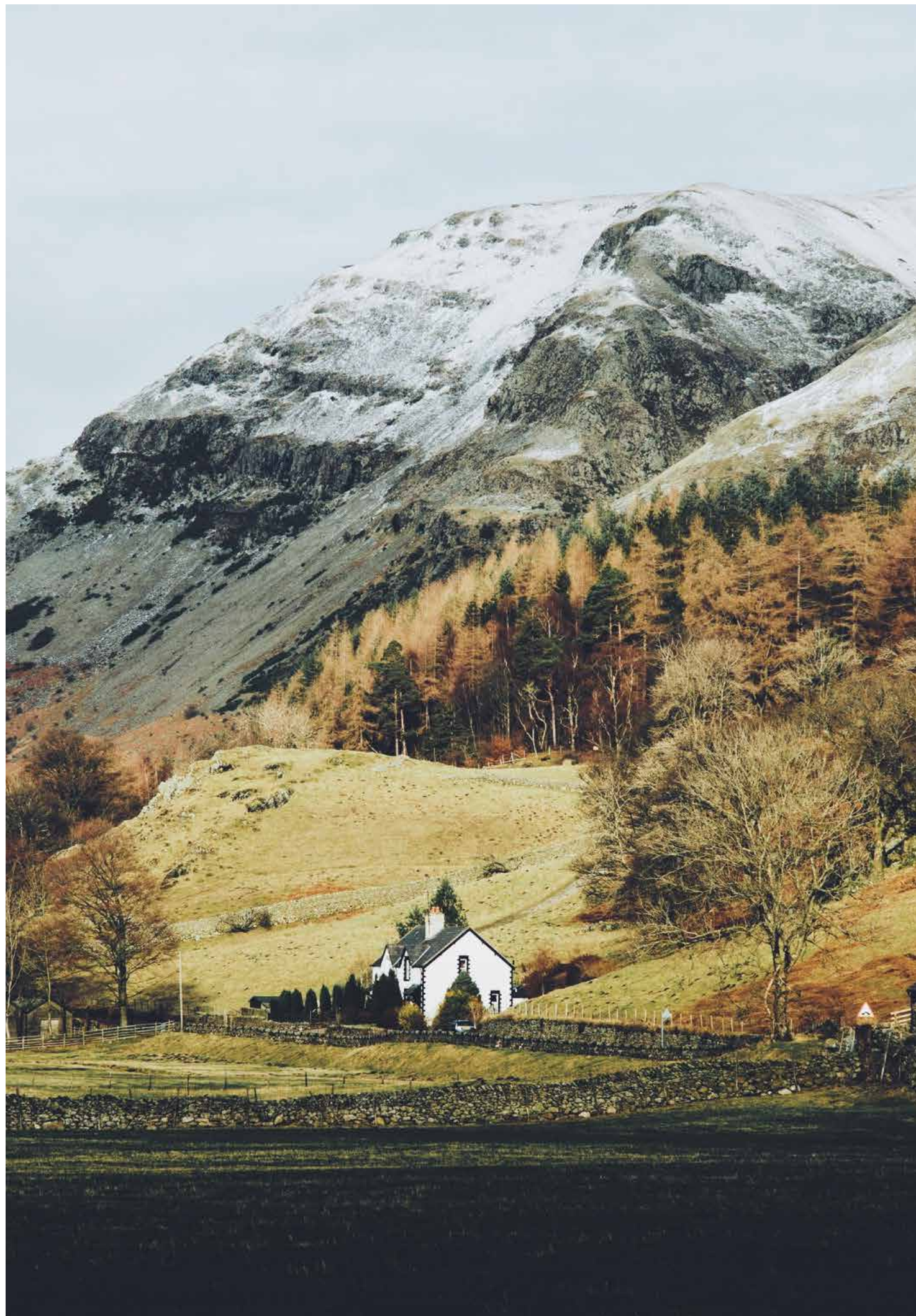


OCCUPANCY AT ANY COST?

How Online Travel Agents are affecting small, independent travel businesses







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The Situation

Mike Bevens, Managing Director of Sawday's, on the state of travel and the impact of OTAs

We believe firmly that not only do industries need to adapt if they're to survive, but that this change is more often than not a positive thing for the greater good.

The torpid incumbents moan or, more tragically, use their precious energy to battle the change through the courts. Meanwhile new players emerge, nimble and lithe, bringing great products and new services that customers love.

Yet we are also strong advocates of a healthily competitive market, fairness, level playing fields, honesty and an economy that supports and nurtures the independent business sector.

What's emerged in recent years in the world of accommodation is anything but – a powerful duopoly of two Online Travel Agents - Expedia and Priceline, that own 80% of the OTA market and in which owners of small, independent businesses reveal they feel increasingly marginalised, treated merely as 'providers of inventory'.

