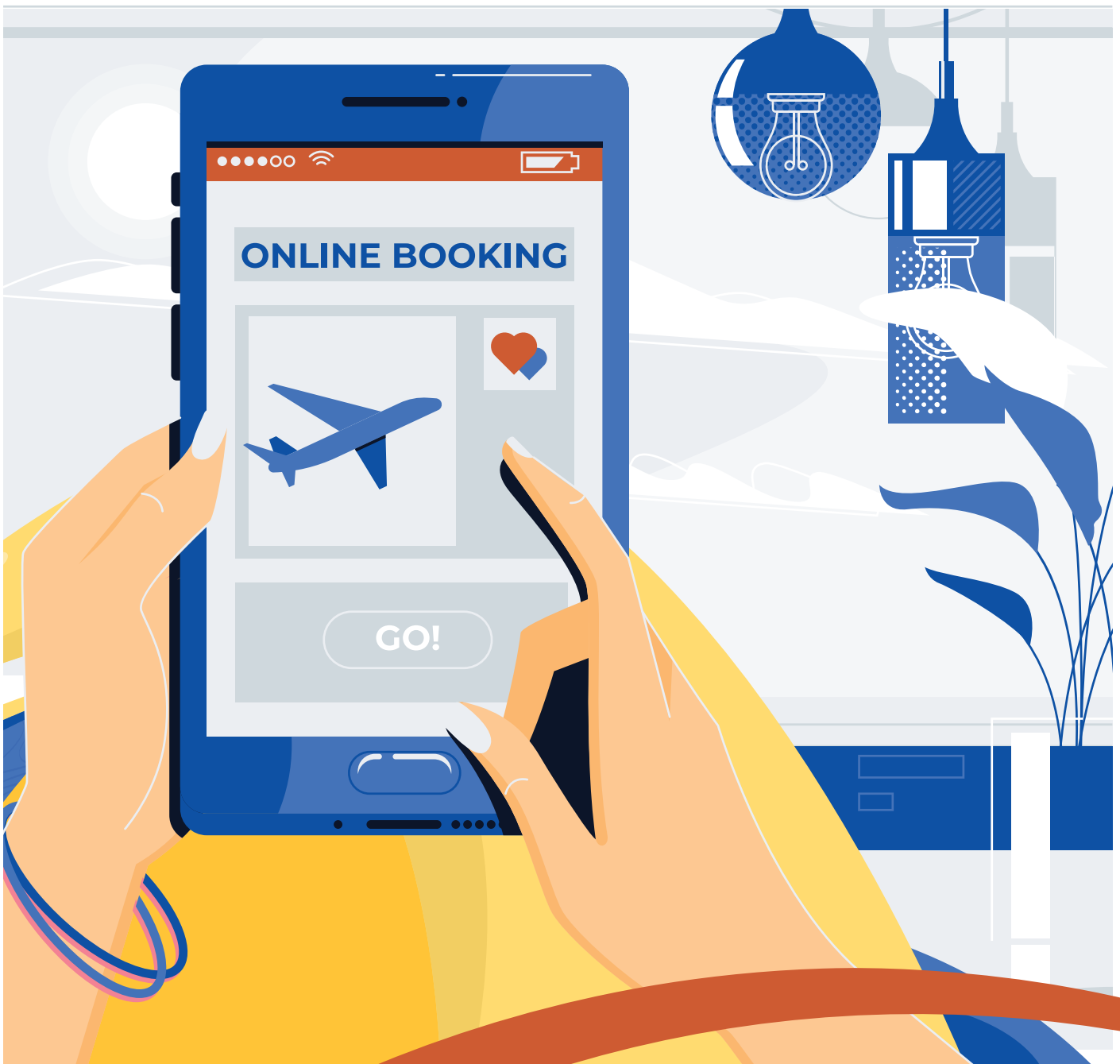


# THE ROLE OF ONLINE TRAVEL AGENCIES IN SUPPORTING ASIA PACIFIC SMEs IN RECOVERY

**PATA**<sup>®</sup>

Pacific Asia Travel Association

RESEARCH



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# MESSAGE FROM THE CEO



## DR MARIO HARDY

CEO, PATA



*Our hope is that this research will help advance the discussion around the future sustainable development and management of Asia Pacific's industry, especially in the context of recovery.*

- Dr Mario Hardy, CEO, PATA



COVID-19 has and will continue to dramatically affect the global travel and tourism industry, including within Asia Pacific. Over the next year and beyond, recovery will face an environment of declining consumer trust given health and safety concerns, as well as decreasing disposable incomes.

However, with effective government management of the pandemic and support from the private sector, communities and civil society, destinations will eventually recover and build long-term resiliency. As part of this process, the travel and tourism industry in Asia Pacific will adapt and learn new ways of doing business. Our industry has a proven record of facing adversary head-on and collaborating to drive recovery.

Online Travel Agencies (OTAs) are playing a crucial role in that recovery process, with direct benefits for the millions of travel and tourism SMEs within the Asia Pacific industry. OTAs will continue to promote destinations, connect prospective consumers with products and experiences, and drive bookings. Furthermore, the ability of OTAs to analyze 'big-data' will allow SME operators to navigate the changing dynamics of consumer preferences and leverage real-time insights to better resonate with consumer appeals.

As the voice of Asia Pacific's travel and tourism industry, PATA is proud to have commissioned this research and work with our partners at Agoda and Twenty31 Consulting to hear from and listen to a selection of SME operators on their perceptions, observations and experience working with OTAs. Our hope is that this research will help advance the discussion around the future sustainable development and management of Asia Pacific's industry, especially in the context of recovery.

Sincerely,

Dr Mario Hardy  
Chief Executive Officer  
Pacific Asia Travel Association (PATA)



# KEY TERMS

The research study focuses on two key audiences within the Asia Pacific travel and tourism industry: Small and Medium Enterprises (SMEs) and Online Travel Agencies (OTAs). The definitions used for both audiences are outlined below.

## **SME:**

- A Small and Medium Enterprise (SME) is a business that maintains revenues, assets, or number of employees below a certain level.
  - The criteria for determining an SME varies between countries and industries. For example, within the European Union a business with fewer than 250 employees is considered an SME, while in the United States an SME has fewer than 500 employees.
  - In the Asia Pacific context, the bulk of enterprises operating in a given country will be comprised of SMEs and in some countries, this figure could go as high as 95% to 98%. These countries include: Australia, China, Indonesia, Japan, Korea (ROK), New Zealand, Philippines, Singapore and Thailand.
  - For the purposes of this research we have used a definition of under 250 full-time, paid employees to define an SME.
- 

## **OTA:**

- Online Travel Agencies (OTAs) are online companies whose websites and/or mobile applications (apps) allow consumers to book various travel related services directly via the Internet.
- They are third party agents and metasearch platforms purchasing, promoting, and marketing trips, hotels, cars, flights, vacation packages and so forth, provided or organized by others.

*Source: OECD, IQPC*

# PART I: EXECUTIVE SUMMARY

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### THIS RESEARCH IS INTENDED TO EXPLORE THE DYNAMICS BETWEEN OTAs AND TRAVEL SMEs TO OPTIMISE PARTNERSHIPS.

This research study was conducted throughout March of 2020, in the midst of the unfolding global COVID-19 pandemic. COVID-19 and the resultant economic decline will likely be the largest shock to the global travel and tourism industry in modern times. Destinations around the world are faced with lock-down of their countries, cessation of international and domestic flights, and closures of hotels, restaurants, attractions, historic sites, protected parks and beaches. In the short-term, consumers and businesses will face increasing economic pressure and decline of discretionary income and budget for leisure and business travel. In the medium- to long-term, the pandemic will likely dramatically change how consumers travel and how the travel and tourism industry is structured.

At the time of publication of this thought leadership report, the trajectory of the health crisis is still far from clear, as well as when lock-down measures will be lifted. Governments, including those in Asia Pacific are almost exclusively focused on containing the virus. This uncertainty means that plausible recovery scenarios for tourism are hard to discern.

In this time of extreme uncertainty and economic instability for the industry, the roles OTAs already play in terms of marketing, promotion, market diversification, and skills development, particularly in the digital space, will be all the more essential for SMEs looking to build resilience and find the most effective means to survive and thrive in the post-COVID travel and tourism market.

**“ Online Travel Agencies (OTAs) are playing a crucial role in that recovery process, with direct benefits for the millions of travel and tourism SMEs within the Asia Pacific industry. OTAs will continue to promote destinations, connect prospective consumers with products and experiences, and drive bookings.**

- Dr Mario Hardy, CEO, PATA

”







**WITH GLOBAL REACH, TECH EXPERTISE,  
AND ACCESS TO EXTENSIVE MARKET INSIGHT,  
OTAs ARE INDISPENSABLE FOR APAC TOURISM SMEs.**

### EXECUTIVE SUMMARY

In a rapidly developing and diversifying tourism market such as in Asia Pacific, it is undeniable that the role of Online Travel Agencies (OTAs) is critical in order to keep up with demand and respond to changing conditions. SMEs in the APAC region, are largely dependent on these organizations, particularly for the international and multi-lingual reach in a region that is increasingly reaching out to global source markets.

OTAs also increasingly act as partners in big data and market insights, indispensable for SME businesses who typically do not have such resources themselves but have easy access through their collaboration with OTAs.

