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Global IBE & Metasearch Management Study

Key findings and takeaways

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About h2c

Founded in 2001, h2c provides professional services that help hotel chains enhance their marketing and distribution performance. Our Mission: h2c inspires success in hospitality commerce. Our passion to translate marketplace complexities into actionable strategies shapes our relationships. The goal: clients are confidently in control. For more information, please visit www.h2c.de.

Why This White Paper Is Important

The hospitality industry is facing the largest crisis since the Second World War across most parts of the globe. COVID-19 has not only kept many guests away, but the pandemic has also created a high level of uncertainty among travelers, who now contact the hotel more frequently for health safety reasons. This is a great opportunity for hotels to convert the increased number of website visitors into direct bookers.

As medical measures begin to roll out, restarting a sustained recovery—slowly but surely—**hotels must use this recovery period to win back share from OTAs.**

Introduction

Driving more direct business to the hotel's website is a top strategic goal of most hotel chains across the globe. However, the success with Internet Booking Engines (IBEs) and metasearch referrals to the IBE vary to a large extent by region for various reasons. In either case, opportunities are on the horizon e.g., during the COVID-19 pandemic, the share of mobile direct bookings showed a significant increase. This is only one trend among many others identified.

The White Paper of h2c's Global IBE & Metasearch study aims to highlight the current state of hotel booking engines, and the capability of driving more traffic to the IBE via metasearch channels. The study builds on detailed insights obtained from an online survey as well as expert interviews with hotel chains in Europe, Middle East & Africa, Asia Pacific and the Americas. H2c's research has a focus on the chains' satisfaction level with their current IBE and metasearch solutions and the major pain points that persist today.

The impetus for this study is based on the hotels' increasing demand to improve their bottom line, ideally by delivering more personalized services to their guests. Especially small, but also regional and medium-sized hotel chains are still struggling to gain more bookings via their direct online channels. Nevertheless, accommodation providers can gain back some competitive advantage over OTAs during the current crisis e.g., by providing unique (health related) content assigned to their property, services and destination. Ultimately, h2c's study results shall help to better understand the hotel chains' requirements, enabling distribution providers to identify functionality and service gaps in order to prioritize their technology developments. For hotel chains, h2c's research highlights untapped innovation areas with the potential to improve competitiveness and stand out from the crowd.

COVID-19 impact on study results

While the online survey (quantitative data source) was distributed pre-COVID, nearly all responses were received during the pandemic up to July 2020. Quantitative data is based on the full year 2019 and is therefore not skewed by the developments during the crisis. Questions related to IBE and Metasearch strategies came in from both the online survey and executive interviews and clearly stand in context with the ongoing operational challenges. Despite various negative business impacts, some hotel chains maintain their strategies, while others have (temporarily or opportunistically) adapted new strategies.

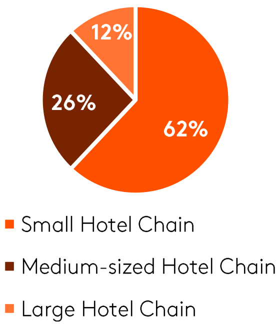
Survey Participants

H2c's research combines the findings from an online survey, executive interviews with hotel companies, and interviews with IBE and metasearch management technology providers. In total, the study includes the answers of 76 unique hotel chains. Survey participants are from various hospitality functions including Distribution, Sales & Marketing, IT, Revenue and Operations. Designed to assess the needs of hotel properties around the globe, the analysis has a fair distribution across hotel categories by star rating and hotel chain types.

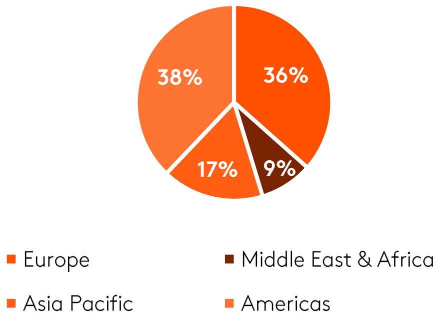
The surveyed 76 hotel chains, whereof the majority is regional, represent 9,575 properties and 1,361,214 rooms worldwide.