Small businesses complain of being undercut on their prices and kept out of the relationship with the guests. Of having little option but to accept terms and conditions that leave them with the chaos and unpredictability of 11th hour cancellations. Of finding it impossible to speak to a human being when things go wrong. Discounted prices and last minute cancellations, along with the giant leaps forward in sophistication and ease-of-use of the OTAs' websites, have been a boon for guests. But many owners, for whom running a guesthouse, B&B, treehouse or villa was never a route to riches, feel uncomfortably squeezed and often exploited, some of them to the point of quitting.

Any healthy marketplace requires two sides that are happy. If it's not working, either side can move to the competition. Yet it appears that, if anything, competition is diminishing. OTAs' finances soar, helped by their complex tax arrangements, and by their ability to dominate a search engine market where there is only one real player – Google.

We believe there is an alternative – a model that gives guests what they want (quick, easy and secure booking of special, independent places to stay) and owners what they need (guests they couldn't reach on their own, for a fair price, and with whom they can have a relationship), all the while enabling those businesses that make this possible to have a sustainable, profitable business so they can continue to invest.


A healthy, vibrant and diverse sector is great, not only for guests and owners of places to stay, but for the communities for which tourism is so important. Small, independent businesses typically support other small, independent businesses in the area, helping to make the local economy more resilient, characterful and varied – and, ultimately, a more interesting place to visit. The harder it becomes to thrive in this industry, the fewer people will choose to join it, let alone stay in it. And it's in all our interests to have a thriving sector, now and for years to come.

Mike Bevens

Managing Director, Sawday's

www.sawdays.co.uk





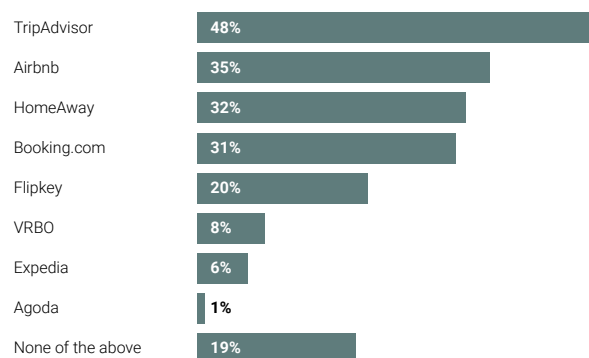
This report is based on the findings of Sawday's research into owners' relationship with booking partners, carried out via an online survey of over 350 Sawday's Owners in February 2017, and through a series of focus groups with Sawday's British self-catering and bed & breakfast owners in December 2016 and January 2017. This has been analysed alongside the findings from a survey of 500 self-catering owners conducted by [Rentivo](#), in August 2016. We have also looked at research supporting a campaign led by the [Bed & Breakfast Association](#) in August 2017 to address anti-competitive practices reportedly carried out by OTAs.

THE STATS

The extent of OTA influence

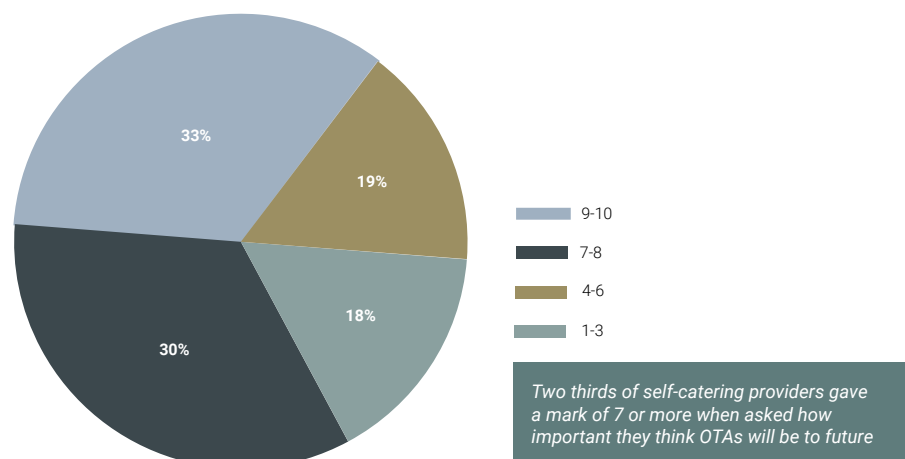
OTAs are widely used by UK accommodation providers. They're an important source of revenue and most owners are listed on at least one, if not more, of the major players.

