of EU hoteliers, makes it easy to shift availability from one channel to another in real time. As a result, three in five hoteliers will switch from one online travel platform to another if they are unhappy with a particular platform.

Value of online travel platforms

The popularity of online travel platforms is easily explained by a simple fact: platforms make European hotels more successful. Europe is the number one travel destination for international tourists. With a large part of demand coming from abroad, European hoteliers need to be visible to travelers around the globe.

Online travel platforms offer a risk-free and cost-effective way for hotels to market themselves to international travelers. Platforms invest in technology, multi-language customer service, and global marketing. Hotels are free to use this service as much or as little as they wish. In general, only when a successful booking takes place via an online travel platform do hotels pay a fee. In economic terms, platforms create scale efficiencies, which to a significant extent are passed on to hotel partners.³

As a result, hotels see greater occupancy levels and they benefit from lower customer acquisition costs. Three quarters of hoteliers agree that online travel platforms make their business more profitable, thus contributing significantly to the success of Europe's accommodation sector.

Platforms also offer access to a number of additional services, e.g. data-driven insights, analytics, and online training. These services help hoteliers run their business in a more efficient and more effective way.

For example, more than two-thirds of hoteliers agree that customer reviews on online travel platforms provide

Online travel platforms enable my accommodation business to increase occupancy rate



Without the online travel platforms, we would have higher acquisition costs for bookings



Online travel platforms enable my accommodation business to be more profitable



Online travel platforms offer services that are valuable to me



Customer reviews on online travel platforms provide important insights for managerial decisions



■ Do not agree (at all) ■ (Fully) agree

important insights for managerial decision making. Academic research has shown that hotels' responsiveness to customer reviews has a positive impact on hotel performance by providing important feedback for improving the customer experience.⁴ This contributes to the long-term success and competitiveness of Europe's accommodation sector.

3 in 4
European hotels
become more
profitable thanks
to online travel
platforms

³ This is in line with research by James Bessen on technology diffusion and productivity improvements through open platforms. See: James Bessen, *Unlocking Frontier Technology: The Policy Challenge of the Digital Economy*, in *Innovation Frontier Project* (2021).

⁴ Erfan Rezvani & Christian Rojas, 2022. "Firm responsiveness to consumers' reviews: The effect on online reputation," *Journal of Economics & Management Strategy*, Wiley Blackwell, vol. 31(4), pages 898-922, November.

Distributional impact of online travel platforms

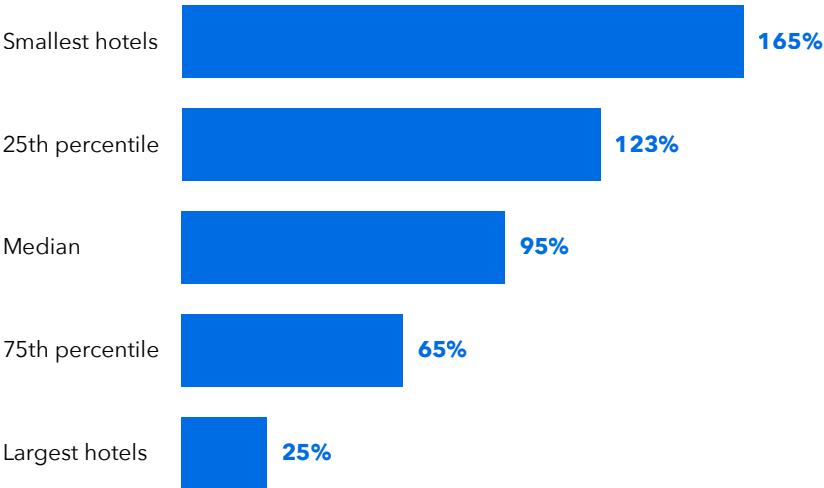
As the novel data in this issue brief shows, online travel platforms enable hotels to be more successful. While this is generally true, there is an important distributional impact that has been established by third-party research: smaller, independent hotels benefit more strongly from partnering with online travel platforms than larger, chain-affiliated hotels.

A 2022 landmark academic study explored how using online travel platforms affects the profitability of Belgian hotels.⁵ Belgium was chosen for its unique legal requirement that all companies, including small businesses, publish detailed annual financial reports. This allows for a proper statistical analysis and isolation of the impact of online travel platforms on hotel profitability.

