The travel press recently reported two developments related to hotel room sales by online travel agencies (OTA). In the first, several online travel agencies, including Expedia.com and Orbitz.com, announced reduction of their hotel booking fees—the charges to site users to reserve lodging—on bookings made before July 15, 2009. The second was an announcement by Orbitz.com that its hotel booking displays will now show the total cost of the hotel reservation, including all taxes and fees rather than just the previously shown base room rate.

As the hotel industry struggles in the current economic crisis, the implications of these changes (and their likely adoption by all OTAs) for hotels could be significant. Understanding that impact is best accomplished through a brief look back at the much-changed hotel/OTA relationship.

**Some Painful History**

The still-forming relationship between online travel agencies and the hotel industry turned adversarial between 2000 and 2002. Diminishing demand, dramatically accelerated by the events of Sept. 11, 2001, resulted in many hotels feeling compelled to offer lodging inventory to the OTAs, and to do so at painfully deep rate reductions.

The passage of time produced a new perspective and a new and very different set of relationships between hotels and OTAs. Increasing demand for hotel accommodation in 2003 and subsequently, led hotel staff to rely less on Web travel agencies and wholesaler price discounted merchant models. This reduction in lodging supply in turn led to more balanced business arrangements with less onerous rate reductions to the OTAs, less combative attitudes and less passionate dialogue. These new conditions fostered a new opinion by the hotel industry that OTAs, when utilized judiciously, constituted a valid and valuable fractional sales channel.

**New Challenges, New Partnerships**

After nearly five years of strong demand and strong profitability, signs of business softening appeared in late 2007. These negative indicators led hotel staff to re-evaluate the potential of each of their sales channels, including the OTAs. The level of hotel industry comfort with the major entities in the OTA channel had substantially increased. Efficient business processes had been implemented and honed, inventory control tools developed, reimbursement methods improved and OTA price reduction expectations reduced.

The hotel industry’s increasingly analytical inventory management processes recognized that OTAs offer a sales channel to travelers who hotels did not themselves address effectively. They had moved to regard online travel agencies as an access point at wholesaler-like rates to otherwise unattainable bookings.

By 2007, the OTAs had evolved to the status of partners who served otherwise under-addressed market segments. They were now viewed as a distinct sales channel with more acceptable fees, convenient payment plans, greatly expanded inventory control options and increasingly automated interfaces for communication of both rooms availability and confirmed reservations.

The OTA Announcements

What will be the impact, if any, of the OTA fee reductions on hotel bookings? Clearly the OTAs and we in the hotel industry hope that it will be a heightened willingness to travel, and more specifically, to book hotel accommodation. With the public’s interest in a sale, or looking for greater value, the impact of a fee savings should not be underestimated.

Orbitz.com’s move to first screen total pricing arguably speaks to the public’s interest in honesty and authenticity. If this initiative turns out to be seen by the public as favorable to them, it will ultimately benefit both Orbitz.com (and those OTAs who follow its lead) and hotels who deliver the requested lodging.

These initiatives both have positive implications for the hotel industry. But they are not without their negative aspects. Every improvement to the OTA booking option is a new challenge— and a new call to arms—to the hotel industry to review and revamp their own hotel Web sites, lest that sales channel’s hard-earned dominance be eroded.

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