

Demystifying Travel Distribution

Breakout Session 2

Matt Carrier, Manager, Revenue Strategy, Kalibri Labs

Bermuda Tourism Summit 2015

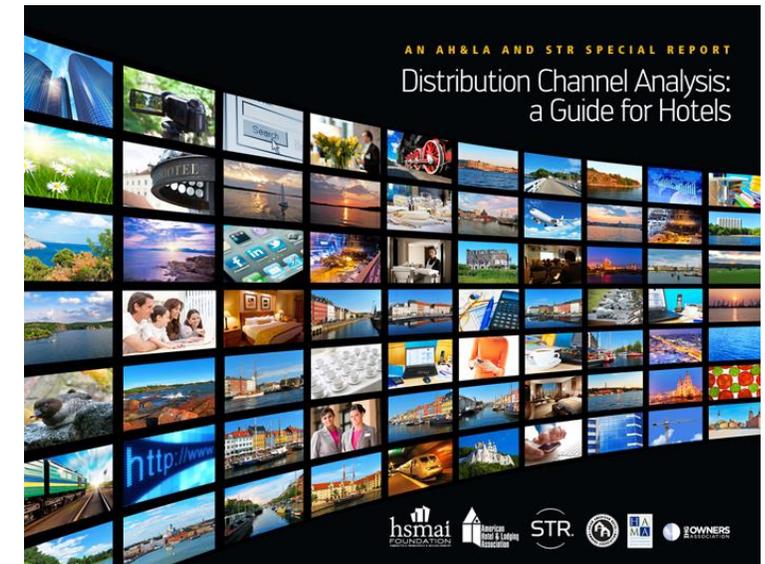
Calling all Explorers, Partners & Believers

BERMUDA
TOURISM AUTHORITY

@Bermuda   #BTASummit

Kalibri Labs & Distribution Channel Analysis

- Study Issued in 2012
- Company formed in 2012
- Inspired by findings that emerged from the Distribution Channel Analysis
- Analyzing 2.5B transactions annually
- Data from 70+ brands worldwide



Helping hotels improve performance by evaluating customer acquisition results based on revenue net of acquisition costs

Fragmented content give aggregators an advantage to control merchandising sources



Expedia

Home Bundle Deals **Hotels** Cars Flights Cruises Things to Do Deals Rewards Mobile

New York, NY, United States (NYC-All Airports) Thu, Jul 16 - Sun, Jul 19 1 room [Change search](#)

Sort By: **Distance** Price Guest Rating Hotel Name Most popular [More](#)

Hotel avg	3 star avg	4 star avg	5 star avg
\$234	\$191	\$238	\$392



New York Marriott Marquis ◆◆◆◆
New York [Map](#)
14.50 mi from All Airports (NYC)
1-866-272-4856 • Expedia Rate **Free Cancellation**
Booked in the last 28 minutes

Excellent! 4.4/5
(3546 reviews)
~~\$569~~ **\$349**
avg/night
[Book Now, Pay Later](#)



Hyatt Times Square New York ◆◆◆◆
New York [Map](#)
14.43 mi from All Airports (NYC)
1-866-310-3405 • Expedia Rate
Booked in the last 48 minutes

Wonderful! 4.6/5
(1992 reviews)
~~\$439~~ **\$279**
avg/night



Crowne Plaza Times Square Manhattan ◆◆◆◆
New York [Map](#)
14.48 mi from All Airports (NYC)
1-866-608-6760 • Expedia Rate
Booked in the last 2 hours

Excellent! 4.3/5
(3490 reviews)
~~\$642~~ **\$309**
avg/night

Large tech companies are selling hotel rooms and adding significant costs to the ecosystem