Partnership with OTAs reduces dependence on a narrow range of source markets or a particular seasonal window in destinations that do not always have the full support of governments to market and promote them - though governments also have a crucial role to play in terms of education, regulation, promotion,

and product and infrastructure development. Partnerships between governments, OTAs and tourism businesses will also be critical in the post-COVID-19 crisis recovery phase that will inevitably follow.

**“ This research is Intended to explore the dynamics between OTAs and Travel SMEs to optimise partnerships. ”**

While OTAs have established themselves as indispensable partners, their role for SMEs in Asia Pacific is by no means static and developments in technology and world events are increasingly likely to push them into new roles and capabilities. Technology is advancing rapidly and presents many opportunities around personalization, product diversification and platform centralization – all critical areas for OTAs wishing to remain ahead of the curve.



**OTAs HAVE AN OPPORTUNITY TO DIRECTLY SUPPORT THE RECOVERY OF THE TOURISM INDUSTRY POST COVID-19 AND BUILD FUTURE RESILIENCY.**

## COVID-19 IN FOCUS

Given the rapid escalation of the COVID-19 crisis and its devastating effects in all areas of the global tourism industry (airlines, hospitality, Destination Marketing Organizations (DMOs), attractions, and more), it inevitably frames any discussion of the future outlook for tourism destinations, particularly SMEs who largely do not have the resources to weather such extensive business interruption.

The role of OTAs will be crucial during the recovery period and after, and it will be incumbent upon them, alongside their SME partners, to define what that role should be.

The obvious answer is that their marketing reach and proficiency in big data can assist SMEs identify target markets for recovery and project their brands accordingly – especially to domestic audiences. Additionally, OTAs have access to data and trendlines that will be critical to crisis monitoring and informing recovery strategies.

OTAs are also able to respond rapidly to changing conditions, facilitating last minute changes for businesses and customers in a crisis situation. There may also be an active role for OTAs in business interruption recovery, given their partnerships with SMEs.

“

***With COVID-19, OTAs will be able to connect our offering with domestic audiences and provide support around package deals and promotions. Once containment is lifted, we will be ready to go to market with tailored offerings to build back our business. OTAs will be key to our efforts.***

– Hospitality SME, Malaysia

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# PART II: INTRODUCTION AND METHODOLOGY

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# INTRODUCTION & METHODOLOGY

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## INTRODUCTION AND BRIEF

It is undeniable that the global tourism landscape has undergone unprecedented change, particularly in the last decade, driven largely by innovative business models capitalising on the rapid expansion of internet connectivity and social media marketing. OTAs arguably represent the quintessential example of such developments – with the introduction of OTAs into the market, the way tourism products, particularly accommodation and transport, are distributed has notably shifted.

## METHODOLOGY

Twenty31 Consulting Inc. was commissioned by PATA to manage a desk and primary research project to develop holistic picture of the role of OTAs and their relationships, with and overall impact on tourism SMEs in the Asia Pacific region. Twenty31 conducted 25 in-depth interviews with SMEs among a pre-approved list, the analysis of which was combined with a series of case studies for additional context.

This report represents a distillation of the narrative around the OTA/travel SME dynamic in Asia Pacific, including a forecasting aspect exploring how this dynamic will develop in the coming years with a view to providing actionable insights for key stakeholders within this ecosystem.

## RESEARCH PARTICIPATION

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Twenty31 conducted 25 in-depth interviews with senior-level managers from travel and tourism SMEs, the analysis of which was combined with a series of case studies and desk research for additional context.





# PART III: THE ROLE OF OTAs GLOBALLY

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## THE OTA DIGITAL MARKETPLACE HAS EMERGED AS A HYBRID OF TECH PLATFORMS AND TRAVEL PRODUCT MARKETING.

### THE RISE OF OTAs

The rise of OTAs over the past 25 years, as well as consumer review sites, such as TripAdvisor, has been an unstoppable game changer for the tourism industry. TripAdvisor alone operates in 34 countries, including China and claims more than 260 million unique monthly visitors, and over 125 million reviews and opinions covering more than 3.1 million accommodations, restaurants and attractions.

China itself is a distinct OTA market - while dominant Western OTAs, Booking Holdings with Agoda and Booking.com, and Expedia Group exist on the sidelines, regional OTAs such as Ctrip, Qunar, and Fliggy are the dominant players.

Outside of China other regional players include MakeMyTrip, Rakuten and Recruit in Japan, and Traveloka in Indonesia, all of which lead in their respective markets.

Agoda, available on both desktop and mobile, offers more than 2.5 million properties globally. Beyond a wide choice of accommodation to suit the needs and budget of every traveler, Agoda also added flights and packages products in 2019 to help make travel even easier. Companies like Trivago enable consumers to find the cheapest rate by scanning 196 booking sites. Like any successful business model, OTAs emerged to address a specific challenge – distributing travel products over a digital ecosystem to an increasingly demanding global market with increasing access to digital platforms. OTAs have evolved into digital marketplaces themselves, using technology to connect customer demand with travel product supply.<sup>1</sup>

In this regard OTAs can justifiably be seen more as technology platforms than travel products in their own right, though from a branding perspective they have positioned themselves



largely as a hybrid of technology platform and travel agency. This appears to be their advantage as OTAs, both international and domestic, have already captured 40% of the global travel market (i.e., airlines, hotels, packaged tours, rail, and cruise), including two-thirds of gross bookings in the online hotel segment. This is even more so in Asia Pacific where online travel is growing by 17% annually, three times faster than the global market between 2018 and 2020, APAC is the only region in which OTAs will gain share, from 46% of gross bookings to 48%.<sup>2</sup>

However, these developments come with a critical need for both governments and tourism stakeholders to understand how this form of e-commerce works, since it is very divergent from more traditional models.

<sup>1</sup> Source: Goodwin, Harold. "Does the Rise of the OTA Mean the Demise of the Destination's Voice?" WTM Global Hub, 22 June 2017, [hub.wtm.com/rise-otas-mean-demise-destinations-voice](http://hub.wtm.com/rise-otas-mean-demise-destinations-voice).

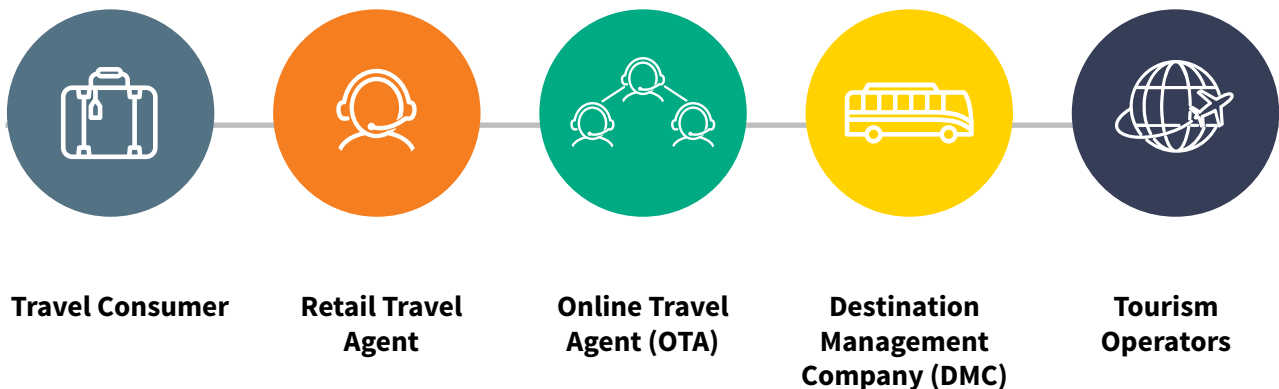
<sup>2</sup> Source: Rauch, Maggie and Jain, Deepak. "Asian Pacific Online Travel Overview 2019" Phocuswright, April 2019.



**UNTIL RECENTLY THE TRAVEL TRADE DISTRIBUTION SYSTEM WAS NOTABLY LINEAR.**

## THE TRADITIONAL TRAVEL TRADE DISTRIBUTION MODEL

The distribution model between travel products and offerings within the market ecosystem has previously been described as linear, involving an ostensibly simple stepwise process from one product or service to the next.



Source: Twenty31 Consulting Inc.

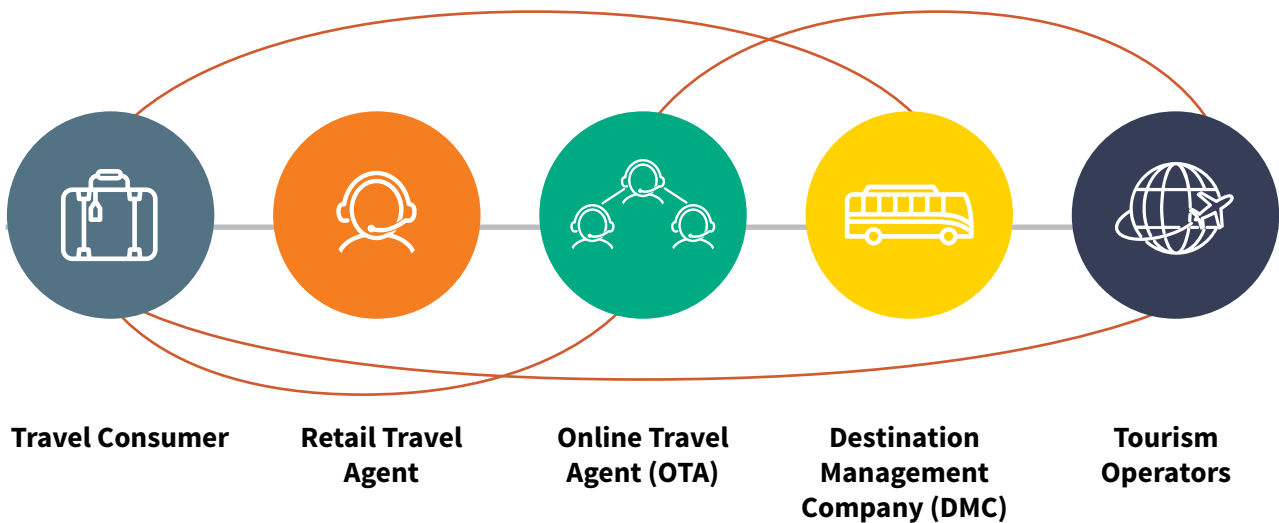




**THE DISTRIBUTION SYSTEM HAS SHIFTED TO A MULTI-FACETED ECOSYSTEM, WITH OTAs AT THE CENTER.**

## TODAY'S TRAVEL TRADE DISTRIBUTION MODEL

This landscape has entirely shifted both in dimension and complexity, and OTAs find their role at the centre of this development.