Hotel Chain Profiles

Type of Hotel Chain



Properties by Region



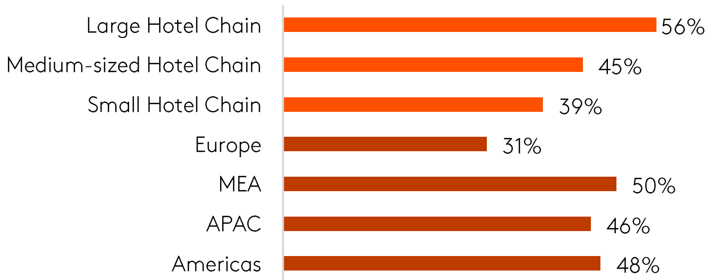
Definitions

Small Hotel Chain:	Operates between 3 and 29 properties (branded or unbranded)
Medium-sized Hotel Chain:	Operates between 30 and 99 branded properties
Large Hotel Chain:	Operates at least 100 branded properties

Loyalty Program Usage

About four in 10 of all participating hotel chains do not have a formalized loyalty program. The larger the chain, the higher the propensity to offer a loyalty program. From a regional perspective, Europe shows the lowest loyalty program employment across the globe with 31%.

Loyalty Program Availability by Chain Type and Region



IBE Solutions employed

The vast majority of hotel chains (75%) utilize a semi-customizable IBE, where the consumer-facing front-end is provided by a PMS, CRS or other technology company. The alternative is a fully customizable IBE, at which the aforementioned companies provide the API connectivity. With the latter IBE type, the hotel chain or its technology provider builds an own user interface. Typically, the benefit lays with a more individual user experience aligned to the brand, but at the expense of higher costs.

	Fully Customizable IBE	Semi-Customizable IBE	Total
Large Chain	**6**	**3**	**9**
	Top 3 most used IBEs: Sabre SynXis, Pegasus, Own solution		
Medium-sized Chain	**6**	**14**	**20**
	Top 3 most used IBEs: Sabre SynXis, TravelClick, Vertical Booking		
	No. 1 most used IBE: Sabre SynXis		
Small Chain	**7**	**40**	**47**
	Top 3 most used IBEs: TravelClick, Sabre SynXis, Own solution		
	No. 1 most used IBE: TravelClick		
No. of Mentions	**19**	**57**	**76**
	25%	**75%**	**100%**

Key Findings

Good IBE technology may not be good enough

Owed to their fast and comparatively easy implementation, three quarters of all hotel chains employ semi-customizable IBEs. On the downside, this high utilization rate seems to result in a lower level of personalization and fewer customization options—both are the top two pain points mentioned by hotel executives with their IBE.

Missing personalization capabilities were mentioned by 71% of hotel chains, which most often stems from the fact that data is stored in different systems without the solutions in place to make this data actionable and utilize it in a meaningful way.

42% of the respondents identified limited customization possibilities within their current IBE, losing out on the opportunity to build a unique and customer centric IBE for their targeted clientele.