A Value Shift has been Underway


tripadvisor®
\$11.7 B

priceline.com

\$72.3 B



Google™
\$489 B


Expedia™
Where you book matters.
16.4 B



\$672 B



\$296 B

airbnb

\$26 B


InterContinental Hotels Group
\$9.4 B


Marriott®
HOTELS & RESORTS

\$20.5 B


HILTON
WORLDWIDE

\$24.8 B

starwood
Hotels and
Resorts

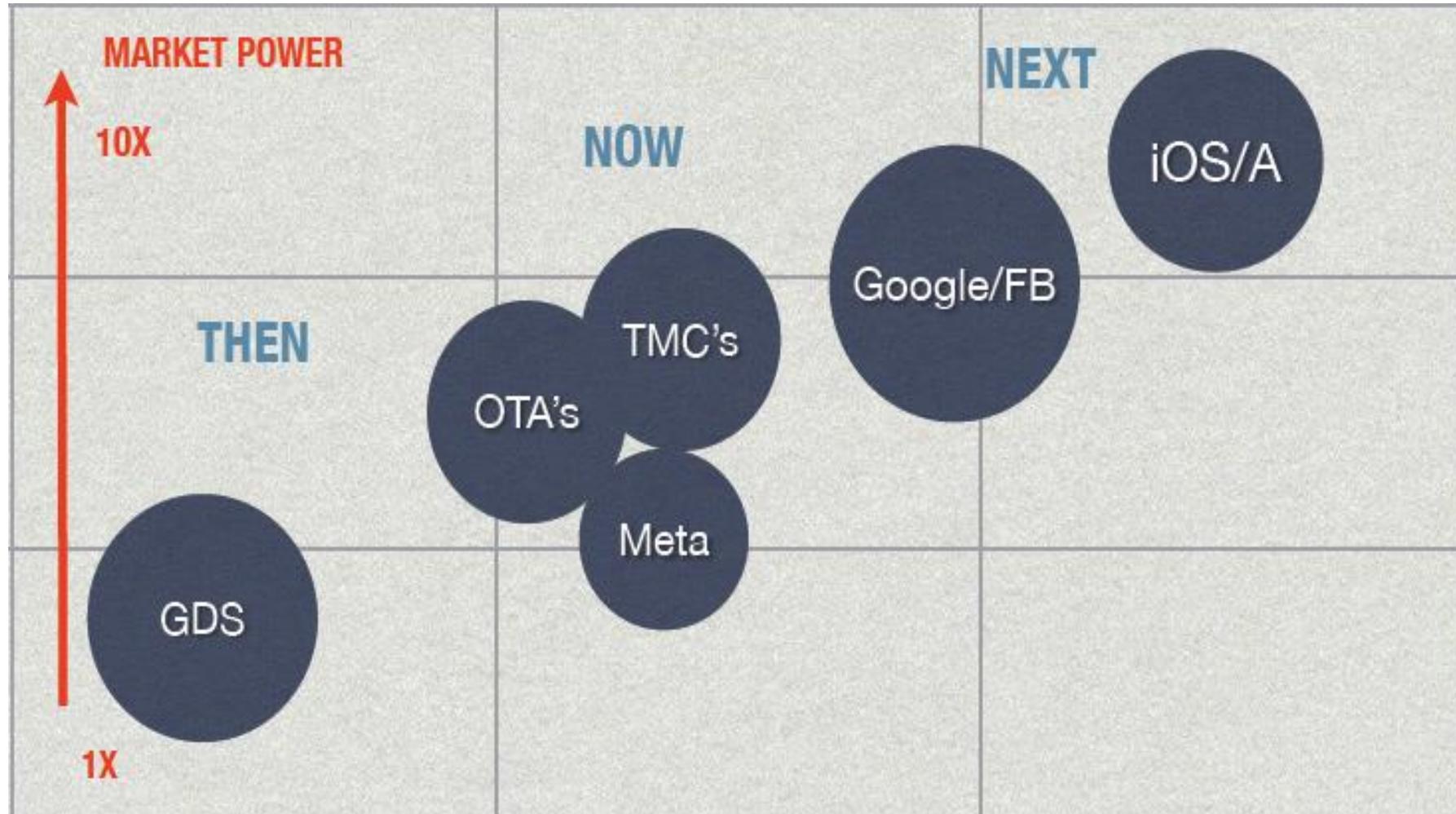
\$13.4 B

Third parties increment cost to both consumers and direct business

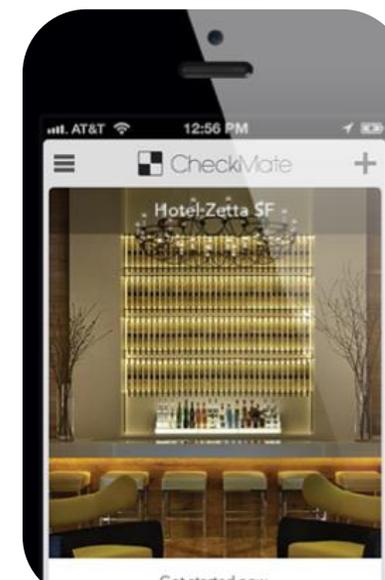
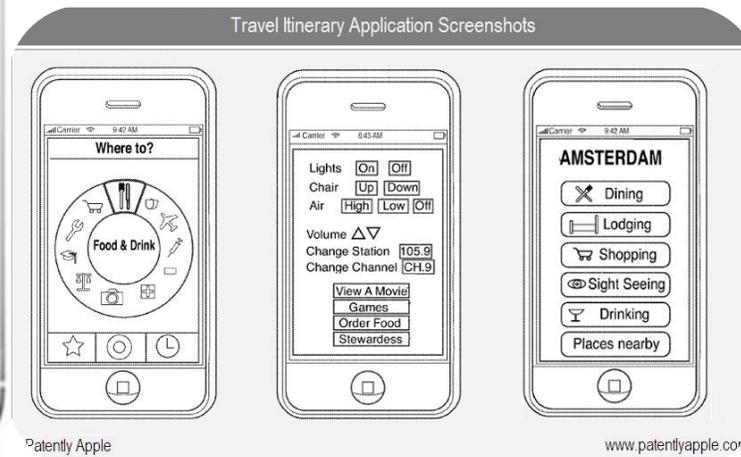
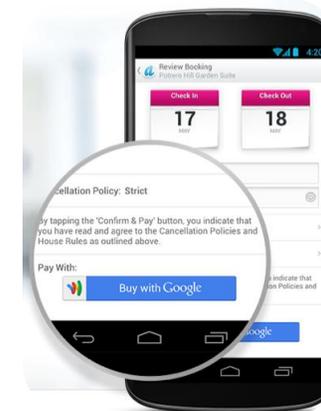
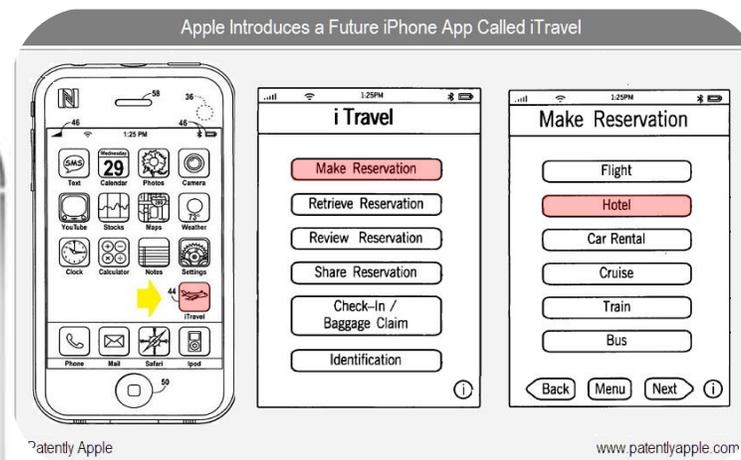
In reality, consumers are exposed to many advertising channels, making it difficult to identify true attribution



Rise of the Gatekeepers



Everyone wants a piece of the action

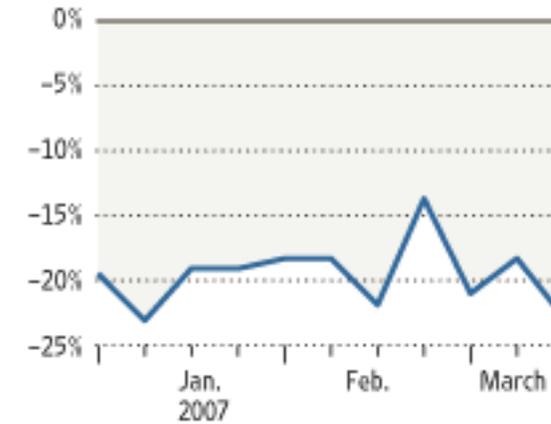


We don't want a "Kodak moment"