Source: Twenty31 Consulting Inc.





**TRAVEL MARKETING IS A UNIQUE CHALLENGE FOR MANY SMEs BUT THE OTA MODEL PROVIDES AN IDEAL SOLUTION.**

### **TODAY'S TRAVEL TRADE DISTRIBUTION SYSTEM**

Travel marketing is a unique challenge: high acquisition costs, a lengthy purchase cycle and low rebooking rates. This is especially the case for SMEs who lack the resources, time, and expertise to keep pace with a constantly shifting landscape and intense competition from larger brands.

Multinational tourism companies (such as large hotels chains) have access to larger budgets and resources for collecting mass data in which they use to fine-tune their websites and digital and social media marketing. However, in terms of marketing clout and big data, few organisations can compete with OTAs – thus they represent the best possible partners for SMEs wishing to compete in this highly challenging market.<sup>3</sup> It can be demonstrated that the return on investment of engaging with OTAs far outweighs the cost.

Serving as both a marketing and distribution channel, OTAs are crucial for tourism businesses,

particularly hotels. A growing number of potential guests now turn to OTAs to search for their hotels, because they function as a kind of 'one-stop-shop', allowing them to easily search for hotels, read reviews, and compare prices.<sup>4</sup>



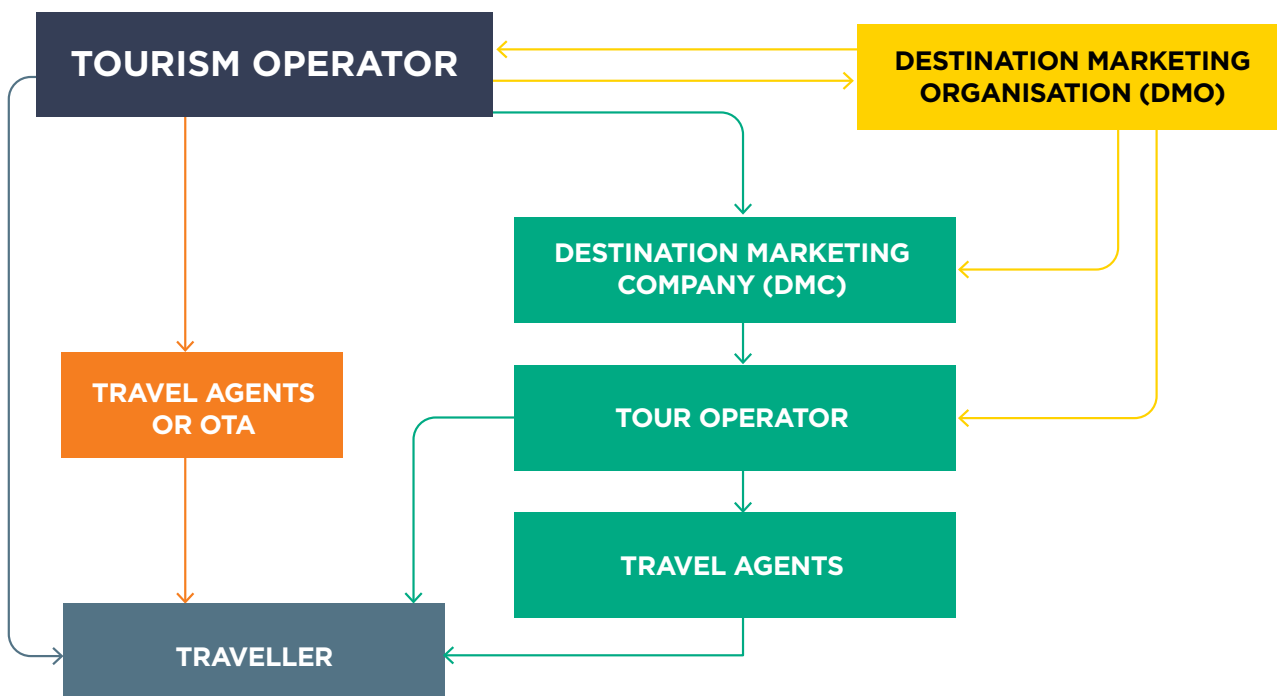
<sup>3</sup> Source: Affinity, Net. "How Independent Hotels Thrive in a Competitive Market." Net Affinity Blog, 27 Oct. 2017, [blog.netaffinity.com/independent-hotels-thrive-competitive-market](http://blog.netaffinity.com/independent-hotels-thrive-competitive-market).

<sup>4</sup> Source: Revfine.com. "OTA: 10 Tips To Increase Your Hotel Bookings Through OTAs." Revfine.Com, 20 June 2020, [www.revfine.com/ota](http://www.revfine.com/ota).

**RELATIONSHIPS BETWEEN STAKEHOLDERS IN THE TRAVEL DISTRIBUTION SYSTEM ARE HIGHLY COMPLEX.**

## STAKEHOLDER RELATIONSHIPS WITHIN THE TRAVEL DISTRIBUTION SYSTEM

The relationships between key types of travel trade and how they work between the tourism operator and the end traveller, as well as where the DMOs support the operators, are far more complex and multifaceted in today's travel market, and it will be critical for SMEs wishing to capitalize on the accompanying opportunities to understand this and find their place in this ecosystem.



Source: Twenty31 Consulting Inc.



# PART IV: OTAs IN ASIA PACIFIC

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## EMERGING MARKETS, PARTICULARLY IN ASIA PACIFIC, ARE LEADING THE GROWTH OF THE TOURISM MARKET.

### TOURISM GROWTH IN ASIA PACIFIC

Emerging markets are leading tourism growth - especially in the Asia Pacific region. Among other factors, this is fuelled by increased disposable income from the rising middle classes (more than half of which live in Asia), rapid Internet and mobile penetration rates (growing more than double the rate of Western markets), and the growth and influence of China, which outpaces all countries globally in total travel market size and expansion.

According to the World Economic Forum's 2017 Travel and Tourism Competitiveness Report, Asia is becoming a "tourism powerhouse." OTAs present a major opportunity in Asia. As the number of tourists increase and destination brands within the region grow more internally competitive, OTAs are well-positioned to help develop tourism products and contribute significantly to regional economic development.<sup>5</sup>

This is timely as the World Economic Forum also report that "ASEAN is the fastest growing Internet market in the world. With 125,000 new users coming onto the Internet every day, the ASEAN digital economy is projected to grow significantly, adding an estimated \$1 trillion to regional GDP over the next ten years."<sup>6</sup>

According to the World Economic Forum's 2017 Travel and Tourism Competitiveness Report, Asia Pacific is becoming a "tourism powerhouse".

<sup>5</sup>Source: "The Travel & Tourism Competitiveness Report 2017." World Economic Forum, 2017, [www3.weforum.org/docs/WEF\\_TTCR\\_2017\\_web\\_0401.pdf](http://www3.weforum.org/docs/WEF_TTCR_2017_web_0401.pdf).

<sup>6</sup>Source: "Digital ASEAN." World Economic Forum, 2019, [www.weforum.org/projects/digital-asean](http://www.weforum.org/projects/digital-asean).







**TECHNOLOGY IS THE CAUSAL FACTOR IN THE GROWTH OF THE ASIAN TRAVEL MARKET.**

## TECHNOLOGY GROWTH IN THE ASIAN TRAVEL MARKET

Online travel is the largest and most established segment of Southeast Asia's Internet economy. Since 2015, online travel has held the most significant share of the market compared to ride-hailing, online media, and retail e-commerce.

Online flight booking is the largest segment in this field. Most airlines already offer online bookings through their websites, apps, or OTAs, so this segment is more mature in comparison with hotels and vacation rentals. Online vacation rentals have the potential to grow to almost US\$2 billion by 2025.

In terms of valuation, Indonesia is the largest online travel market in Southeast Asia, accounting for US\$8.6 billion in 2018. The country has a very active industry of both foreign and domestic tourism, especially in Bali. However, other countries in Southeast Asia are also quickly growing both as tourist sources and destinations, with Thailand and Singapore second and third

respectively.<sup>7</sup> OTAs are at the centre of this expanding market and technological penetration – Asia Pacific-based OTAs represent more than one third of global gross bookings, fueled the rise of OTAs like Agoda and Trip.com dominating the Asia travel landscape.<sup>8</sup>

Meta-search or price comparison engines are also capitalizing on this developing market to establish themselves as the first point of contact for travel booking and as a means to reach customers. This shift towards commoditizing travel products through meta-search can also help to reduce market access barriers, with OTAs able to effectively target traffic in multiple markets.<sup>9</sup>

APAC-based OTAs represent more than one third of global gross bookings, fuelled by the rise in China's largest OTA, Ctrip.

