# Comparing OTAs and Booking Engine

# A Case Study for Optimal Hotel Revenue Management

In the modern hospitality industry, choosing the right booking method can significantly impact a hotel's revenue. Let's compare Online Travel Agencies (OTAs) with direct booking engines, using a case study of a fictional hotel. We will analyze the costs, benefits, and overall impact on revenue to help hoteliers make informed decisions.

## A Strategic Approach to Maximizing Hotel Revenue

# OTAs and Booking Engines

## How do they work

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## Online Travel Agencies (OTAs)

OTAs like Booking.com and Expedia offer platforms where travelers can book accommodations. They provide extensive reach and visibility, especially for smaller or lesser-known hotels. However, they charge commissions on each booking, which can affect the hotel's net revenue

## DIRECT BOOKING ENGINES

Direct booking engines integrate with a hotel's website, allowing guests to book directly. This method typically incurs lower costs as it avoids OTA commissions, leading to higher net revenue per booking. Additionally, it allows hotels to capture valuable customer data and build direct relationships with guests.

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- Name: Grandview Hotel
- Location: Coastal city
- Number of Rooms: 100
- Average Room Rate: $150 per night
- OTA Commission Rate: 15%
- Direct Booking Engine Cost: $500 per month
- Planned occupancy: 70%

# Revenue Calculations

**Approach 1: All the bookings comes from OTAs**
**Approach 2: 50% of bookings shift to direct bookings**

Total rooms per month: 100 rooms * 30 days = 3000 room nights
Occupied rooms per month: 3000 room nights * 70% occupancy = 2100 room nights

Gross revenue from OTAs: 2100 room nights * $150 per night = $315,000

OTA commissions: $315,000 * 15% = $47,250
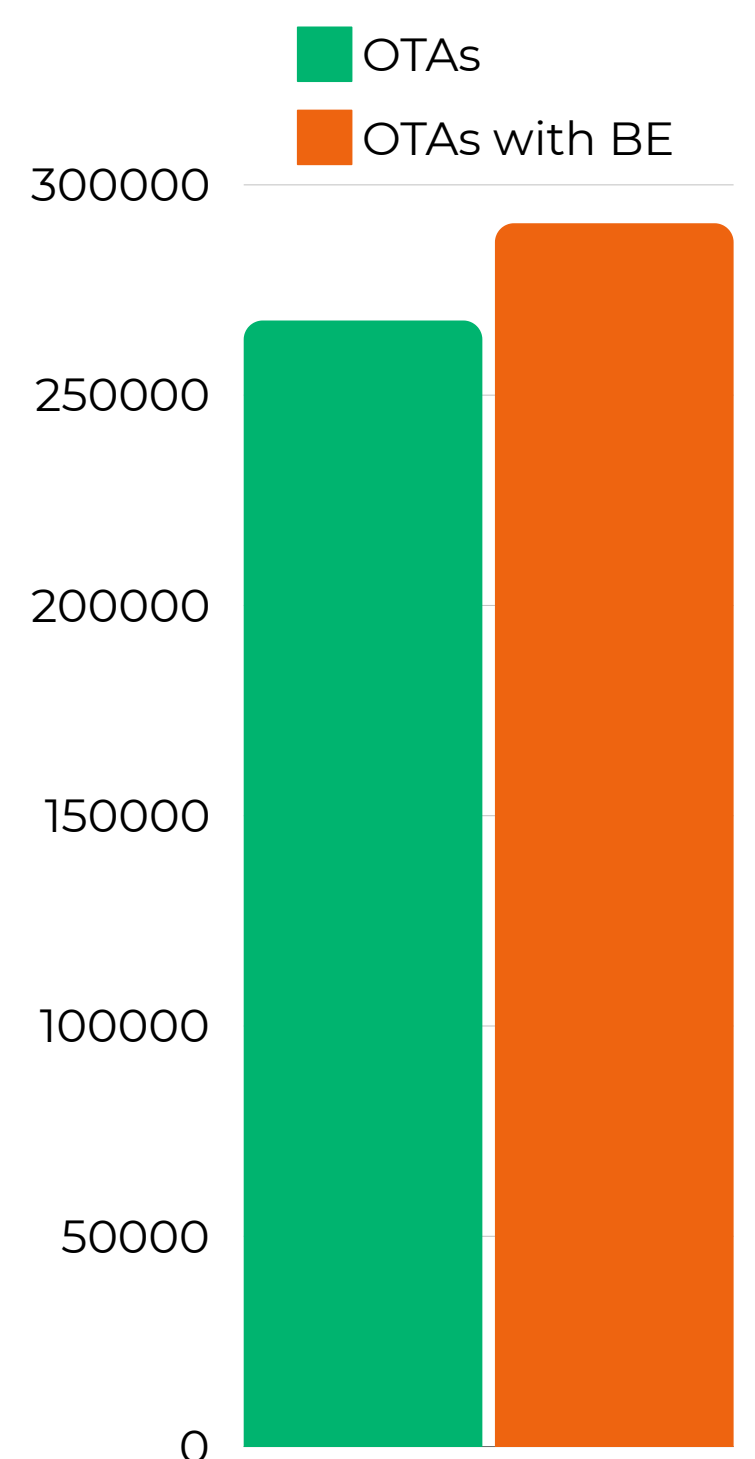
Net revenue through OTAs: $315,000 - $47,250 = $267,750

Direct bookings per month: 2100 room nights * 50% = 1050 room nights

Gross revenue from direct bookings: 1050 room nights * $150 per night = $157,500

Booking engine cost: $500 per month

Net revenue from direct bookings: $157,500 - $500 = $157,000

| SUMMARY | APPROACH 1 | APPROACH 2 |
|---------|-----------|-----------|
| Gross revenue through OTA | $315,000 | 1050 room nights * $150 per night = $157,500 |
| Gross revenue through Booking Engine | X | 1050 room nights * $150 per night = $157,500 |
| OTA comissions | $47,250 | $157,500 * 15% = $23,625 |
| Booking Engine cost | X | $500 per month |
| NET REVENUE | $315,000 - $47,250 = $267,750 | $133,875 (OTA) + $157,000 (Direct) = $290,875 |

**Legend:**
- OTAs
- OTAs with BE

Chart axis: 0, 50000, 100000, 150000, 200000, 250000, 300000

From the calculations, it's evident that shifting a significant portion of bookings to a direct booking engine can notably increase the hotel's net revenue. The Grandview Hotel could increase its monthly net revenue by $23,125 by balancing its booking channels, even with the ongoing cost of the booking engine.

## Customer Relationships



Direct bookings enable hotels to gather guest information, allowing for personalized marketing and improved customer service. This can lead to increased loyalty and repeat business.

## Marketing and Visibility



While OTAs provide broad visibility, investing in SEO and digital marketing can enhance direct booking traffic. Hotels should consider a balanced approach, leveraging OTAs for exposure while driving direct bookings through targeted marketing campaigns.

## Flexibility and Control



Direct booking engines offer greater flexibility in managing rates, promotions, and special offers. Hotels can quickly adapt to market changes and customize guest experiences without the constraints of OTA policies.

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✓ Choosing the right mix of OTA and direct booking strategies is crucial for optimizing hotel revenue.

✓ The case study of Grandview Hotel demonstrates that leveraging the reach of OTAs while maximizing the benefits of direct bookings can significantly boost net revenue while enhancing customer relationships and operational flexibility.

✓ It is the key is to strike a balance within managing your hotel operations

**Ready to see how KWHotel can transform your hotel's booking and revenue management processes? Schedule a demo with our team today to explore our innovative tools and personalized solutions here.**

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