Slip Sliding Away

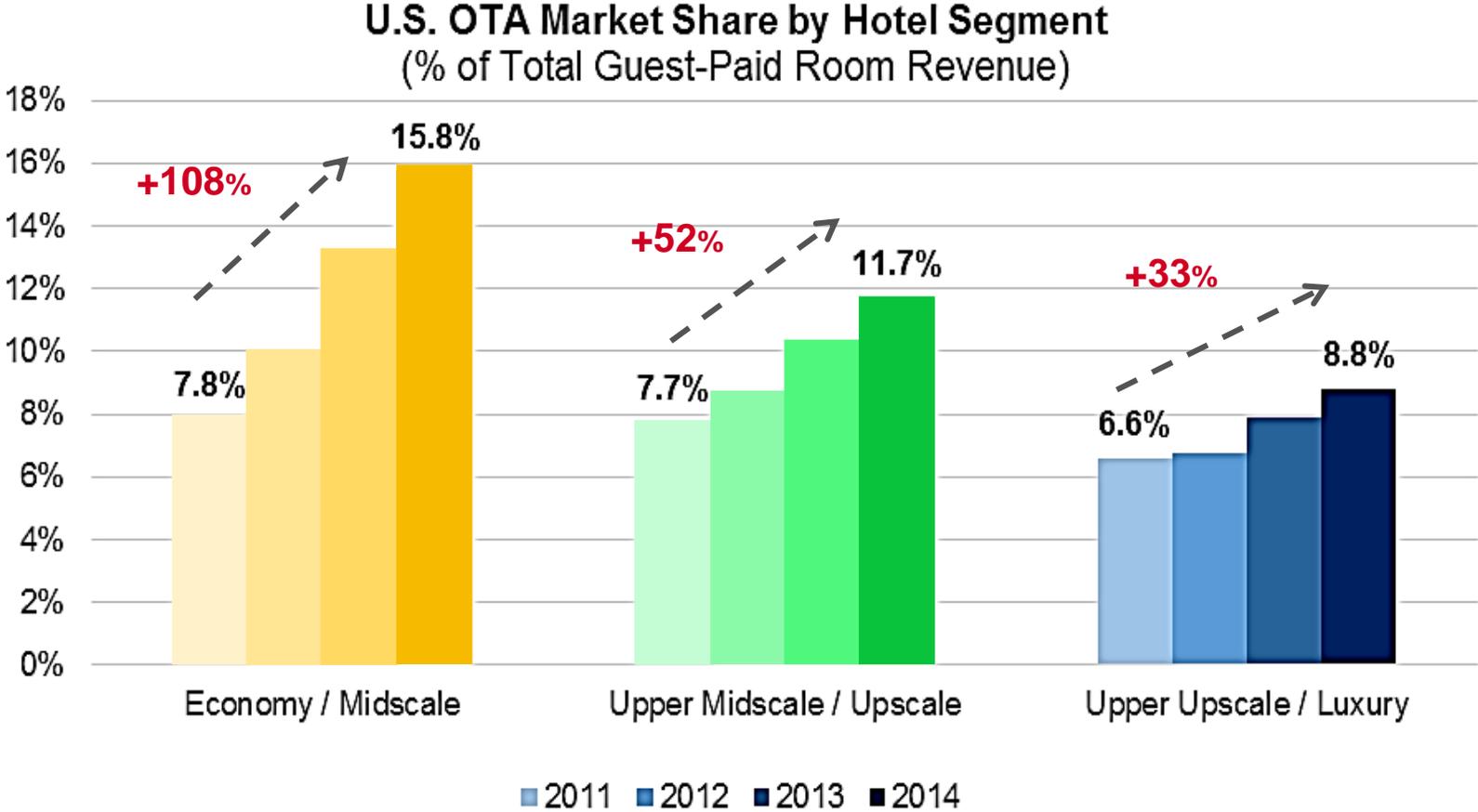
Weekly CD sales, change from previous year



Source: Nielsen SoundScan

Demand Share is Shifting

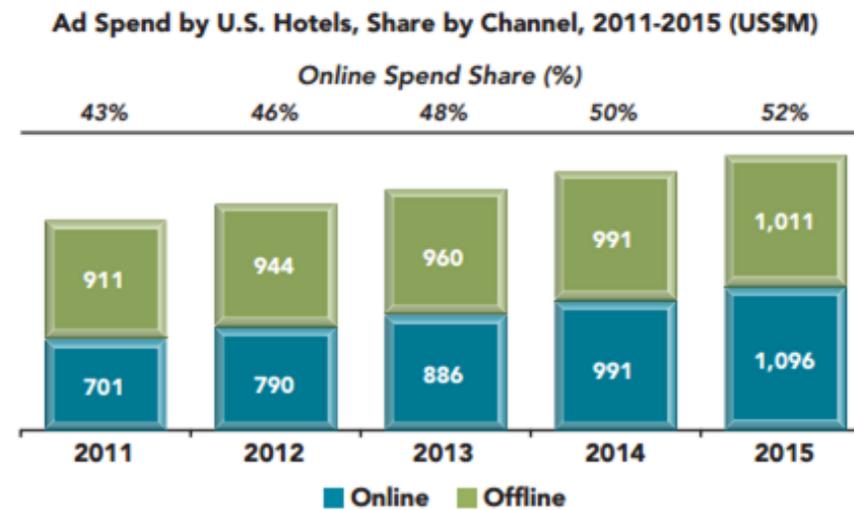
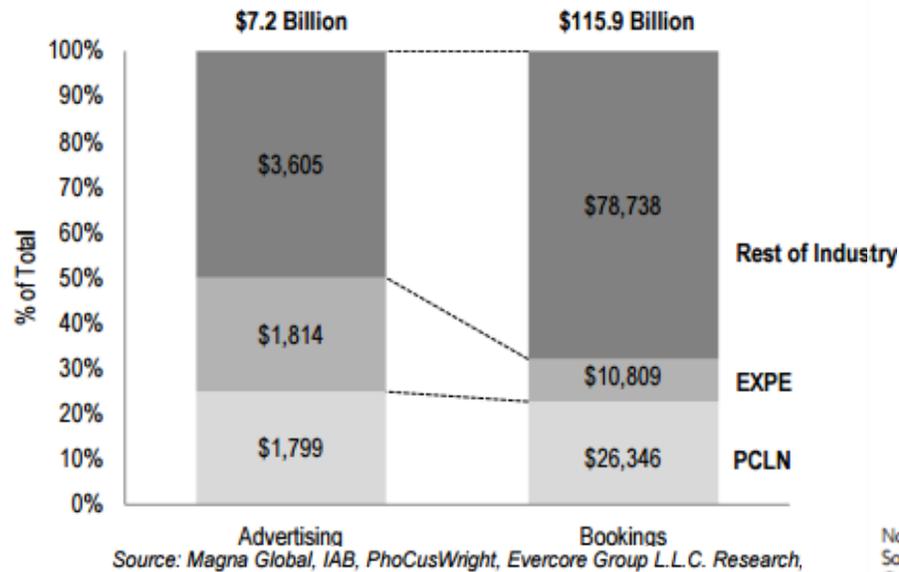
Total Acquisition Cost for hotels is between **15-25%** of total guest paid revenue



Data shown is preliminary; based upon forthcoming "Distribution Channel Analysis – 2016"

Why are Hotel Website Visits Declining?