<sup>7</sup>Source: Praditya, Diaz. "Online Travel in Southeast Asia: 4 Trends You Should Know | Greenhouse." Blog, 6 May 2020, [greenhouse.co/blog/south-east-asia-online-travel-industry](https://greenhouse.co/blog/south-east-asia-online-travel-industry).

<sup>8</sup>Source: "What the World's Biggest OTAs Have Been up to - ChinaTravelNews." China Travel News, 31 May 2019, [www.chinatravelnews.com/article/129516](http://www.chinatravelnews.com/article/129516).

<sup>9</sup>Source: Grant, Trevor. "OTAs in Asia, Think Borderless." Revenue Hub, 2 Nov. 2015, [revenue-hub.com/otas-in-asia-think-borderless](http://revenue-hub.com/otas-in-asia-think-borderless).





**APAC IS THE FASTEST-GROWING OTA REGION, WITH RISING INTERNET AND SMARTPHONE PENETRATION.**

## OTA GROWTH IN THE ASIAN TRAVEL MARKET

Asia Pacific is the world's third-largest OTA region and the fastest-growing. This rapid growth, particularly in China, can be largely attributed to rapid mobile penetration – in part because many consumers never had to make the transition from telephones to mobile, resulting in a rapid increase in collective tech-savvy behaviour.

With ever-increasing smartphone penetration, Asia Pacific OTAs are allocating more resources toward mobile product development and marketing. Abetted by sales via apps, mobile share of OTA gross bookings in China hit 45% in 2017 – the highest in the world. Incumbent OTAs face competition – and a threat of displacement – from emerging intermediaries, which are tapping into new categories, attracting investment, and gaining consumer traction.

Agoda, Booking.com, and Trip.com are top-of-mind for consumers – with Agoda often cited as being particularly well-regarded by SMEs.<sup>10</sup>

“

***AGODA has delivered a lot for us, they are our number one online agent partner. They are always changing and always updating themselves, always evolving, always coming up with new things and I find their account managers are always on top of it, compared to other OTAs who rely too much on their static online platforms.***

– Hospitality SME, Singapore

”

<sup>10</sup>Source: “Duking It out for Dominance: Asia Pacific Online Travel Agencies.” Phocuswright, 13 Aug. 2015, [www.phocuswright.com/Travel-Research/Research-Updates/2015/Asia-Pacific-Online-Travel-Agencies](http://www.phocuswright.com/Travel-Research/Research-Updates/2015/Asia-Pacific-Online-Travel-Agencies).



# PART V: OTAs VS TRADITIONAL TRAVEL AGENCIES

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## WHILE OTAs ARE UNDOUBTEDLY INNOVATIVE DISRUPTORS, A MARKET FOR TRADITIONAL TRAVEL AGENCIES CONTINUES.

### THE NEED FOR TRADITIONAL TRAVEL AGENCIES

- Established travel and tourism operators have benefitted greatly from the growth in global travel, however, this has also precipitated a shift in the competitive landscape, with innovators introducing new products and methodologies, also facilitated by the same advancements in technology and efficiency.
- Inevitably these new entities increasingly look to advance their market share and carve out new niches, which ultimately alter the market dynamics of the tourism sector.
- Traditionally, wholesalers would often be directly contracted for operator products such as flights, accommodation, and experiences – they would then be responsible for running 6-12 month marketing plans which were limited in their ability to address tourism operators changing/unique needs.
- With the introduction of OTAs to the market however, the way tourism products, particularly accommodation and transport, are distributed has notably shifted.
- OTAs make use of pricing tools on their platforms which allows operators to flexibly manage fluctuations in occupancy or availability on a constant basis. In addition, they are able to provide a wealth of data and analytics along with an unprecedented level of consumer interactivity.<sup>11</sup> Further benefits to the consumer include lower commissions, an expanded choice range, as well as daily access to 24 hour customer service assistance.
- All of this raises the question of what impact this has on traditional travel agencies. While it is easy to suggest that OTAs will increasingly

“

**IT'S NOT APPLES AND APPLES. WHILE TRADITIONAL TRAVEL AGENCIES ARE FRIENDLY TO THE CUSTOMER, OTAs MAKE BETTER USE OF TECHNOLOGY AND REALLY EMPOWER CUSTOMERS.**

– Tour Operator SME, Indonesia

”



render travel agencies simply obsolete, a market for them continues and some recent studies suggest that travellers still rely on them.

- Both direct supplier bookings and traditional travel agencies are expected to continue to coexist with OTAs going forward. According to US projections by Phocuswright, by 2023, while OTAs will have continued to increase their market share to 21%, and supplier-direct bookings to 35%, travel agencies are expected to hold maintain their current market share of 26%. The only channel that is expected to decline is that of central reservations/walk-ins. These figures are a good illustration that the notion of OTAs rendering travel agencies obsolete is exaggerated at best.

<sup>11</sup> Source: PATA Issues & Trends 2018.” PATA, 2018, <https://www.pata.org/>



## OTAs OFFER A LEVEL OF CONSUMER-DRIVEN DIGITAL MARKETING POWER BEYOND TRADITIONAL AGENCY OFFERINGS.

### THE CASE FOR OTAs: CONSUMER-DRIVEN MARKETING POWER



#### OTA DIGITAL MARKETING POWER:

Among the most frequent observations by respondents comparing OTAs and traditional travel agencies was on the asymmetry between their respective capacities around digital marketing and tech expertise, with OTAs having a more extensive digital reach, access to data, interconnectedness with social media, and access to global digital resources.

“

*OTAs effectively manage our online advertising space: content creation, dynamic banners, tailored promos and social channels (Facebook, Instagram).*

*We have observed that traditional travel agents can only really advertise by the more traditional means such as newsprint, static brochures and the occasional simple online banner ad. And, to be honest, their penetration into digital marketing is limited because of low reach and budgets.*

– Hospitality SME, Malaysia

”

#### CONSUMER DRIVEN VS.

**AGENCY-DRIVEN:** There is a perception that, while traditional travel agents provide personalized one-on-one service (although no longer entirely unique to them as OTAs also offer personalized customer service), OTAs offer consumers more empowerment and self-determination – placing the travel needs and requirements of the consumer first and foremost rather than a potentially limited range of options presented by an agent – sometimes driven by sponsored packages and content.

“

*The channel of distribution is rapidly changing from traditional to online platforms. Consumers and tourism businesses alike don't have to 'queue at a ticket counter' or at an agent. With an OTA we just 'buy a ticket and walk through the gates'. Easy.*

– Tour Operator SME, Hong Kong SAR

”

“

*Consumers like that they have more control and endless choices, in comparison to travel agents putting in front of them what they can sell.*

– Hospitality SME, Singapore

”

## HOWEVER, OTAs AND TRADITIONAL AGENCIES COEXIST, OCCUPYING NICHEs IN A COMPLEX MARKET ECOSYSTEM.

### COEXISTENCE OF TRADITIONAL AGENCIES AND OTAs

The general consensus is, while it was thought by some SME respondents that OTAs would make traditional travel agencies redundant, they have endured as a result of occupying specific niches and catering to specific customer segments. OTAs tend to dominate in terms of volume, however, many SMEs still value their relationships with travel agencies, and the two business models coexist in a broader ecosystem.

This can take a variety of forms. For some tourism operators, traditional agents handle a smaller pool of high-end customers, for others, traditional travel agencies cater to an older demographic or less-tech savvy consumer segments. In some cases, agents will handle a specific limited range of products for tourism operators, while OTAs handle the generalized bulk of the distribution.

“

*An OTA is not a travel agent, they are an e-commerce company that sells their product – they coexist and perform different roles.*

*- Travel Agency SME, Japan*

”

“

*From what I observe of traditional travel agents, their customers tend to be more mature, senior age groups, whereas the market coming from our OTA channels is younger. OTAs and travel agents are bringing in different markets and different age groups – they are both important to our business.*

*– Hospitality SME, Chinese Taipei*

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# PART VI: BENEFITS OF OTAs FOR SMEs