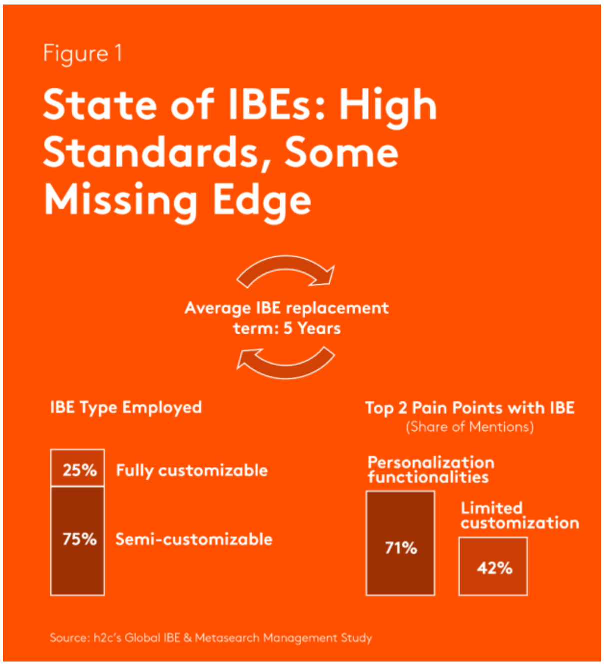


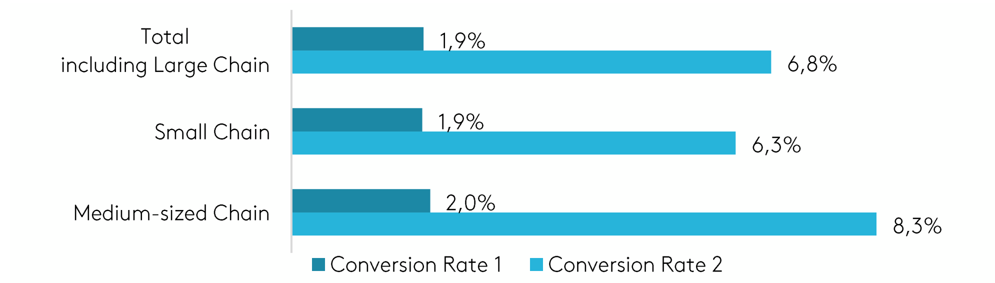
Figure 1
State of IBEs: High Standards, Some Missing Edge

Exactly these two functionalities are crucial to effectively compete against OTAs. Fully customizable IBEs are often more difficult to maintain as hotel chains need to pool resources and invest into design, consumer trends research and technology. The average IBE replacement term lies at around five years, however, somewhat shorter for semi-customizable IBEs.

The metric for online success: The IBE Conversion Rate

We distinguish between two conversion rates. Conversion Rate 1 (CR1) is defined as the number of bookings versus the number of website visits in percent. Conversion Rate 2 (CR2) represents the number of bookings versus the number of IBE visits, which indicates that a website visitor was shopping (looking up rates/availability) as opposed to only viewing hotel information. On average, CR1 is about one third of CR2. For medium-sized chains, CR2 is higher with 8.3% compared to 6.3% for small chains. From h2c's previous research, we have seen that CR1 has increased from 1.1 % in 2015 to 1.9% in 2019.

Figure 2: Conversion Rates (%) of Internet Booking Engine, 2019



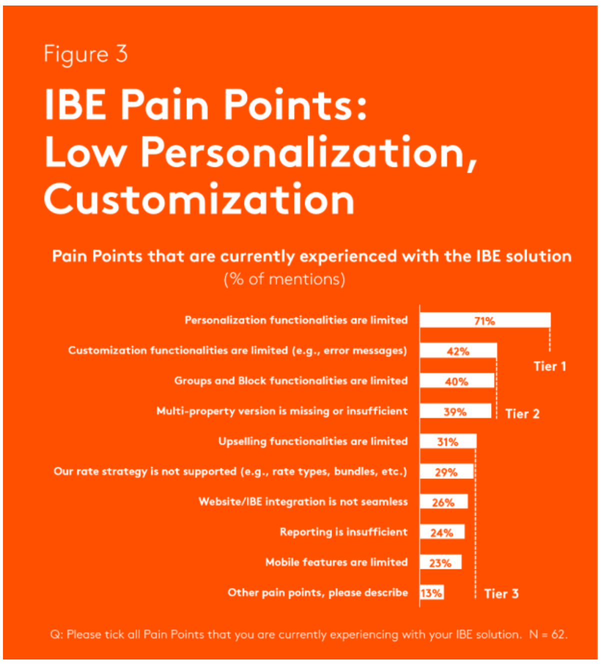
Q: Please provide the Conversion Rates of your Internet Booking Engine in percent (%).
Conversion Rate 1: N = 45. Conversion Rate 2: N = 44. Note: Sample size was too low for large chains. ©2020 h2c GmbH

The Long Tail of IBE Pain Points

Besides the two top pain points (lacking personalization and customization), there are various other IBE functionalities for which hotel chains are seeking to find solutions.

For example, groups and blocks functionalities as well as multi-property functionalities are often missing. These gaps are categorized as Tier 2 and need to be resolved rather sooner than later by some IBE vendors.