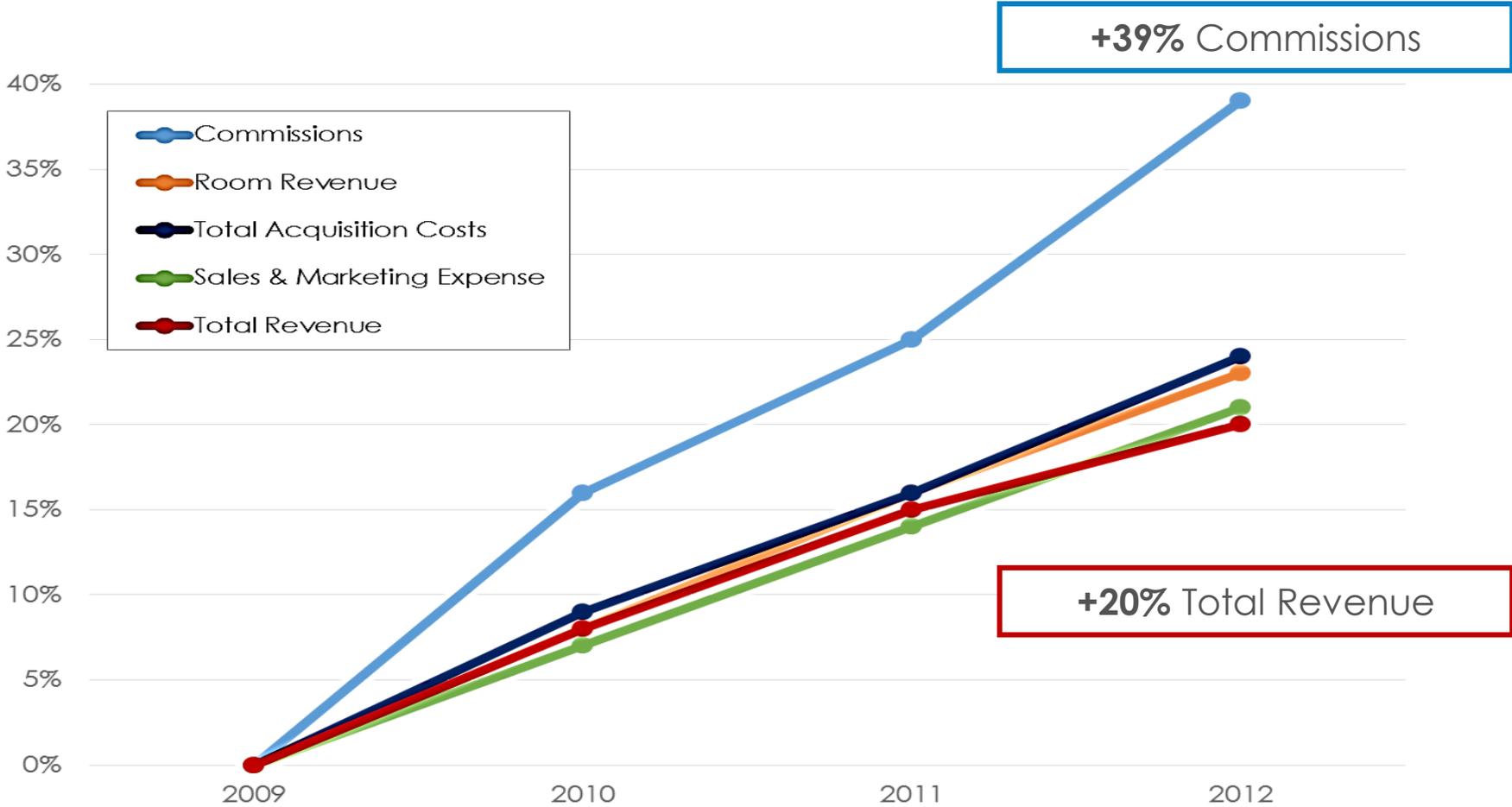
Major OTAs Dominate Online Marketing Spend



Together, Expedia and Priceline spend over **\$3.5 B on online advertising**, accounting for 50% of the 2013 industry total.

In contrast, **U.S. Hotels spent just \$886 M on online advertising** in 2013.

