

Opinions

Don't count Expedia and Booking.com out

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While no one can dispute Google's dominance in the travel space, Expedia and Booking.com continue to innovate, building stronger travel platforms and customer engagement tools and programs. Is this a "winner-take-all" environment, or is there room for more?



By Flo Lugli

Despite a disappointing first-quarter earnings report showing a slowdown in growth of its ad revenues, no one should doubt for one minute Google's ambitions in travel.

With a \$1.6-trillion market size and the world's largest service sector, arguably Google is already the largest player in travel despite its current role of being primarily an advertising and customer referral service. In fact, a 2016 estimate had Google travel ad revenues likely producing more revenue than Priceline Group, TripAdvisor and Ctrip combined.

Not one to stand still, Google has been quietly making modifications to its tools and products—Google referenced more than 100 product enhancements each quarter in its ads business in its last earnings call. With a huge Gmail platform to help enable the facilitation of solutions like trip itineraries, Google is well-positioned to continue its dominance.

Yet, when discussing the online travel market, arguments continue to be made that Expedia Group and Booking Holdings are duopolies, a position that is woefully naïve, considering Google's position in controlling the front door to the internet. While Google continues to maintain that its core mission is to make information universally accessible and useful by striving to better answer all of our never-ending inquiries, questions continue to arise about whether it attempts to do so by promoting its own products above its advertisers. This is a model that Big Tech is very familiar with, and one that ultimately may invite scrutiny and regulation—just ask Microsoft.

It's clear there's a lot of money to be made for the largest internet platforms that can extract and wield the most data. In some ways, it's quite ironic, because Google's largest advertisers in travel—Expedia and Booking—likely enabled Google's growth by giving them access to their data. Google may have been much further behind if it wasn't for its convenient lens into its advertisers' supply catalog, location data, content, availability, pricing and demand/bidding profiles.

I believe competition in travel distribution is healthy and necessary for well-functioning markets. Suppliers that wish for the demise of their distribution partners ultimately will end up getting more than they bargained for. I recall a time when we as an industry complained about having to deal with 40,000-plus travel agencies. Are we worse off by having to now deal with just a handful?

When I consult with my clients, I am an advocate of supporting (and managing) various distribution channels, and believe that a true partnership in the travel space is built on a long-term outlook that harmonizes the strengths that each partner brings to the relationship—it doesn't take advantage of natural cycles in the economy when one side might be stronger than the other, and it ensures that both parties can derive a well-earned profit.

So, while hotel suppliers may take a cautious but open approach to Google and other large tech platforms that follow it, Expedia and Booking have been more aggressively drawing its battle lines and rethinking what its own partnerships with Google mean. For example, Expedia mentioned in its last earnings call that both it and its competitors have made a step change in its approach to marketing, enabling the company to better understand and manage non-incremental spend. While Expedia and Booking have been around for a long time, and might even be viewed as legacy by newer entrants in the technology space, both have survived because they continue to change and innovate, constantly challenging their own business models. One of those changes may include transforming into travel platform companies. But doing this successfully and being able to compete with Google will require a focus on being hyper customer-centric.

Google primarily solves its customers' problems with an unimaginable amount of information and data that it mines while also amassing a large amount of personal data about its users. It will be interesting to see how its new feature that allows users to delete their data may effect this. Nevertheless, Google has historically shied away from actually servicing the customer, leaving that up to suppliers or OTAs to solve.



In an age where experience is becoming even more important, Expedia, Booking and—to the extent they can—hotel suppliers, have invested heavily on customer service and engagement tools over the past several years. The impact of artificial intelligence and machine learning will enable these companies to reduce some of those serving costs without any impact on the overall service itself.

For example, in order to gain an advantage on Google and create true customer loyalty, Expedia says its aim is to put the ‘A’ back in ‘OTA.’ Expedia’s vision is to lean into its differentiating factor—to delight customers by being as helpful as a traditional human travel agent would be across the entire trip life cycle. Expedia posits that it has another advantage, in that it is already well on the path to being a travel platform.

The current Expedia marketplace already includes 80 million-plus loyalty members, 1.1 million properties, 1.9 million online bookable alternative accommodations, 500-plus airlines, 75-plus car rentals, dozens of cruise lines, 35,000 activities and thousands of suppliers and affinity partnerships. It wouldn’t be a stretch to see Expedia leverage its position to expand in a number of areas. For example, could Expedia potentially build a travel loyalty platform that combines disparate reward schemes across suppliers, credit card companies, OTAs, and others, and become an ultimate clearinghouse for rewards points, but one that still ultimately drives loyalty to brands or credit card issuers? Who knows?

Google might be the current king of the mountain, but don’t count Expedia or Booking out just yet.

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