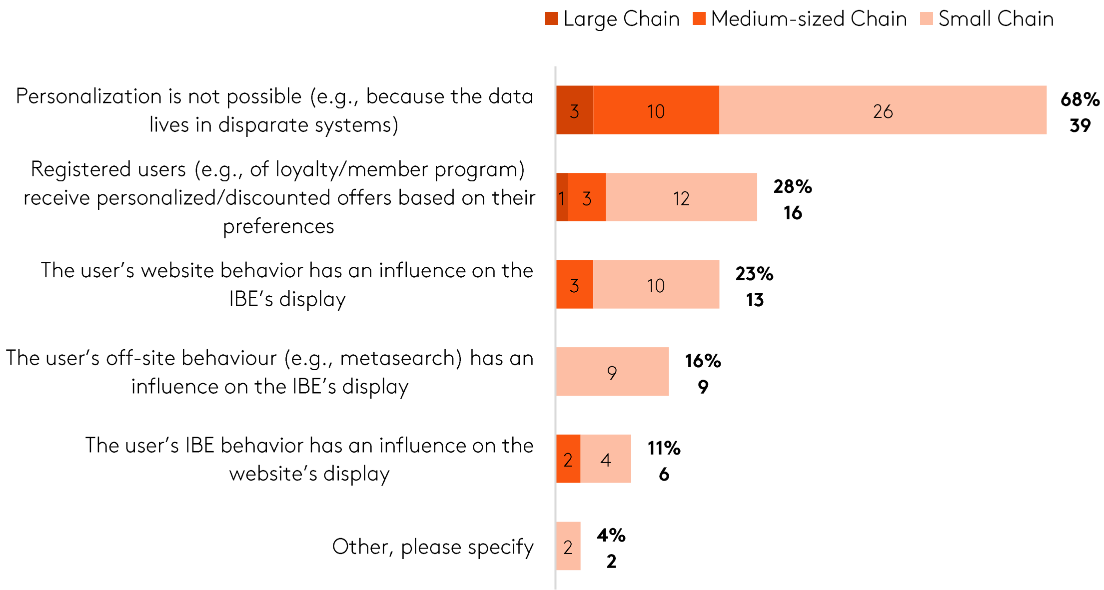
Upselling functions, the inability to support the hotel chain's rate strategy, integration and reporting issues as well as lacking mobile features (Tier 3) are of less severity, but also require technical improvements over time. Only 23% of respondents mentioned that mobile functionality is limited, which may be a result of hotels not pushing hard to achieve the highest standards in comparison for example, to an OTA mobile app or website.



Personalization opportunities poised to become a game changer

For 68% of all chains, personalization is not possible at all. One reason for this is that the relevant data lives in disparate systems. Almost three in 10 chains (28%) enable guest registration for displaying personalized offers based on their preferences. More often (23%), the users' website behavior has a higher influence on the IBE display than the other way around, where the IBE triggers what the website shows to visitors (11%).

Figure 4: Personalization opportunities the IBE/website integration offers today

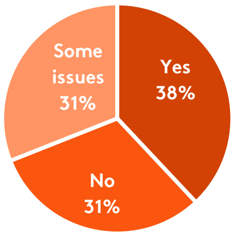


Q: Which personalization opportunities does your IBE/website integration offer today? N = 57. ©2020 h2c GmbH

Strategic revenue management must be supported by technology

Another highly-ranked pain point with IBEs is the lack of support for the hotel chains' overall rate strategy. Currently, revenue management strategies are only supported for two thirds of hotel chains i.e., a staggering one third of hotel chain managers are experiencing serious issues. As hotel chains increasingly seek to include personalized features (customized products and services) into their pricing strategy, these requirements need to be understood well by technology providers and resolved in order to avoid future problems.

Figure 5: Does the IBE fully support your revenue management strategy/tactics?



Hotel interview: Does the IBE fully support your revenue management strategy/tactics? N=16. ©2020 h2c GmbH

COVID-19 changes strategic priorities

Travel restrictions, lockdowns and many other constraints have had an impact on the hotel chains' strategic priorities. For example, rate strategies (rate parity vs. individual pricing per channel) and online marketing strategies (ads spend) were among the most important mentions. These are some quotes from hotel executives during the crisis.

Figure 6: How COVID-19 Changed Strategic Priorities

> "SEA had a focus on brand. Now it has a **focus on individual hotels**. Social Media had a focus on brand. Now, **Social Media is less used and only for targeted offers**. Now, newsletters (offers) are more often sent to returning guests, **retaining even more people who are already high performers.**"

> "Meta and loyalty were our big priorities. **Now, greater leverage of direct bookings, alternate pricing strategies, other Cancelation policies, and guest communication is in focus**."

> "We launched huge media campaigns. **Our strategy has not changed**. Direct is the right thing to do. **What has changed? Now, the competition is going direct as well**, playing the Loyalty game."

> "During constraint periods, **prior to COVID-19, we put a rate disparity strategy in place. Now, we must ensure that we work efficiently with our partners. Therefore, we switched back to full rate parity.**"

> "Direct bookings are already much higher than in 2019. The proportion of **IBE bookings has increased enormously** this year."