Revenue Growth Positive - Commissions Rise at 2x

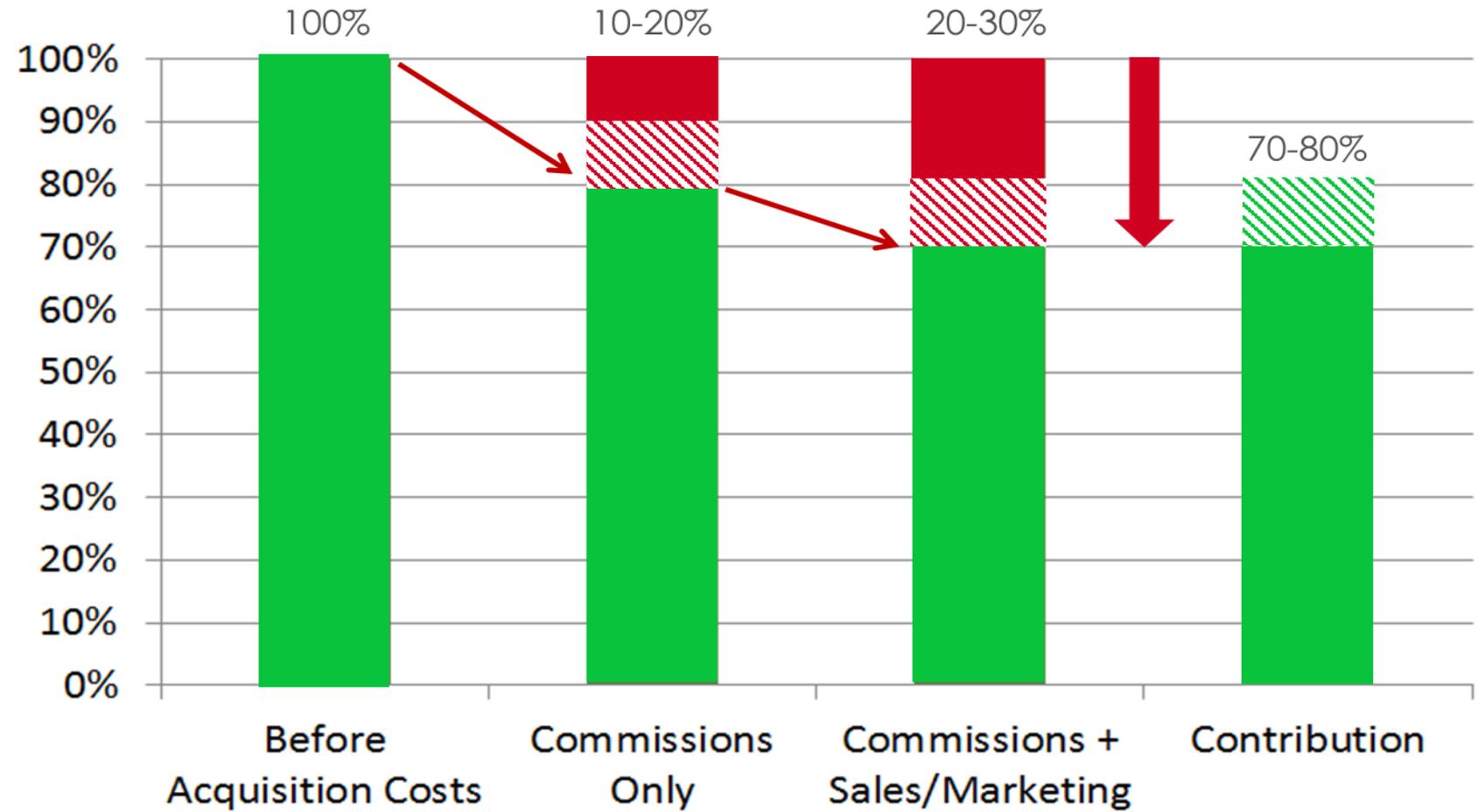


Retail commissions only
Source: HAMA Study 2013-2014

© Kalibri Labs 2015
Confidential & Proprietary



Customer Acquisition Costs Erode Profits



Source: 2012 NYC Study

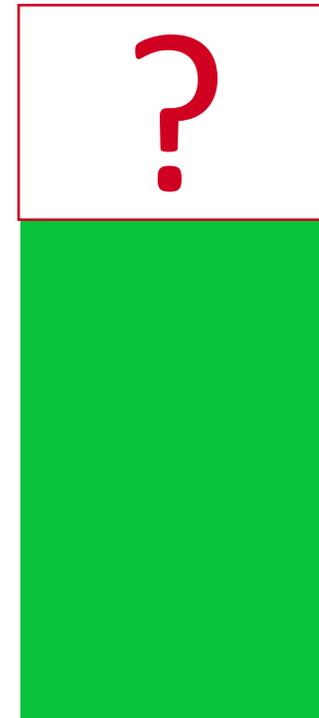
© Kalibri Labs 2015
Confidential & Proprietary

Acquisition costs need to be managed

Up to **5-6x higher** than acquisition costs in other travel sectors



Guest-paid Revenue



Net Revenue

- CHANNEL COSTS
- COMMISSIONS
- TRANSACTION FEES
- LOYALTY COSTS
- AMENITY COSTS
- SALES AND MARKETING

1 point will save about **\$2 billion** per year for the U.S. hotel industry

NEWSFLASH

- The latest from Google
- Peer to peer services: Uber and AirBnB
- Technology consolidation
- New entrants in core hotel segments
- Hot off the press from Amazon

“Organic search” ...a quaint term from the mid-2000s

November 17, 2014

**Google achieves
100% monetization
above the fold for
hotel searches**

Google is dropping its horizontal Carousel display of local search results for hotels. It's being replaced with a 3-pack of listings from Google Hotel Pricing ads. Thus for hotel searches, 100% of the area above the fold is now monetized. For hotel marketers Google has finally become an ad engine that also returns some search results.

We knew that this day was coming. Like frogs in slowly warming water that ultimately reaches a boil we hardly noticed.

Google search results are biased to Google internal channels

All results that are “above the fold” are paid; there is no organic listing.

Google

Web Maps Images Shopping News More Search tools

About 132,000,000 results (0.54 seconds)

EPIC Hotel Miami - EPICHotel.com
Ad www.epichotel.com/

Save up to 30% this Summer. 20% off at Exhale Spa.
Kimpton Hotels & Restaurants has 26,710 followers on Google+
AAA Approved Discount - Packages & Promotions - Book Online

180 Hotels in Miami FL - Lowest Price Guarantee
Ad www.booking.com/Miami-Hotels

4.6 ★★★★★ rating for booking.com
Book your Hotel in Miami, Florida.
Free Cancellation · 24/7 Customer Service · Read Real Guest Reviews
Airports: Miami International Airport, Fort Lauderdale Hollywood Airport...
Deals & Special Offers - Luxury Hotels - Most Popular Hotels

Miami Hotels - Expedia.com
Ad www.expedia.com/Miami_FL_Hotels

Best Rates or Refund + \$50 Coupon. Save on Hotels in Miami, Florida.

Hotels near miami

Price ▾ Rating ▾ Hotel class ▾ More ▾

Sheraton Miami Airport Hotel & Executive Meeti... \$104
3.8 ★★★★★ 68 reviews · 3-star hotel
NW 21st St · Modern airport/conference lodging with a river-view pool & 24/7 gym, plus free WiFi & local shuttle.

South Miami Hotels \$67
Ads www.trivago.com/Hotel-Cheap-SouthMiami

Never Pay Full Price on Hotels.
Find your Ideal Hotel South Miami!

Loews Miami Beach Hotel
www.loewshotels.com/MiamiBeach

4.4 ★★★★★ rating for loewshotels.com
(855) 885-6397
Luxury Hotel Featuring Pools, Spas & Lounges From Only \$339! Book Now.
📍 1601 Collins Ave, Miami Beach, FL

Trump Miami
www.trumpmiami.com/

Luxury Accommodations, Beachfront Views, Fine Dining and More!