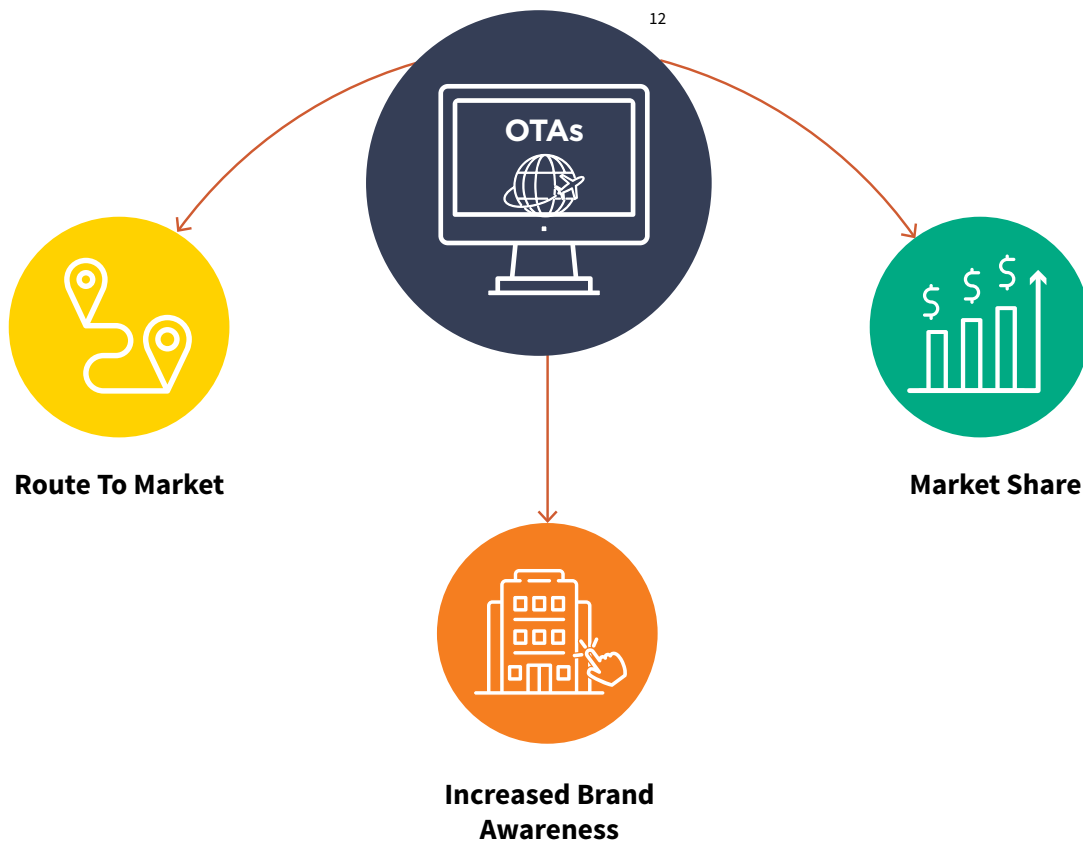
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**OTAs PROVIDE A VITAL ROUTE TO MARKET FOR SMEs IN THE TOURISM SECTOR, PARTICULARLY IN THE APAC REGION.**

**OTA BENEFITS FOR SMEs**

- OTAs benefit SMEs not only by providing a distribution channel, but also by increasing brand awareness with captive potential travel consumers.
- Two-thirds of all OTA bookings globally are with small, privately owned hotels that have fewer resources, networks, and smaller customer bases vs. those of large global brands.
- According to Phocuswright, OTAs account for well over 60% of bookings worldwide, and 70% or more in Asia Pacific, Latin America, Eastern Europe, and the Middle East.



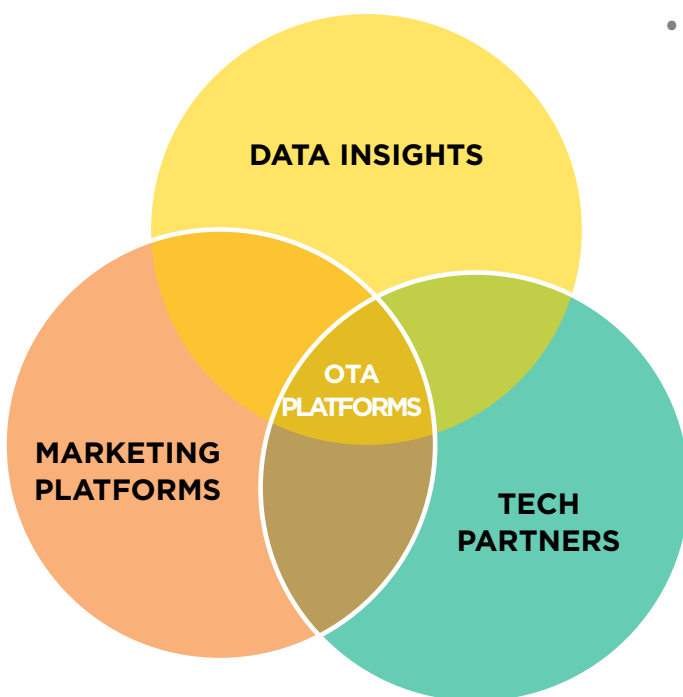
<sup>12</sup>Source: "Online Travel Agencies in Asia: A Major Opportunity in E-Services." Asian Trade Centre, 2017, [static1.squarespace.com/static/5393d501e4b0643446abd228/t/59ed90808c56a88ac98cc755/1508741301259/OTA+Whitepaper+Oct+2017.pdf](http://static1.squarespace.com/static/5393d501e4b0643446abd228/t/59ed90808c56a88ac98cc755/1508741301259/OTA+Whitepaper+Oct+2017.pdf).





**OTAs CAN BE DESCRIBED AS HYBRID ORGANISATIONS WITH A RANGE OF BENEFITS THEY BRING THEIR PARTNERS**

## **THE POWER OF THE OTA DIGITAL PLATFORMS**



- Many of the SMEs interviewed did not regard OTAs as simply 'travel agencies'. In fact the definition of an OTA according to many respondents, varied according to the primary benefit they provided. They were variously described as 'data companies', 'tech partners', or 'marketing platforms'. In all these cases they were described as providing a vital service beyond internal capacity of the SMEs in question.





**OTA MARKETING POWER WAS TOP-OF-MIND FOR MANY SMEs IN TANDEM WITH TECH EXPERTISE.**

**MARKETING:** The marketing benefits offered by OTAs and their resultant reach was top-of-mind for many SME respondents. This is contrasted with some negative perceptions of OTAs around the commissions that they charge and call for more direct booking. The extent of the marketing reach of OTAs, according to many, simply outstripped concern around commission costs.

“

*OTAs have access to all the market data for both seller and buyer. We don't have the billions of dollars to invest, we don't have the purchasing power for marketing. With that purchasing power they allow us to reach markets we normally couldn't.*

– Hospitality SME, Sri Lanka

”

**EXPERTISE:** Many SME respondents mentioned OTA expertise, both in marketing and technology – often in tandem. While some of the more negative perspectives of OTAs include a loss of control over their brand by outsourcing marketing to OTAs, the opposite was also stressed – that OTAs can provide the tech expertise to empower SMEs to market their own brand.

“

*If you don't have someone who is computer savvy, OTAs provide this expertise and still allow you to control your own content.*

– Hospitality SME, Thailand

”

“

*OTAs are about technology and creativity – they have to use tech to be creative and capture the customer, they are smart and help us to easily use technology well.*

– Tour Operator SME, Indonesia

”



**MARKETING BENEFITS BROUGHT BY OTAs CAN BE BROKEN INTO ACCESSING NEW SOURCE MARKETS, DIVERSIFYING SEASONALITY, AND EXPANDING TO NEW CONSUMERS ACCESS.**

## KEY OTA MARKETING BENEFITS

Reducing dependence on a particular peak season or expanding into year-round tourism, possibly through geographic diversification.

**ACCESSING NEW SOURCE MARKETS**

Expanding into new geographic and consumer markets from a previously limited range – this could be achieved by expanding further beyond a local market or allowing multi-lingual marketing.

**DIVERSIFYING SEASONALITY**

**EXPANDING TO NEW CONSUMERS**

Allowing new businesses more rapid access to the market, particularly relevant for SMEs who may have limited capacity or marketing budgets.





## EXPANSION OF THE RANGE OF SOURCE MARKETS WAS THE MAIN OTA MARKETING BENEFIT CITED.

### ACCESSING NEW SOURCE

**MARKETS:** The most common cited marketing benefit offered by OTAs for SMEs in Asia Pacific was in providing reach to access new international markets for their tourism products and services. Many SMEs in Asia Pacific are looking to expand beyond a previously limited range of inbound markets, or possibly a local sphere – many are prioritising higher-yield markets in the USA and Europe, as well as targeting the rapidly growing and increasingly mobile Chinese market, and most credited OTAs for their ability to achieve this. This strength is also bolstered by OTAs' ability to operate in multiple languages.



“ *Our hotel located in Bangkok primarily caters to consumers from long-haul source markets. Most of our business is coming from US, Germany etc. In order to reach those source markets OTAs are essential and the most cost-effective marketing platform. That's why we work with them very closely.*

– Hospitality SME, Thailand ”

“ *For our target markets, English is not necessarily the best language to reach customers. OTAs can speak the local language for us.*

– Hospitality SME, Chinese Taipei ”

“ *Reaching larger markets, for instance in Europe and the US, are why we depend on the OTAs. We also value the ease of engaging them.*

– Hospitality SME, Chinese Taipei ”

“ *Most SMEs are not set up with mobile responsive websites and hence risk losing out. OTAs sometimes offer multiple language options versus the hotel who may only have one or a handful of language sites, limiting growth in some source markets.*

– Digital Marketing SME, Singapore ”



**TO A LESSER EXTENT, EXPANDING SEASONS AND NEW PRODUCTS WERE ALSO MENTIONED AS SPECIFIC MARKETING BENEFITS.**

**DIVERSIFYING SEASONALITY:**

Unsurprisingly, given their global reach, OTAs are able to diversify peak seasons by broadening seasonal marketing in source markets. This helps promote year-round tourism and could be seen as an extension of the geographic marketing benefit of OTAs.

**EXPANDING TO NEW CONSUMERS:**

As well as being able to assist existing or established brands with their marketing, OTAs can empower new businesses and products by allowing them rapid access to the market through innovative digital promotion.