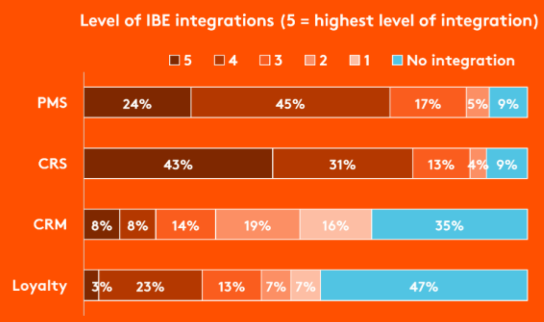
Hotel interview: What were your Top (3) strategic priorities for driving more direct bookings prior to COVID-19-crisis? What will be your Top 3 priorities after COVID-19-crisis? N = 16

IBE integration with CRM and loyalty systems provide opportunities

Major gaps in terms of supporting booking engine effectiveness have been identified in the area of the availability of integration options. IBE integration with CRM and loyalty management systems is insufficient as only 16% rate their CRM integration as very good and good. Loyalty program integration is better rated (26%), but still lacks functionality. Today, loyalty penetration is still rather low across the globe, especially for smaller chains. Of all participating hotel chains, only four in 10 (39%) have a loyalty program in place.

Figure 7

Major IBE Integration Gaps: CRM, Loyalty still in their infancy

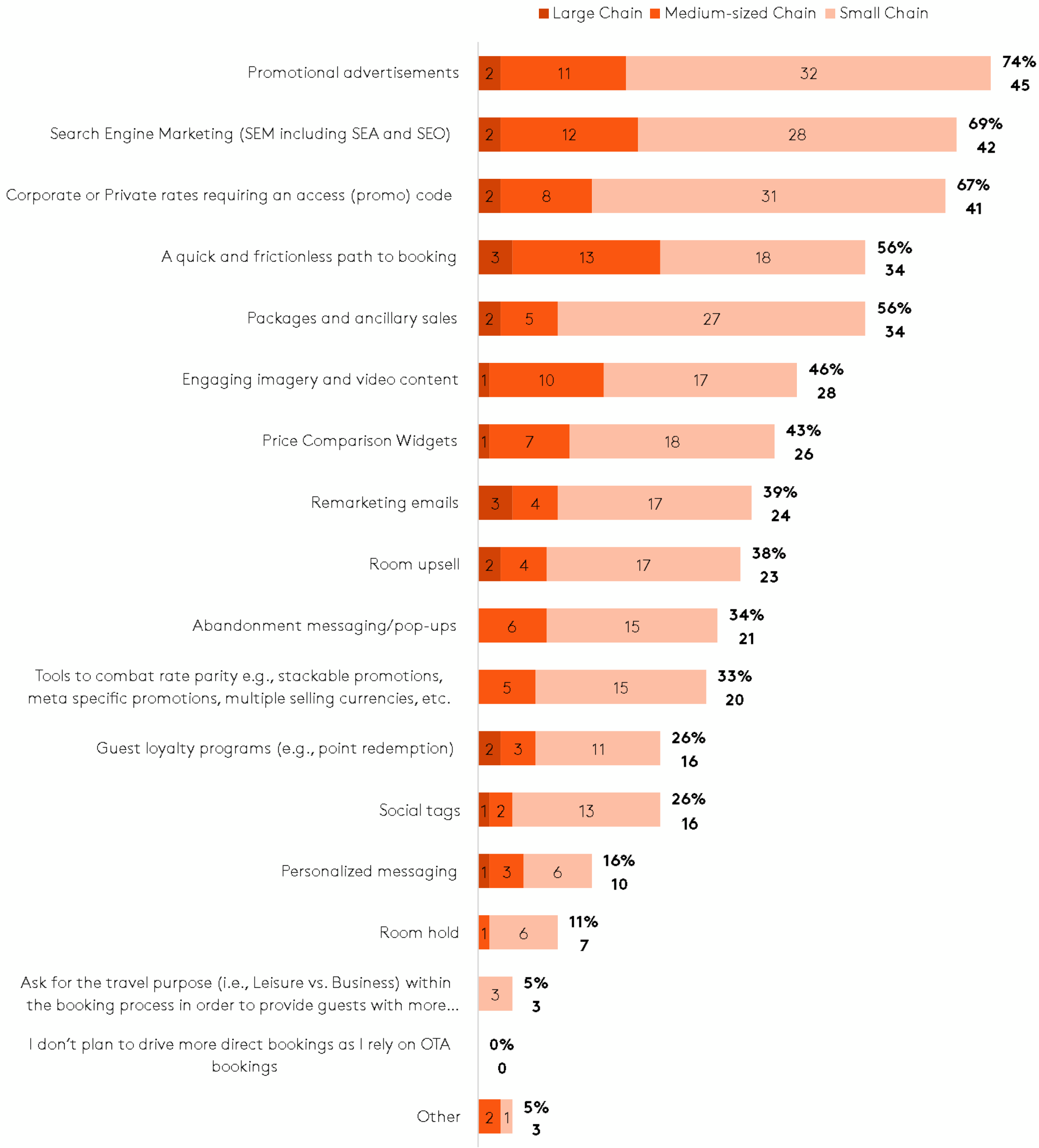


Q: Please rate the level of your IBE integrations (quantitative and qualitative) on a scale from 1-5. (5 = highest level of integration). N = 62.

High IBE conversion requires a multitude of optimization measures

Among the highest ranking measures to optimize IBE conversion are promotional advertisements, followed by search engine marketing, and corporate and private rates. These top three measures are applied by at least three quarters of all hotel chains. Of high importance to large and medium-sized chains is a quick and frictionless