\$43 Miami Hotels
www.orbitz.com/Miami_Hotels

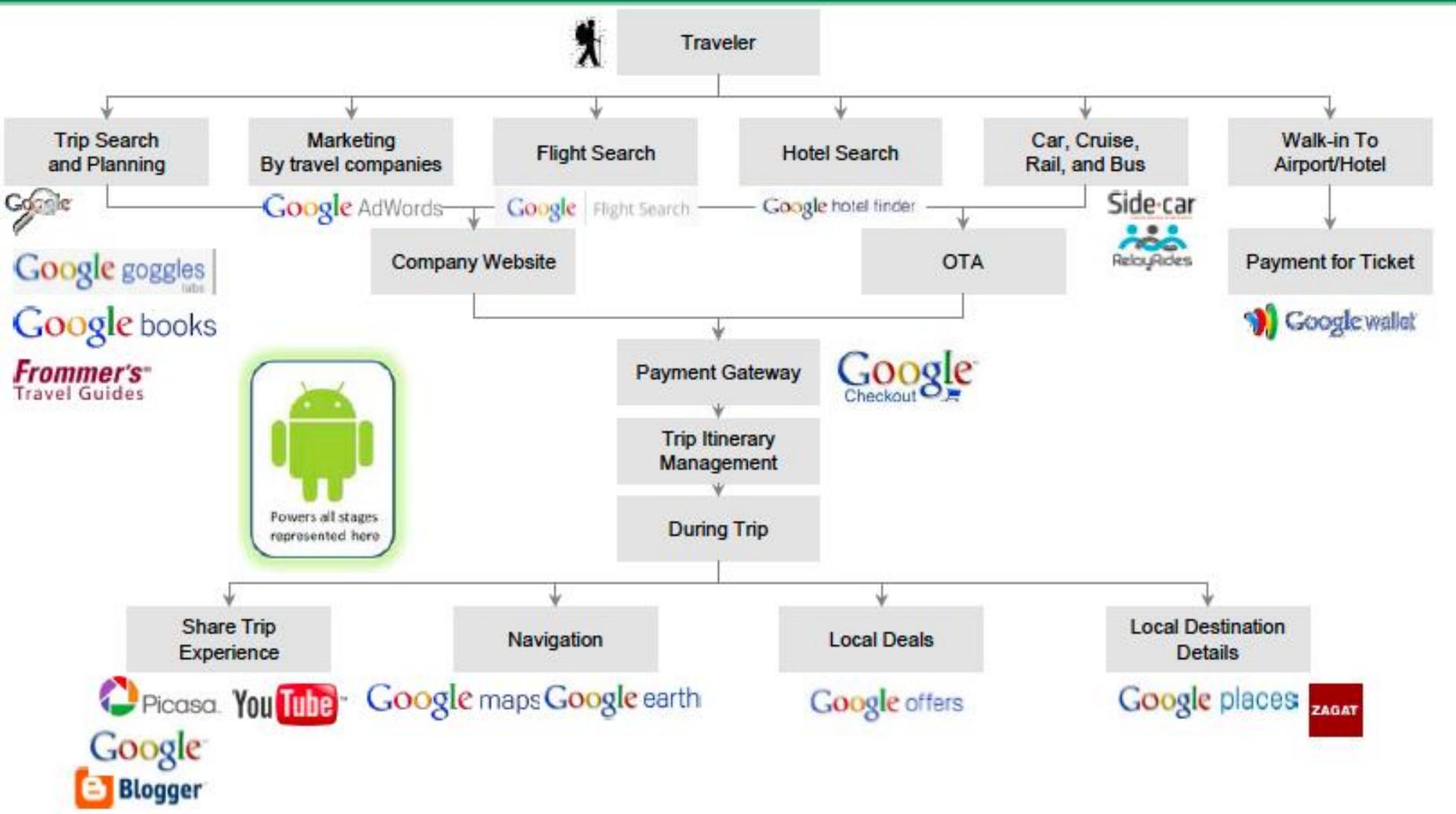
4.4 ★★★★★ rating for orbitz.com
Book Now for Great Rates & Save.
Plan Your Next Escape to Miami.

Miami Airport Hotel
www.daysinnmiamiairport.com/

Free 5 Minute Shuttle To Terminal.
Book Online Now And Save!



Google's Travel Ecosystem

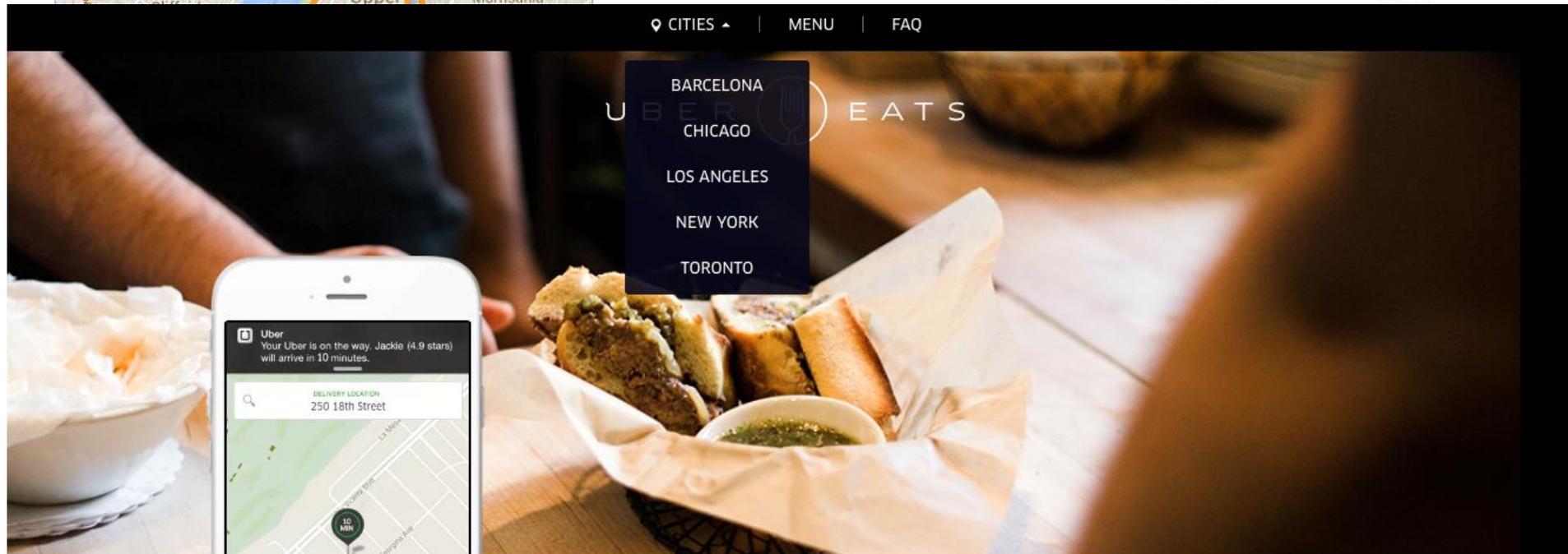


Source: BCG and Hilton Worldwide



UBER

Future: Peer to peer services



From tap to table in minutes

UberEATS delivers the best of your city right when you want it. Our curated menus feature dishes from the local spots you love. And the ones you've always wanted to try. It's same cashless payment as an Uber ride. So just tap the app, meet your driver outside, and enjoy.

