A strategic Analysis to assess current Booking.com competitive

Introduction

The online travel agency or OTA business is defined as an online market place, providing all related travel services such as hotel booking, flights, trains, car etc.; There are 3 main strategic groups operating in the industry - the on line portals offering on line reservations with main players such as Booking.com which is part of the Priceline group (Boooking.com counts to more than 90% the Priceline groups’ hotels on line booking), Expedia.com and Ctrip. The meta searches sites such as TripAdvisor, Trivago, Kayak and Google Finder displaying offers from the various OTAs as well as the hotels own brand web site and the sharing economy pioneer – Airbnb offering a fairly new business model helping to bring private accommodation rentals all over the globe.

![Channels Used to Book Accommodations](source)


SOURCE: Morgan Stanley Research, 2015
Today, we will focus on OTAs offering global online hotel booking. In a recent study done by Hotrec, it is found that in Europe the 3 big OTAs are dominating with a common market share of 92%. The most dominant player is Booking.com with a share of over 60%. In the US, after the completion of Expedia’s acquisition of Orbitz late 2015 and earlier that year of Travelocity, it is expected by now to own more than 70% of the OTA share. At its current stage, the OTA market tends to become a duopolistic; one in Europe (Booking.com) and 1 in the US (Expedia) controlling 2/3 of the market.

Currently, Booking.com has a dominating position in Europe and parts of APAC and LATAM, Expedia in North America and Ctrip in China

The purpose of this paper is to examine the current competitive position of Booking.com within the industry.
Changing Industry

After assessing the five competitive forces, it can be concluded that the level of barriers for new entry to the OTA landscape is very high. There is a significant high capital required to develop a competitive on line platform as well as on line presence to gain significant market share internationally. Local services are required to operate successfully in each market and there is a need to recruit the most highly skilled, talented people in the industry, to offer great on line experience, state of the art technology and continuously focusing on innovation in a rapidly changing travel and on line environment. The increasing usage in mobile technology and the great mobile experience including the easiness to book and the big selection of accommodation properties in each market is one example for the big competitive advantage of the existing players such as Booking and Expedia in the industry.

All of the above illustrates how challenging it will be for new comers to enter the OTA business.

Nevertheless, by creating a complete new business model, enabling the private sector to offer on line accommodation reservations, a new player (Airbnb) can disrupt the industry and enter the marker despite the high barriers and “steal” a significant market share from the existing OTA’s. In addition, the meta searches players and particularly TripAdvisor are trying to gain a bigger piece of the pie by working directly with accommodation partners.

The increase in social media activity and more specifically the ability to read reviews on each accommodation on 1 main on line platform, is helping TripAdvisor drive high visitor traffic to their platform and become a more influential player than ever in the industry. That can potentially pave them the road, to act more as an OTA and “steal” a significant market share in the future.

At the same time, many hotel chains such as Marriott, Accor, IHG and others, are pursuing an aggressive strategy promoting direct on line booking via their own web sites by passing by the OTAs and eliminating the high commission fees usually charged by the various OTA’s. Recently, EU regulators forced the major OTA’s to change their Best Rate Guarantee clause with accommodation providers which means that providers are able to offer more attractive pricing on other distribution channels such as their own brand site. That can potentially encourage consumers to look for better deals outside the OTA’s platform.
In the future, 2 more forces can be of a threat to the big OTA’s. The EU and US authorities who are looking carefully into the companies’ best practices and future M&A activities to reduce the monopolistic position gained by the existing players so far.
The creation of the new disrupting block chain technology can potentially eliminate or reduce the dependency on 3rd party players such as Expedia and Booking.com and allow easy and safe direct transaction between the final consumer and each accommodation provider.

Capabilities

As a high growing company, new talent is joining the company every day; Booking is investing time and funds to ensure high skilled employees, particularly in its IT division are recruited. All employees are enjoying of a pleasant working environment and a wide range of primary and secondary employee’s benefits. To ensure high level of customer satisfaction, all accommodation and consumer facing communication are done in local languages; Booking has to date more than 200 local offices around the globe and more are planned to open in the coming months.

Booking is investing heavily on R&D and seeking to innovate and improve its services continuously. All new features on the Booking.com platform are implemented after extensive a/b testing and in depth analysis of Booking data sciences. Strong online presence is maybe the most important component for an OTA; Booking.com is the 2nd largest spender (After Amazon.com) on Google Ads. Booking.com maintain a highly skilled on line marketing team specializing on finding the right key words to bid in each language to maintain its number one position on Google in every search related to on line accommodation terms. To optimize and enhance consumer experience, a highly advanced algorithm is supporting the selection of suitable accommodations to meet each visitor own preferences.
The new innovative self-signed up tool assisted to accelerate the volume of properties joining Booking.com in recent years and offer consumers a great choice of by now more than 1 million accommodation providers on the platform.
Conclusion

By assessing the competitive position of Bookign.com using the strategy map and the five factors as well as the environmental industry analysis and its core capabilities, Booking.com is a classic example of an organization that has managed to achieve integrated strategies; It uses a cost leadership strategy, gaining high market share by servicing a broad range of segments worldwide and achieving economy of scale and by investment heavily on R&D, continuously focusing on innovation and on localization of its services. Booking has managed to gain the reputation of a company that offers the best user experience platform in the industry and the most creditable organization with strong working relationship with each of the accommodation providers who are listing their offerings the Booking.com platform. Strong branding and powerful online presence both on mobile and on desktop platforms drive high visitor traffic to the platform and consequently delivers high level of reservations to the accommodation providers in each market. All of it explains the fast growing pace and overall success that the company has experienced in the last 20 years.