booking path. More than half of all chains uses packages and ancillary sales to optimize their conversion rate. In addition, image and video content, price comparison widgets, remarketing emails and room upsell options are utilized by over one third of chains.

Figure 8: Measures used to optimize the IBE conversion rate

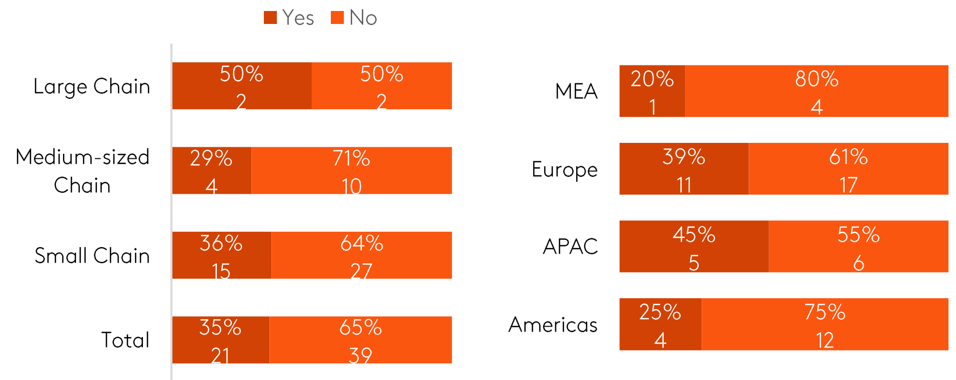


Q: How do you optimize the IBE conversion rate (please check all that apply)? N = 61.

Many payment solutions remain on the wish list

The provision of second and third tier payment solutions on the IBE remains a challenge. In total, only 35% of the chains are happy with the possible options that are available today. Medium-sized chains are the most dissatisfied, with 71% of chains saying their IT partner/IBE vendor does not offer all desired payment solutions. The Middle East & Africa region and the Americas are missing the most payment options.

Figure 9: Is your IT partner (IBE vendor) offering ALL desired alternative payment solutions?



Q: Is your IT partner (IBE vendor) offering ALL desired alternative payment solutions (e.g., Alipay, iDEAL, etc.)? N = 60. ©2020 h2c GmbH

The chains' vote on innovative IBE providers

Being asked about the most innovative IBE providers, chains voted for both Amadeus and Sabre in the top position, followed by Pegasus and Busy Rooms. D-EDGE, Vertical Booking and other IBEs such as Mirai, Roiback, Spectre and Simple Booking were also among the most innovative IBEs for some chains.