The results are clear:

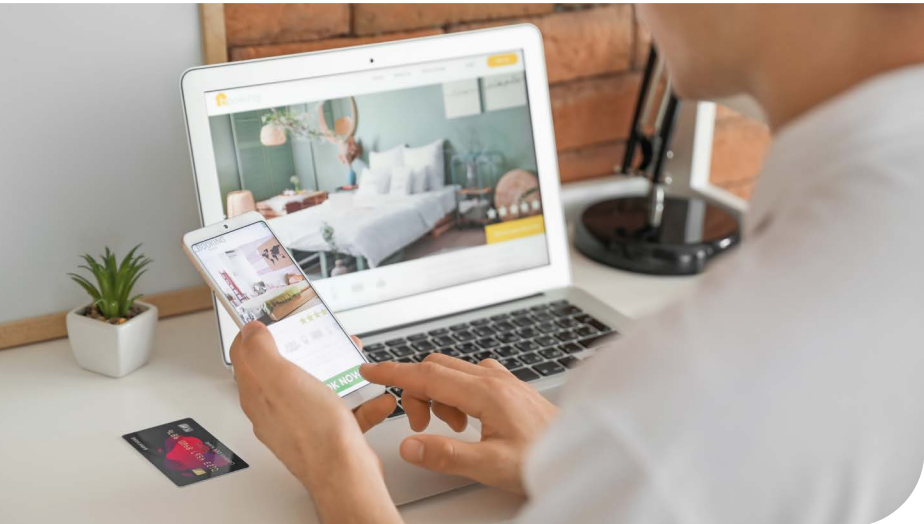
Our findings clearly demonstrate a statistically positive effect on profitability for hotels that participated in Booking.com compared to those that did not. [...] The results also indicate that the positive association is stronger as properties decrease in size. While identifying the underlying causes is outside the scope of this study, we speculate that since smaller properties tend to be owner managed; make less use of technology; and have lower dedicated marketing budgets, participating in Booking.com allows them to be more widely distributed, increasing awareness and allowing them to sell in markets that they could not otherwise have accessed, helping to grow revenues.

Partnering with online travel platforms positively impacts hotels' financial returns - the smaller, the greater the positive impact



The average ROA (return on assets) for the whole sample was 3.03% and the effect of partnering with Booking.com amounted to an average increase of 2.89 percentage points (or 95% boost to the baseline)
Source: Saddam et al. (2021)

In other words, the smaller the hotel, the more beneficial it is to list on an online travel platform. This is in line with previous research by the European Commission, Oxford Economics, and EY Parthenon.⁶



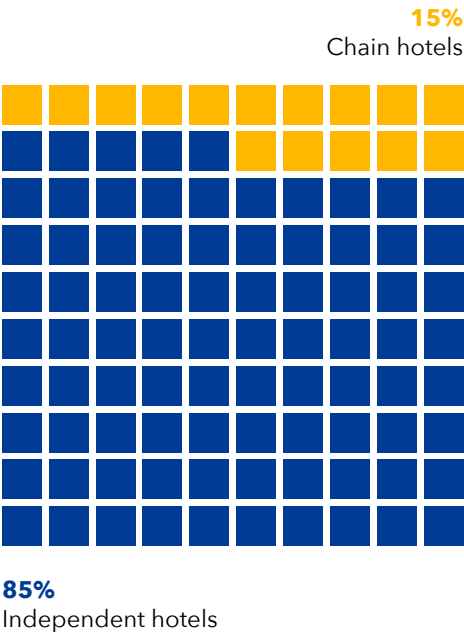
5 Abdullah, Saddam, Van Cauwenberge, Philippe, Vander Bauwhede, Heidi & O'Connor, Peter 2021 'The indirect distribution dilemma: assessing the financial impact of participation in Booking.com for hotels', Tourism Review online, pp. 1-19
6 European Commission: DG Competition, LE Europe, VVA Economics & Policy, Market study on the distribution of hotel accommodation in the EU, 2022; Oxford Economics, The Economic Impact of Online Travel Agencies in Europe 2019 - 2021; EY Parthenon, Online travel agencies: Helping Europe's small and independent accommodations succeed in the global marketplace, 2021

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In fact, Oxford Economics has shown that the incremental booking generated by online travel platforms in Europe skew heavily towards independent hotels. 85 percent of the 133 million additional overnight stays that could be attributed to the presence of online travel platforms in 2019, accrued to independent properties.

This research underlines that Europe’s accommodation sector, which is characterized by the prevalence of small and independent hotels, benefits greatly from the symbiotic relationship with online travel platforms. Platforms enable smaller hotels to be more competitive vis-a-vis larger hotel chains and help preserve the unique choice and diversity of Europe’s hotel landscape.

85 percent of incremental bookings generated by online travel platform accrue to independent hotels



133 million
additional overnight
stays generated in 2019

Sources: Travel Economics, Comscore, Eurostat



Methodology

The survey was conducted by Statista and took place between February 6th and March 22nd, 2024 via telephone interviews. 821 hotel executives and managers from the European Union participated in the survey. Countries and regions included in the survey are Austria, France, Germany, Greece, Italy, the Netherlands, the Nordics (Sweden, Denmark, Norway, and Finland), Portugal, Spain, as well as the rest of Europe (Poland, Romania, Belgium, Czechia, Hungary, Bulgaria, Slovenia, Slovakia, Ireland, Croatia).



Position



Number of accommodation locations responsible for



Scope of responsibilities



Booking.com

statista 