[SIGN UP FOR MENU UPDATES](#)

Tech Consolidation – why should it matter?

ORACLE® | micros®

Oracle Buys MICROS

AMADEUS®



priceline.com®

buuteeq® the digital marketing system for your hotel



ORBITZ

Core to a Hotel's Profit

Business Travel



Groups & Meetings



POW! *"LOVE IT. TRIPBAM SAVED ME \$160 A NIGHT AT THE SAME HOTEL AND ROOM TYPE!" -MO, TX*

Surprise, surprise...

21st April, 2015

Amazon Travel
Launches New
Brand, Amazon
Destinations

16th October 2015

Amazon Cedes \$157 Billion Travel Market to Priceline (AMZN)

The closure of Amazon Destinations proves the strength of PCLN and rivals

By [John Divine](#), InvestorPlace Assistant Editor | Oct 16, 2015, 9:19 am EDT

A New Era of Opportunity: Revenue Strategy

How can we **optimize** net revenue?

Channels – managed separately

...especially when top line revenue is the target



Drive Holistic Performance

Take an omni-channel view and manage margins



The New Imperative: Net Revenue Metrics

Net RevPAR

How much revenue are you earning **net** of customer acquisition costs?

Contribution % (COPE)

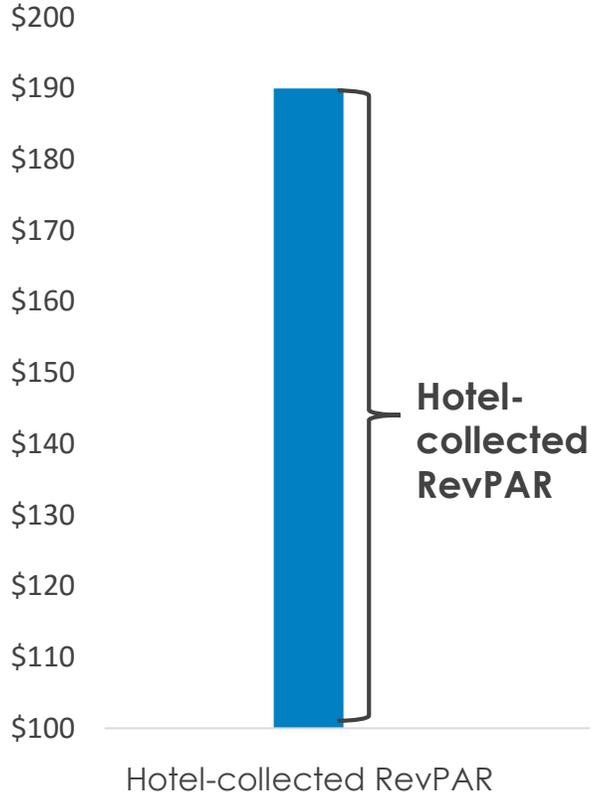
How much revenue is generated from each channel **net** of commissions/transaction fees?

S&M Efficiency

How much **net** revenue is generated for every \$1 spent on Sales & Marketing?

Refining a Classic Metric: Net RevPAR

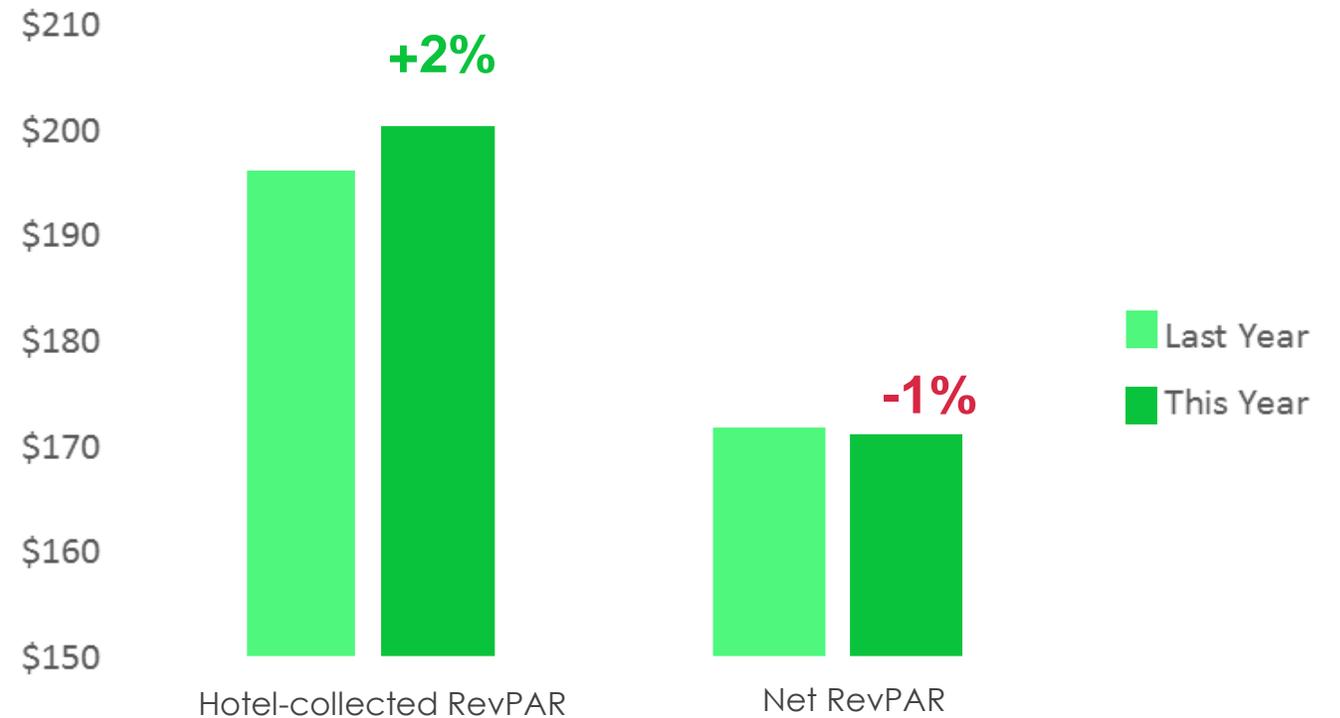
How much revenue are you earning **net** of acquisition costs?



$$\text{Net RevPAR} = \frac{(\text{Guest Paid Revenue} - \text{Acquisition Costs})}{\text{Available Rooms}}$$