Figure 10: Most innovative IBE providers

IBE Provider	All Chains - Total Score	N =	Medium-sized Chain Score	N =	Small Chain Score	N =
Amadeus	**1,6**	31	2,1	7	1,5	24
Sabre	**1,6**	25	1,3	6	1,7	19
Pegasus	**2,6**	12	2,7	3	2,6	9
Busy Rooms	**2,7**	6	4,0	1	2,4	5
D-EDGE	**2,9**	10	4,0	3	2,4	7
Vertical Booking	**3,0**	6	2,0	1	3,2	5
Other (5 Providers)	1,7	6			1,7	6
Total Average	**2,0**	96		21		75

Q: From your perspective/knowledge, please rank the most innovative IBE providers? N = 37. Note: No responses received from large chains. Ranking score is weighted by No. of Mentions. N/A: IBE provider name is not available. ©2020 h2c GmbH

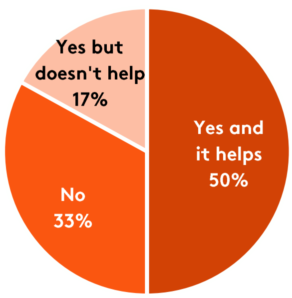
METASEARCH MANAGEMENT

IBE/Metasearch connectivity can be improved industry-wide

Half of all hotel chains have a functioning and revenue-generating metasearch interface with their IBE provider. One third of the participating chains' IBEs do not have a connectivity with metasearch channels, and 17% do not produce satisfacory results. Today, 20% of hotel chains are not using metasearch channels at all. The main reasons are:

- Poor ROI
- No available resources for management
- Had not been considered
- Technical issues

Figure 11: One third of IBEs do not offer a metasearch interface



Hotel interview: Does your IBE have a meta interface? If yes, has it helped to drive traffic volume?
If no, do you miss interfaces to metasearch engines? N=12.

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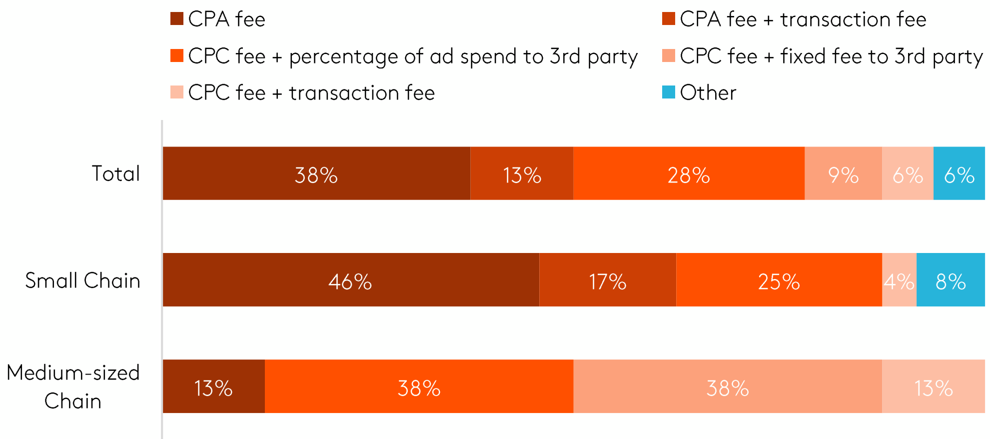
Large spread across Metasearch fee models

Around half of all hotel chains pay a CPA fee—with or without transaction fees. While most small chains often utilize a CPA fee, 89% of medium-sized chains pay a CPC fee plus an additional fee to a third party provider, either as a percentage of the ad spend or a fixed fee.

Figure 12: Structure of Metasearch Fees



Q: How are your metasearch fees structured? Which fees are paid by your organization? N = 32.
Note: No responses received from large chains.

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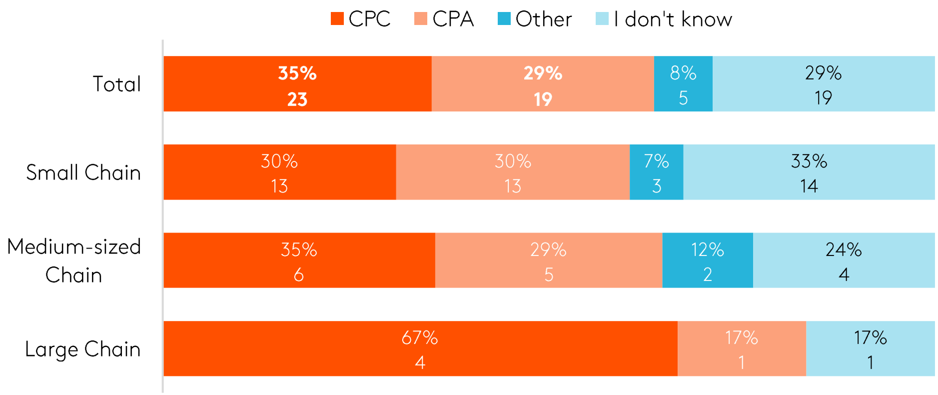
CPC in tight leadership for improving ROI

When asked what metasearch fee model works better for improving return on investment, CPC won by a small margin versus the CPA model for all participating chains. For small and medium-sized chains, there is a near even split between the CPC and CPA model. In contrast, the CPC model seems to work better for large chains for improving their ROI. Three out of 10 chains do not know which model works best for them, which is either owed to not testing the alternative(s) or not monitoring the ROI.