Looking ahead, Booking is facing great challenges from various directions. With the rise of social media to every aspect of our life, many consumers are looking at review platforms when planning a trip; players such as TripAdvisor which started as a review site offering consumers to book hotels either directly via its platform or directing them to the various OTA’s by sharing part of the OTA income.

Google is entering the online travel landscape with its own meta search platform called Google finder. Some big Chinese players like Ctrip and Alibaba are gaining momentum and last but not least Airbnb who is expected to become the 4th largest OTA after Expedia, Priceline (Booking) and Ctrip.

Other possible threat can come from new innovative technology such as the blockchain, that can possibly eliminate 3rd party intermediaries such as OTA and cause a disruptive impact on the whole OTA industry in the future.

In order to keep its high growth and continuous gaining more market share, Booking should keep investing in R&D and innovative technology at the same time offers its accommodation provider, a wide variety of services in addition to the online hotel room distribution to strengthen the long terms relationship with each of the accommodation providers.

Booking should also look into competing directly with Airbnb and Homeaway.com and enter the private accommodation providers sector; With its existing
infrastructure around the globe and it’s on line experience, Booking can capture a substantial market share and forces the new comers to slow done their growth pace.

A wider range of services can be offered to the final consumers; Services such as general tourist information, access to other travel related platform offering flights or car rentals on line reservations, theater or museum ticketing and cooperation with players such as Uber all on its mobile platform can be another way to enhance customer experience, customer satisfaction and consequently increase market share.
Appendix

Five competitive forces analysis

Entry

- Capital requirement - high initial Investment required to develop an appropriate on line hotel booking platform and gain significant worldwide on line presence (+)

- Economy of scale – the more accommodation partners OTAs are working with, the lower their operating cost are locally and on the head office level (+)

- Few very strong brands operating in this field, dominating this landscape by investing heavily on line presence

- Years of experience including a/b testing as well as high investments in technology and people is required to offer great on line experience to reach high satisfaction level and returning customers (+)

Suppliers

- High volume of available accommodation partners companies (Hotels, Motels Apartments, Hostels) in each market can ease the entry of new players to the OTA landscape (-)

- Years of investments and local presence in each market is required to establish relationship with accommodation partners companies such as hotels, motels, apartments (+)

- Many hotel chains are pursuing aggressive strategy attracting consumer to book directly at the hotel won web site, to increase loyalty and decrease commission fees charged by the OTAs (-)
Buyers

- Numerous options for consumer to purchase accommodation partners either through online players, offline travel agencies or directly book at the accommodation web site (-)

Threat of substitute

- Accommodation partners can choose not to work with one of the big OTAs but in the majority of the markets, they are risking a substantial decrease in room reservations and consequently a much lower room revenue (+)

- Blockchain technology can potentially disrupt the OTA market eliminate the need of 3rd party to link between end consumer and accommodation partners (-)

- Meta searches such as TripAdvisor and google finder have started to work directly with accommodation partners to pass by the OTA (-)

- International Hotel chains are pursuing an aggressive strategy, attracting consumers to book direct at their hotel’s own web site.

Rivalry

- Number of competitors is low and their size is very big (+)

- With the new trend of offering private accommodations to consumers (AirBNB), capacity is not any constrained and there is a high growth rate potential for the industry (-)

- The upcoming of AirBNB and HomeAway increased the diversification of the industry and the high product differentiation of each player (+)

- Both meta searches companies as well as sharing economy players are pursuing aggressive strategy to “steal” market share from the OTAs

- Big companies such as Apple, Google Amazon in NA and Alibaba in China Are either entering or may enter the lucrative OTA business (-)
Environment analysis

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<th>Demographic Trends</th>
<th>Socio-Cultural Influences</th>
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<td>• More and more consumers are booking online</td>
<td>• Increase activity in social media resulted in more reviews and sharing experience online</td>
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<th>Technological developments</th>
<th>Political-Legal Pressures</th>
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<tr>
<td>• Increase in mobile usage and online booking via a mobile device</td>
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<tr>
<td>• Blockchain technology is evolving</td>
<td>• EU and the US government put more pressure on the big OTAs mainly in tax related issues and M&amp;A activities</td>
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<td></td>
<td>• Booking.com is not allowed to force best rate guarantee in European countries</td>
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<th>Macroeconomic Impact</th>
<th>Global Trade issues</th>
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<td>• Increase in terrorist attacks can have influence on travel activities</td>
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Main Capabilities Analysis

- Biggest selection of online hotel booking worldwide (1 million accommodation partners)

- Strong online presence and reputation

- Highly intuitive platform proving great booking experience for consumers.

| People | - A big recruitment team to ensure highly skilled talent is recruited  
- Big learning center to continuously ensure highly knowledgeable employees across the organization  
- Localization for each accommodation facing related topic to ensure high consumer satisfaction level  
- Great work environment and wide range of employees benefits. |
|---|---|
| Process | - Sign up new hotel partners process is easy and friendly- 1 million accommodation partners as per July 2016.  
- Different level service for different types of accommodation partners based on revenue  
- Highly specialized and localized customer service team |
| System | - An expert marketing team specialized in online presence in each market  
- High investment in R&D and base each decision related to features taken on big data and a/b testing  
- Advanced algorithm determining the accommodation position order (ranking) on the site for each selection made to optimize consumer experience |
Strategic Map

Geographical Presence

OTA Size

Market Share

- Expedia
- Booking
- TripAdvisor
Sources


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