**“ OTAs help us bring in more business in off-season. We are able to target more markets and cover all seasons**  
– Hospitality SME, Malaysia ”

**“ If we launch a new product we can easily get it to market and book business via our OTA channels. This also applies to activating special promotions and getting fast results.**  
– Hospitality SME, Thailand ”

**“ We leverage our OTA partnerships to bring in more shoulder-season tourism from alternative markets.**  
– Hospitality SME, Macao, China ”

**“ OTAs are able to get us more bookings through the winter via their channels and connections to a broad range of markets. We have directly observed an overall better year-round spread of bookings from OTAs vs. traditional travel agencies.**  
– Hospitality SME, Sri Lanka ”







## TECHNOLOGY AND DATA EMPLOYED BY OTAs PROVIDES RICH INTERACTIONS FOR TRAVELLERS AND TARGETED PERSONALIZATION.

**INTERACTIVE BRANDING:** As an interactive form of booking platform interwoven with social media, the online booking ecosystem provided by OTAs empowers travellers to express themselves, share experiences, and thus highlight destination brands and generate online buzz for tourism SMEs.

“ *We have a lot of guests who actually enjoy sharing experiences about their travel – food, human interactions, etc. This feedback heightens the awareness of destinations and SME brands and experiences. This goes a long way to boosting our own profile.* ”

– Hospitality SME, Singapore

### PERSONALIZATION AND

**TARGETING:** Along with the growing trend towards personalization, facilitated by the technology OTAs specialize in, the wealth of data and tech expertise allows a more

seamless targeting of specific individuals by their purchasing power and preference, benefitting both SMEs and the end consumer.

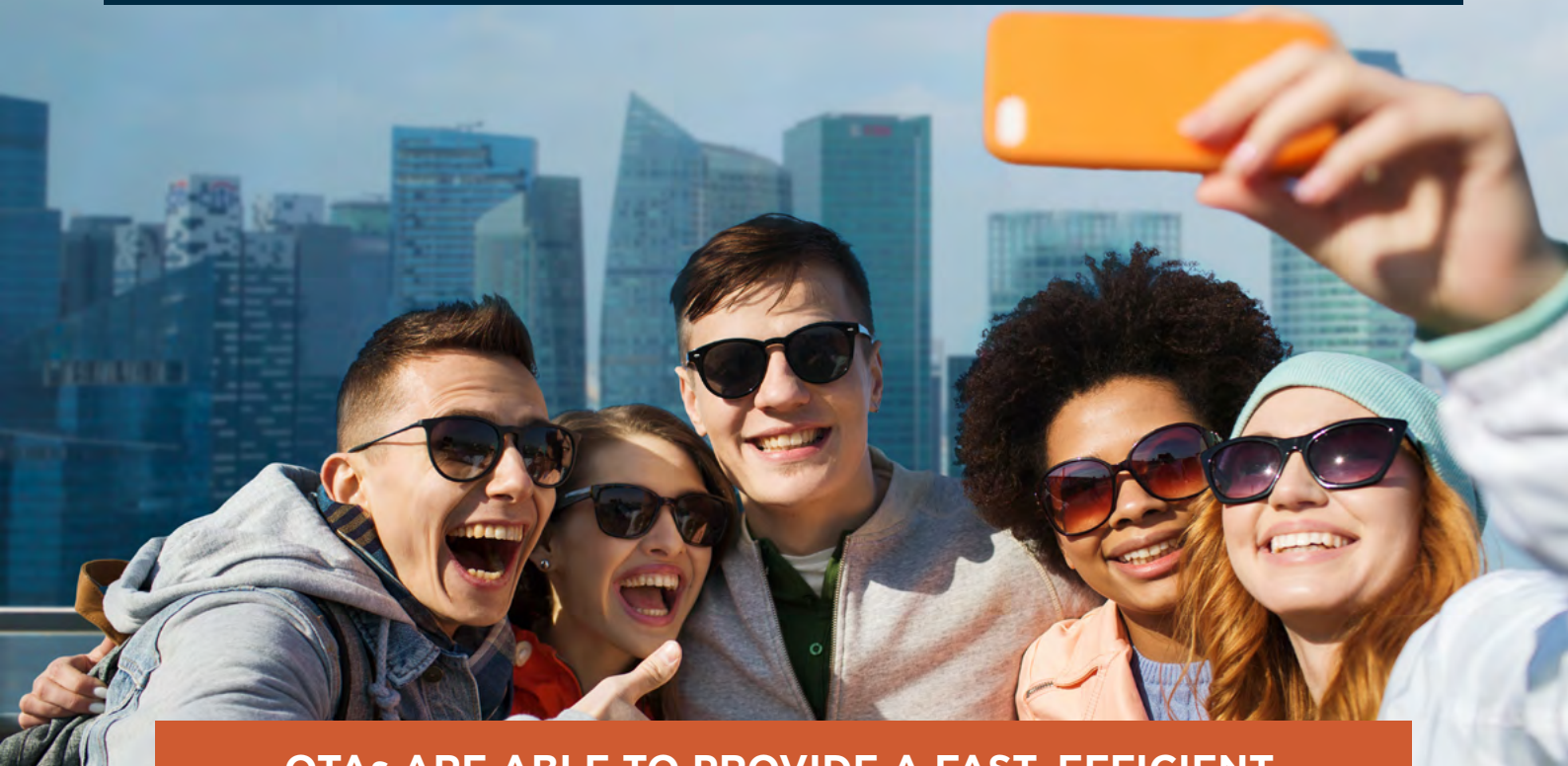
“ *If you take Sri Lanka as a destination, many of our visitors are from India and China. Our OTA partner optimizes our property according to market and we are able to target consumer segments that can afford a specific price point per night.* ”

– Hospitality SME, Sri Lanka

“ *Many people are negative towards OTAs which I think is wrong – they exist because they create customer demand and it is the customers who chose to navigate their booking this way with understanding that it is really easy, intuitive, and cost-effective. Evolution through mostly direct bookings to OTAs is a consumer trend driven by consumer demand.* ”

– Hospitality SME, Thailand





**OTAs ARE ABLE TO PROVIDE A FAST, EFFICIENT, ONLINE, AND INNOVATIVE SERVICE UP AND DOWN THE VALUE CHAIN.**

#### **PERSONALIZED SERVICE:**

While some negative perceptions of OTAs have highlighted the lack of a personalized service in contrast to traditional travel agencies, SME respondents overwhelmingly pointed out that, while the style and channels of interactions are different, the customer service provided is fast, responsive, efficient, and personal. Further, the nature of their technology platforms, allows for instant access to all the information they need to assist the consumer.

**“ If you call Booking.com customer service or Agoda customer service they are able to actually get connected to a hotel. Hotels are known to OTAs. They have all the details and allow for payment up front - they have everything they need to assist the guest.**

– Hospitality SME, Malaysia

”

#### **SPEED, INNOVATION, AND**

**VERSATILITY:** Stressing another aspect of their expertise and capabilities, SME respondents noted the speed and versatility of the service provided by OTAs, which not only makes for a low friction experience for both SMEs and consumers, but also empowers the OTAs themselves to take innovative and ‘adventurous’ approaches to market and consumer engagement.

**“ Volume, speed, and the ability to test new marketing tactics are major advantages when using OTA platforms. OTAs tend to be a lot more adventurous and cutting edge vs. our traditional travel agent channels. It allows us to try different things and ultimately grow our revenues.**

– Hospitality SME, Thailand

”



## OTAs BOTH EMPOWER AND ENTICE INDIVIDUAL CONSUMERS TO MAKE REGULAR TRAVEL A PART OF THEIR LIFESTYLE.

### EMPOWERING TRAVELLERS:

An interesting impact of OTAs is how they have spurred the tendency in some source markets such as China, Korea (ROK), and Japan for consumers to travel fully independent either solo or in peer, friend and family groups. By virtue of their easy-to-use platforms and easy access to information, OTAs empower individuals to travel alone or in smaller groups, reducing limitations on travel plans, facilitating more creativity by the travel consumer, and even resulting in a change in atmosphere during travel experiences, resulting in more relaxed and individual interactions.

“ *OTAs empower individual travellers to travel beyond group tours. In the past we had lots of travel groups from Korea (ROK) and Japan. We now not just see Chinese travel in more diverse manner, but also Korean and Japanese travel - people are more relaxed and have more individual, interactions*

– Hospitality SME, Singapore

”

### ENTICING FURTHER TRAVEL:

Ultimately the ease-of-use enshrined by OTAs promotes, not only one-off travel, but repeat travel. When this ease-of-use is combined with the wealth of information OTAs provide, consumers are both enticed and empowered to travel more, which is vital for the growing industry in Asia Pacific.

“

*OTAs provide information and entice you to travel again. The information is interesting and typically tailored based on past travel and search history. This helps the development and growth of the industry*

– Hospitality SME, Singapore

”





### OTAs OFFER INTERACTIVE PARTNERSHIPS FOR OTAs WHO CAN ALSO PLAY ADVISORY ROLES BEYOND MERELY BOOKING.

#### **BUSINESS STRATEGIC PARTNER:**

Beyond their role as a booking platform, SME respondents highlighted the positive relationships they have with OTAs as trusted partners and consultants, even providing advice on business innovation, marketing, and promotions, helping SMEs secure new customer segments and develop new products.

#### **BUSINESS RECOVERY:**

During this time of crisis, particularly in Asia, it will be crucial for OTAs to define their role in the recovery of the tourism sector. OTAs undoubtedly have a role to play and their access to capital as well as highly responsive technology platforms will be crucial to recovery in the coming year.