Figure 13: CPA vs. CPC Model



Q: What works better for your ROI? The CPA or CPC model? N = 66

CONCLUSIONS

IBE Pain Points

While most hotel chains utilize a semi-customizable IBE solution, there is a lack of key personalization and customization capabilities to better support guest engagement and conversion.

- Data residing in separate systems makes personalized guest engagement impossible to achieve, and as a result the majority of hotel chains (particularly small chains) are not able to deliver true personalization
- Lack of upselling features, rate strategy support, mobile features, and limited customization are top pain points for hotel chains

IBE Conversion Rates

IBE conversion rates are mostly similar across all chain sizes and have demonstrated growth over recent years (pre-COVID 19).

- The number of bookings versus number of website visits has nearly doubled over the past several years
- Medium-sized chains are more effective than large and small chains at converting IBE visits into bookings

IBE Integration

Major gaps in booking engine effectiveness are directly related to a lack of integration between IBEs and core systems.

- Greater integration between IBE and CRM solutions is needed to help better personalize the shopping experience
- Greater integration between IBE and loyalty programs is needed to better recognize and reward repeat guests for greater loyalty and higher lifetime value of the guest

Loyalty Programs

Despite the widespread usage of formalized loyalty programs, there are areas for improvement when it comes to integrating loyalty programs with Booking Engines and supporting conversion.

- Greater integration of loyalty programs with IBE solutions is needed to fully optimize conversion and bookings
- Reexamining the opportunity for loyalty programs to drive conversion to better support the hotel chains' overall conversion optimization measures

Metasearch Integration

While half of hotel chains utilize an integration between IBE and metasearch (and say it helps), nearly a third have no connectivity between these solutions, citing the following reasons:

- Poor ROI
- No available resources for management
- Had not considered
- Technical issues

Metasearch Fees

Though CPC models are the most prevalent fee structure across hotel chains, CPA models are not far behind – indicating a desire for flexibility in metasearch costs. CPC models are also ranked higher than CPA models in delivering ROI (particularly in large chains).

AMADEUS KEY MESSAGES

Amadeus powers more personalized and authentic travel experiences. Our solutions are designed to enrich every stage of the traveler journey and help hospitality providers acquire, service, and retain guests by driving profitable demand and converting them into loyal fans.

As our industry continues to manage the impact of the COVID-19 crisis, Amadeus has recognized that solution integrations and data application limitations are a significant challenge for our industry's recovery. As part of our commitment to 'Rethink Travel', Amadeus is leading the way in 2020 and beyond to deliver a single ecosystem of integrated solutions, unlock previously siloed data, and deliver the functionality, impact, and experiences that will support a new era in post-pandemic hospitality.

The fully customizable Amadeus iHotelier® Booking Engine, for instance, delivers a seamless integration with Amadeus CRM, Web, and Metasearch solutions to maximize direct booking channels and turn lookers into bookers. With a simple, intuitive, and responsive user interface and a host of merchandising, upgrade, and promotions capabilities, the iHotelier Booking Engine leverages a 360° view of the guest to deliver truly personalized shopping experiences that increase conversion, drive ancillary revenue, and create lasting guest relationships.

And with the launch of the industry's first ever end-to-end eCommerce platform, Amadeus Integrated Booking Suite, we're unlocking the power of solution integrations and data to enable hoteliers to efficiently acquire, convert, and retain guests at every step of the traveler journey.

Additionally, integrations between Amadeus booking solutions and Amadeus iHotelier® Demand Services support direct bookings from metasearch channels such as Google, Kayak, Trivago and TripAdvisor with enticing upsell packages and upgrades (requiring no special rates), and merchandising of non-room inventory. Flexible fee models (CPA or CPC) and a dedicated Account Management team helps guide metasearch strategy to ensure Amadeus metasearch customers achieve direct booking goals and ROI targets.

For more information, please visit www.amadeus-hospitality.com, and learn how to best support your property's crisis recovery strategy at the Amadeus Crisis Management & Recovery Hub.