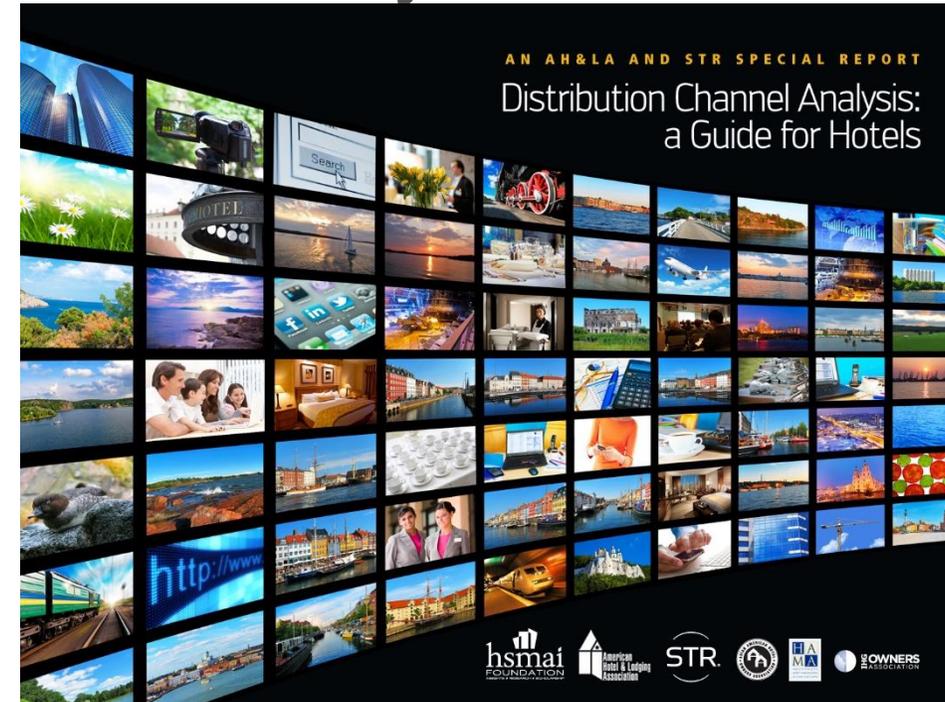
Traditional RevPAR Alone Can be Misleading

Traditional can look good while Net declines



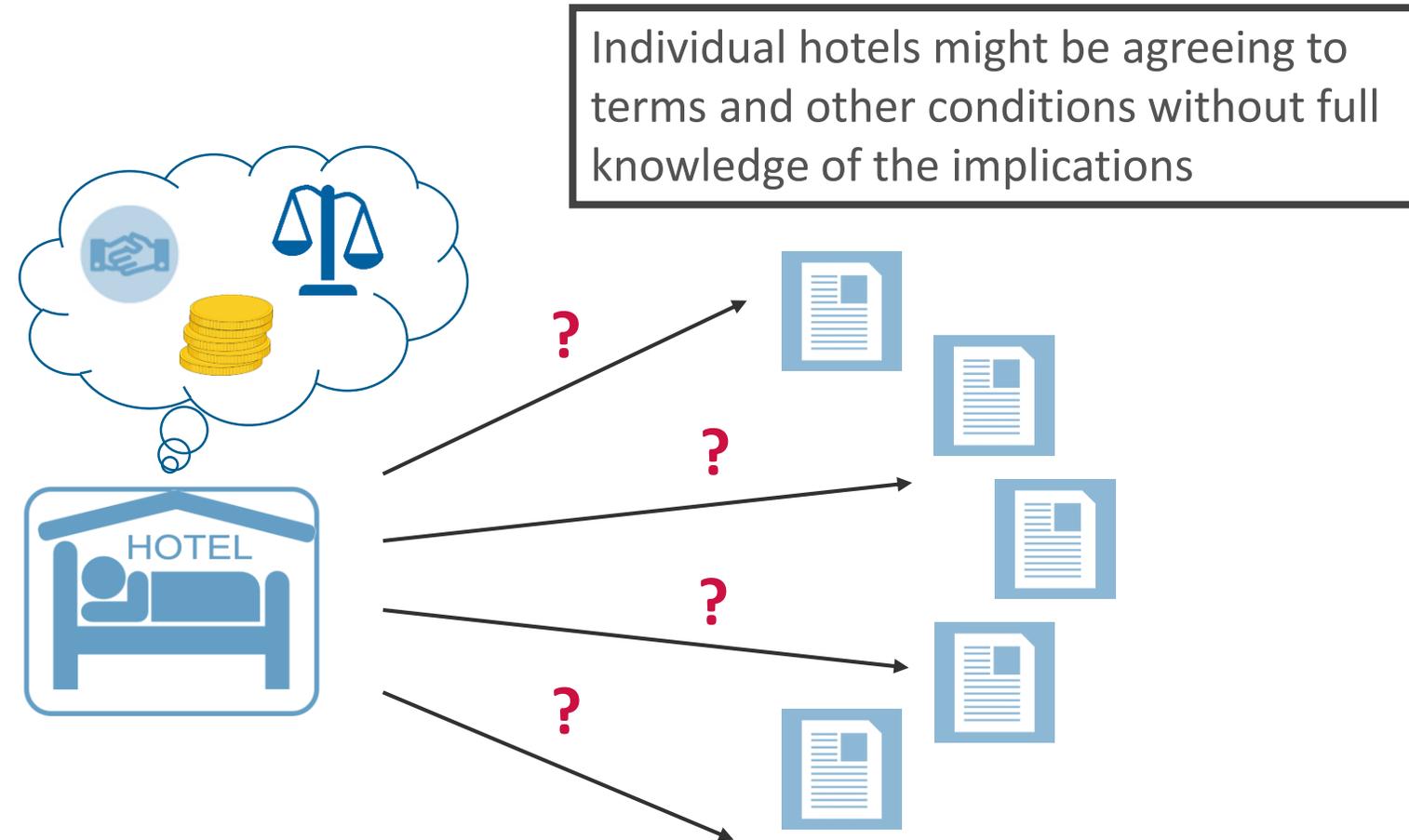
Source: 2012/2013 NYC Study

Customer acquisition costs are not systematically measured and managed; limited visibility on some costs



Reducing acquisition costs
by **1 point** will save **\$2 billion**
per year for the U.S. hotel industry

Hotels are not well informed about new entrants



Three Take-Aways

Align across siloes to drive **Net Revenue**

Work holistically to find your **Optimal Channel Mix**

Dive deep to understand how **new entrants** work and how they will affect your business



Questions?

Matt Carrier, Revenue Strategy Manager
Kalibri Labs
matt@kalibrilabs.com

November 16th, 2015