“

*With COVID-19, OTAs are acting like a B2B partner, offering great value to our hotel with ideas on when and how to re-start marketing.*

– Hospitality SME, Malaysia

”

“

*Considering the COVID-19 situation, we have temporarily suspended online bookings. However, our OTA partners are in touch with us to plan bespoke campaigns and price offerings once containment happens and we see consumers start to plan travel again. Data allows OTAs to have a pulse on the future.*

– Hospitality SME, Thailand

”



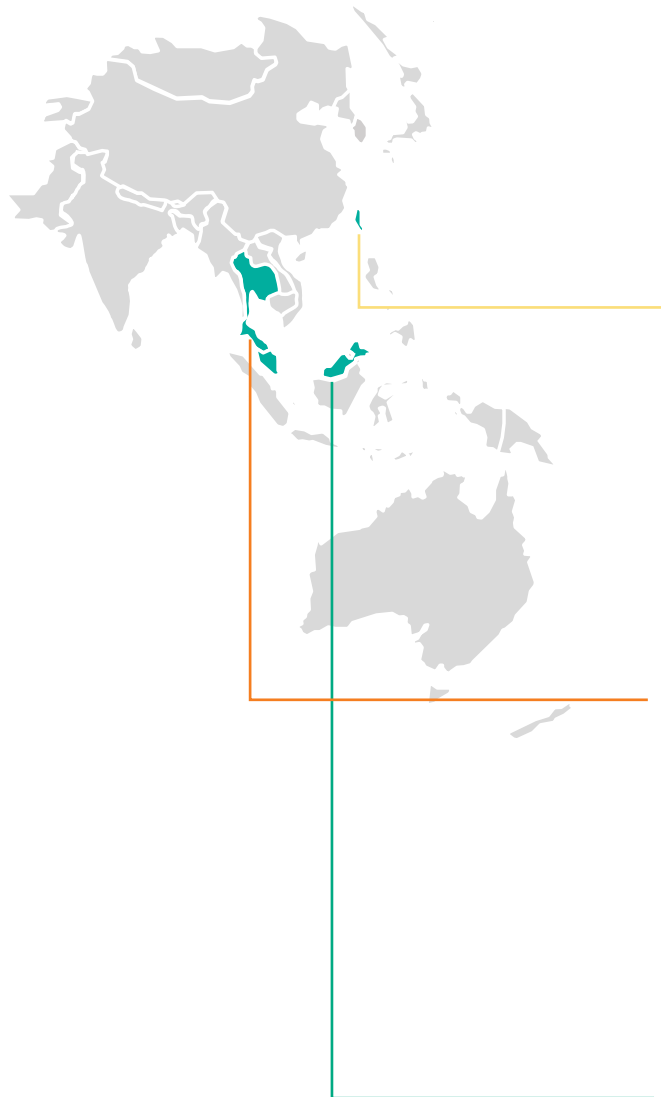
# PART VII: GEOGRAPHIC CASE STUDIES

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OTAs FILL A DISTINCT NICHE IN EACH OF THE FOCUS MARKETS.

## THE RESEARCH TOOK AN IN-DEPTH LOOK AT THREE GEOGRAPHIC MARKETS IN ASIA



### CHINESE TAIPEI

“

*For our markets, English is not necessarily our best language to reach our target consumers. OTAs can speak the local language for us.*

– Hospitality SME, Chinese Taipei

”

### THAILAND

“

*We have seen a real push for OTAs to do more than simple sell room bookings. They are helping us sell other services, like pre-booked meals, tours, activities on site, spa services, etc. This is really helping us forecast what our needs are and drive more sales.*

– Hospitality SME, Thailand

”

### MALAYSIA

“

*The relationship with OTA account managers is very good. On alternate weeks they are in Langkawi, the account managers for Booking and Agoda will tell you what promotions to do and how you can capitalize opportunities, and what markets to target to win new customer segments.*

– Hospitality SME, Malaysia

”



## CHINESE TAIPEI SHOWS THE CRITICAL ROLE OTAS PLAY FOR DEVELOPING MARKETS IN PROVIDING IN ACCESSING INTERNATIONAL MARKETS

### CHINESE TAIPEI IN FOCUS

- The Chinese Taipei online distribution channel has been relatively slow to develop in the past and heavily reliant on personal relationships and networking, however, the market is at an interesting turning point in development (i.e., from a technology perspective).
- OTAs are particularly critical for SMEs in Chinese Taipei due to the language barrier. English is not generally the market language of choice for tourism products and experiences in Chinese Taipei and OTAs help bridge this, allowing them to reach international target source markets. Chinese Taipei relies on OTAs for the Australian, US, and European markets.
- Chinese Taipei develops its profile and broad appeal as a destination worldwide, international OTAs will have a critical role to play in helping it achieve the kind of global reach necessary to develop successfully in the international travel and tourism market, with the demands of post-COVID market recovery only accentuating the importance of this partnership



“

***As we in Chinese Taipei grow our products and define them better, OTAs have the know-how to help us position ourselves.***

– Hospitality SME, Chinese Taipei

”

## WHILE AN ESTABLISHED TOURISM MARKET, THAILAND NOW HAS THE OPPORTUNITY TO EXPAND ITS EXPERIENTIAL TOURISM WITH THE SUPPORT OF ITS OTA PARTNERS

### THAILAND IN FOCUS

- Thailand is a highly receptive and responsive tourism market. Tourism SMEs have a high degree of appreciation for OTAs as a major source of income for the travel and tourism sector, this is further emphasised by the good will and support they enjoy on the part of the government and public sector. At the same time, it is recognized OTAs play an important role in the growth of tourism and act as a key channel for Thailand to connect with global markets and consumer segments.



***“ In Thailand, tourism would not be as successful without the participation of the tourism authority - we work very closely with them. They play an excellent role, especially in what they provide to SMEs.***

*- Hospitality SME, Thailand*

”



- Tourism SMEs in Thailand tend to pride themselves on the importance of the overall experience when promoting their products and services. This is potentially a large opportunity for OTAs to further develop Thailand’s experiential tourism offering and increase yield and dispersal beyond traditional tourism destinations.
- While Thailand may be an already established global destination, it has the opportunity to diversify its brand beyond the more conventionally known experiences. In this sense the marketing and communications expertise of OTAs can empower established destinations, helping them to further develop and expand their brand.

***“ OTAs have started to branch out into promotion and sale of Thailand’s experiences. There is so much more that can be done in this space, especially while our industry shifts into recovery mode.***

*- Hospitality SME, Thailand*

”



## MALAYSIA IS A HIGH POTENTIAL MARKET FOR DEVELOPMENT BY THE OTA SECTOR, PARTICULARLY AS A DIVERSE MULTI-DESTINATION MARKET AS WELL AS A REGIONAL STOPOVER

### MALAYSIA IN FOCUS

- While Malaysia has been highly successful in developing their tourism industry and visitor offering, there is a perceived lack of knowledge globally about Malaysia as a diverse market with multiple destinations within it.

**“ Increase awareness of Malaysia as a multi-state country and tourism experience.**

– Hospitality SME, Malaysia

”

- This perceived situation has resulted in OTAs stepping in to directly support SMEs with marketing and promotion efforts around their offerings.

**“ OTAs are to some extent performing that function of ‘national marketer’, promoting more areas in Malaysia and the tourism products and experiences. We understand this is related to KPIs and what will generate the most revenue. Destinations like Langkawi and Penang have benefited quite a lot.**

– Hospitality SME, Malaysia

”



- OTAs are essential to tourism SMEs who are reliant on their reach in Western source markets, and Malaysia also benefits from stopover or package tourism due to its proximity to other popular tourism hubs including, Thailand and Singapore.
- SME respondents mentioned that the growth of the Malaysian inbound tourism market is somewhat hampered by a lack of infrastructure development and connectivity. Infrastructure was highlighted as a key driver of growth to build tourism products and improve the visitor experience.

# PART VIII: THE FUTURE OF OTAs

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**FUTURE OPPORTUNITIES FOR OTAs CAN BE CATEGORIZED INTO CENTRALIZATION, DIVERSIFICATION, AND PERSONALIZATION.**

## **FUTURE OPPORTUNITIES FOR OTAs**

Broadening the range of source markets, as well as products offered, including branching more into experiential tourism.

**DATA INNOVATION**

Leveraging big data and tech expertise to develop a 'one-stop-shop' for tourism products, creating a more seamless and comprehensive user experience.

**THE FUTURE**

**DIVERSIFICATION**

**PERSONALIZATION**

Utilizing AI expertise and digital learning to develop a more consumer targeted experience.

## OTAs ARE SEEN AS THE KEY DATA PLAYERS IN THE CENTRALIZATION OF TRAVEL PLATFORM TECHNOLOGY.

### OTAs: DATA-DRIVEN INNOVATION PLATFORMS

In terms of what role OTAs could play in the future development of the tourism sector in Asia, by far the most common category of responses related to OTAs' role as big data partners. In general, SME respondents both predict and hope that OTAs will increasingly centralize data and functionality, creating a more seamless and low friction experience for both consumers and businesses.



“

*The future distribution model involves a centralized database. This will directly support a decrease in deviations from the guest search and improve bookings. If OTAs have a centralized database, consumers can then search once and not have to visit multiple sites. Similarly, SME product and service providers won't need to go through several intermediaries. In future the market should promote everything through a single platform. OTAs will play a leading role in that.*

– Hospitality SME, Sri Lanka

”

“

*What's happening right now is that OTAs are trying to provide technology solutions to hotels and that's their game plan for the next 5 years, a one-stop-shop for hotels. OTAs are not just working as a sales platform, but also as a tech supplier. Some of the larger OTAs are already working on this with some of the major hotel brands. Some of those things are happening, not only at a hotel chain level but also at the SME level. The next growth is going to be through sale of tech solutions and providing some of the backend, irrespective of size.*

– Hospitality SME, Thailand

”



## THE MARKET WILL CONTINUE TO BE DISRUPTED AND DIVERSIFIED BY PLAYERS AND DEVELOPING SOURCE MARKETS.

### OTAs: SOURCE MARKET DIVERSIFICATION

#### SOURCE MARKET DIVERSIFICATION:

SME respondents predict a continuation and escalation of OTAs' role in diversifying and expanding source markets for destinations in Asia.

“

*We would definitely like to see the US and European markets growing here, we are seeing massive growth in Indian and Chinese markets.*

– Hospitality SME, Thailand

”

“

*Demand from European countries and domestically in Japan has increased over the last two years. In a post-COVID-19 market, we will likely see increasing demand from the domestic market, as well as new consumer segments within Asia.*

– Travel Agency SME, Japan

”

“

*OTAs can target specific markets and grow those markets. We see them playing a vital role in the recovery of Thailand's tourism industry in 2020 and beyond.*

– Hospitality SME, Thailand

”

#### MARKET DISRUPTERS AND DIVERSIFICATION:

According to some, the market is likely to be disrupted, not only by smaller niche players coming into the market, but by large multinationals such as Google or Amazon utilizing their own platforms to perform the functions of an OTA.

“

*OTAs were disrupters in our business and now there are disrupters within the OTA business (Amazon, Alibaba) there is definitely more competition among the OTAs.*

– Hospitality, Singapore

”

“

*Its evolving a lot, the technology side, we have to catch up with the trend, like Google may become like an OTA, TripAdvisor can become like an OTA. So it is difficult for us to define what is an OTA and what is not.*

– Travel Agency, Japan

”

“

*If OTAs want to market themselves they have to do it through Google. So now they are looking at alternatives to promote their business other than google. In the future Google Hotels itself will be the threat to all of these OTAs.*

– Hospitality, Sri Lanka

”

## THROUGH AI, OTAs CAN CREATE INCREASINGLY PERSONALIZED AND DIVERSE OFFERINGS.

### OTAs: PERSONALIZATION & SPECIALIZATION

The trend towards increasing personalization is a recognized one within the industry, and with their access to big data and tech expertise, OTAs are best placed to drive this consumer shift.

“

*Much of our industry has been built on a transactional business model. We tend to push and sell products and services regardless of consumer motivations and appeals. OTAs have the ability to predict and understand potential consumer interests and tailor content accordingly.*

– Hospitality SME, Singapore

”

#### PRODUCT DIVERSIFICATION:

As personalization increases and OTAs expand their offering, opportunities will emerge to broaden product offerings and capitalize on a variety of emergent trends such as experiential or authentic tourism, which many SME partners offer.

“

*Tourism is moving more towards experiential tourism. OTAs can package our hotel with some local attractions and build out real experiences. This will really help increase tourism revenues.*

– Hospitality, Thailand

”

“

*OTAs are now using AI tech to tailor offers to customers, that is going to be very interesting. This will likely allow SMEs to match our products and services with high-potential consumers and drive better ROI.*

– Hospitality SME, Singapore

”

“

*Our whole business model is around building out food and beverage experiences, beyond simple hotel stays. I see that trend growing. People are going to make choices based on experiences and our OTA partners are helping us meet that demand.*

– Hospitality SME, Chinese Taipei

”



# PART IX: RECOMMENDATIONS

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## GOVERNMENTS HAVE A KEY ROLE TO PLAY IN SUPPORTING THE DEVELOPMENT OF THE TOURISM INDUSTRY, WITH OTAs IDENTIFIED AS A KEY MARKETING CHANNEL.

### RECOMMENDATIONS

While the great majority of SME respondents focused on the positive role OTAs provide their respective businesses and the overall tourism industry, a few observations were noted around the role of government in supporting the enabling environment for SMEs and the partnership role of OTAs.

- MARKETING DESTINATIONS COLLABORATIVELY:** SME respondents noted the important role OTAs play in building and promoting destination brands. It was felt that national tourism boards (i.e., NTOs – National Tourism Organizations) should provide regular co-operative marketing opportunities in partnership with OTAs and tourism businesses, thereby increasing the frequency and reach of marketing and promotion efforts. In light of the necessarily increased focus on domestic tourism in light of the recent pandemic, OTAs can help traditionally internationally focused markets diversify and increase their local tourism.
- TRAINING AND UPSKILLING SMES:** SME respondents overwhelmingly highlighted the important role NTOs have in providing training and skills development for SMEs, specifically around effective travel trade engagement and how to work with OTAs. Workshops, webinars and toolkits were cited as possible examples. In general, close collaboration with OTAs promotes greater tech savvy and digital skills among SMEs which are particularly vital in today's market and this is only set to increase in the post-COVID recovery phase.
- DEVELOPING INFRASTRUCTURE:** SME respondents strongly believe government has a lead role to play around infrastructure development and management in order to improve the tourism visitor experience. Airports/ports, roads, public areas, including pedestrian ways, and national and regional parks were cited as vital infrastructure to develop and maintain to support overall tourism growth.
- PROMOTING, MARKETING, AND EDUCATING SMES:** Interestingly, OTA pricing was not mentioned as a serious barrier or impediment to working with and engaging OTAs. Overwhelmingly, SME respondents viewed OTA 'commissions' as a marketing investment to both promote their products and services, as well as directly reach prospective consumers. However, it was suggested that NTOs could play a role in providing education to SMEs around the importance of OTAs as a key marketing and sales channel and highlight the value they provide, along with traditional Marketing models in driving destination awareness and visitation.



## PERSPECTIVES TOWARDS GOVERNMENT SUPPORT FOR TOURISM VARIES ACROSS MARKETS BASED ON EXTENT OF PRIORITIZATION.

### VIEWS OF GOVERNMENT: TOURISM DEVELOPMENT AND MANAGEMENT

Perspectives on how helpful government authorities and the public sector are with regard to tourism development and management varies a great deal between study markets. For example, Indonesian and Malaysian SME respondents stated their tourism authorities provided limited support, outlining challenges with communications and/or a perception that marketing and investment was biased towards particular regions (i.e., depending on their origin or where the main tourist hubs are located). However, SME respondents in Thailand stressed the proactive role of the government around tourism development and their willingness to take collective leadership of the industry.

“

*Apart from promoting the destination, they try to create new experiences and a range of market-ready products. Our tourism board takes a holistic look at the destination when marketing overseas.*

– Tour Operator SME, Hong Kong SAR

”

“

*We feel government should do more to engage the private sector, especially around decision-making and cooperative marketing.*

– Tour Operator SME, Indonesia

”

“

*We are a very fortunate tourism industry here in Hong Kong SAR and Macao, China. Both tourism boards are down to earth, communicate with SME operators regularly and work with us very closely.*

– Tour Operator SME, Hong Kong SAR

”

## SME RESPONDENTS VALUE GOVERNMENT'S ROLE IN PROMOTING DESTINATIONS AND PROVIDING THE STRUCTURE TO THRIVE.

### PERCEPTIONS OF THE ROLE OF GOVERNMENT IN SUPPORTING TOURISM

SME respondents' policy suggestions largely revolved around dissemination of information and research in various forms; providing education and skills development; and improvements in promoting destinations. Overwhelmingly however, national oversight of tourism development and management was seen as a crucial role for government to provide both the regulatory and physical structures within which the tourism industry can thrive, creating a more efficient infrastructure and allowing market access for smaller players.

#### INFRASTRUCTURE:

“

*OTAs are providing a great service by promoting a range of existing and new destinations, all seasons and many different experiences. Given this we really need Government to manage the development and management of infrastructure.*

”

– Hospitality SME, Malaysia

#### EDUCATION:

“

*Government should provide more education and training opportunities for SMEs, specifically on how to effectively engage and partner with OTAs and strengthen distribution channels.*

– Hospitality SME, Sri Lanka

”

#### PROMOTION:

“

*When we promote our property on OTAs, we are also promoting the destination. Government should understand this and provide effective cooperative marketing programs and partnerships with OTAs, which in turn will directly support SMEs.*

– Hospitality SME, Thailand

”



# ACKNOWLEDGEMENTS

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## PROJECT PARTNERS

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**PROJECT FACILITATOR:** Founded in 1951, the Pacific Asia Travel Association (PATA) is a not-for profit association that is internationally recognized for acting as a catalyst for the responsible development of travel and tourism to, from and within the Asia Pacific region.

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**PROJECT PARTNER:** Agoda.com is an online travel agency (OTA) and metasearch engine for hotels, vacation rentals, flights, and airport transfer. It is owned by Agoda Company Pte. Ltd., headquartered in Singapore, and a subsidiary of Booking Holdings.

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**PROJECT ANALYSTS:** Twenty31 Consulting is an innovation-based management strategy and research consultancy working with senior leaders of travel and tourism organizations to define and build sustainable, competitive advantage.

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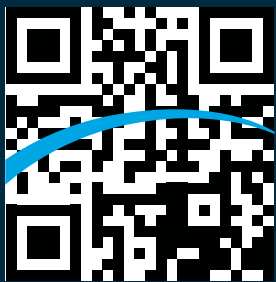
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