Over 80% of UK self-catering owners and managers use at least one of the major OTAs



Rentivo OTA Survey August 2016

The majority of UK self-catering providers think OTAs will be an important source of future bookings



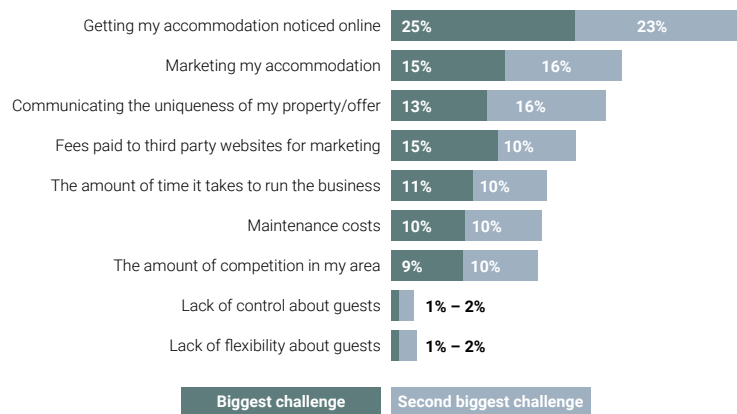
Rentivo OTA Survey August 2016

THE CHALLENGE

What owners are looking for from booking partners

We began our research by asking what our owners felt were the biggest challenges they faced in running their businesses

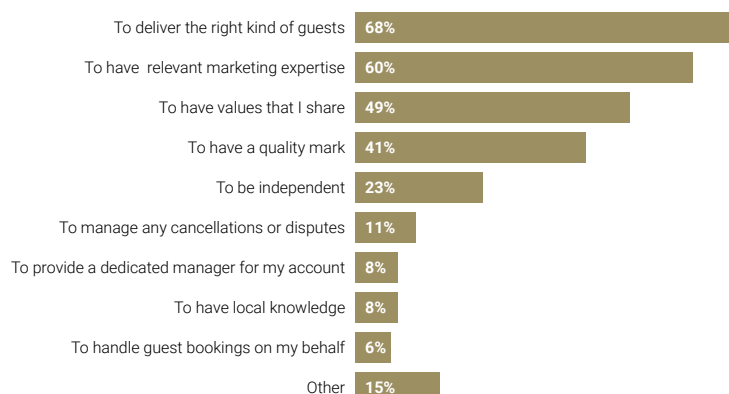
Sawday's Owners' biggest challenges are focussed around marketing their properties



Sawday's Owner Survey 2017

Sawday's Owners largely want booking partners to provide guests for their accommodation, but values are also important

Only a small percentage of Sawday's Owners (6%) want booking partners to handle guest bookings on their behalf



Sawday's Owner Survey 2017

THE UPSIDE

What do OTAs deliver on?



The surveys showed that owners could clearly see the advantages of OTAs and what they were delivering for them

ALLOW OWNERS TO REACH A WIDER AUDIENCE

"These companies do a very good job of getting us seen." *Sawday's Owner*

"I like the fact that they have greater coverage than I can manage with our own website."

Self-catering owner

IMPROVE SEARCH ENGINE RANKINGS

"I most like the fact that they give us a level playing field with bigger accommodation providers who can afford to have marketing staff and we no longer need to spend time trying to stay on Google page 1." *Self-catering owner*

EASY TO USE FOR BOTH OWNERS AND GUESTS

"Easy to use and easy to find what vacation rentals are available in any area of the world on any date and for what price. As an owner easy to update from own website." *Self-catering owner*

"I love their automatic management of instant bookings and my ability to manage the diary" *Sawday's Owner*

ABILITY TO REVIEW GUESTS

"... Most importantly I can review my guest as well as the guest reviewing me. Therefore I can look at the reviews written about the guest and decide whether or not I should accept the booking. This is a real plus when you are having people in your home."

Sawday's Owner

Rentivo OTA Survey August 2016, Sawday's Owner Survey 2017

THE DOWNSIDE

Where do OTAs get it wrong?

Despite some positivity regarding the cost and reach of OTAs, it became apparent that many owners are disillusioned with the nature of the relationship and some of the sacrifices it entailed

Few owners have positive associations with OTAs. Half of UK self-catering owners think OTAs are a necessary evil and two-fifths that they charge too much.



Rentivo OTA Survey August 2016

OTAs TAKE AWAY CONTROL

"I don't like the way that these sites are charging for taking bookings and actually taking away the direct contact you have with guests." *Sawday's Owner*

"Feel like you don't get the rapport with guests anymore. Taking away the joy of running your own business!" *Self-catering owner*

*"[We] least like the way the OTA
'owns' the guest." Self-catering owner*

OWNERS FEEL EXPLOITED

"Almost entirely focussed on the end customer and almost not at all focussed on the person who owns the property." *Self-catering owner*

"OTAs are masquerading as giving the guest the best selection of rentals, and the agency/owner the biggest reach, but in reality, they are making changes to the model for the sole purpose of creating an income stream for themselves." *Self-catering owner*



"They ride roughshod over owners." *Self-catering owner*

RATES ARE FORCED DOWN AND 'RATE PARITY' IMPOSED, BUT NOT RECIPROCATED

"[Some OTAs] charge us a higher commission rate and then use some of this to discount our rate, undercutting our own rates." *B&B owner*

"Rates are being forced down and inevitably quality, service and safety too." *Sawday's Owner*

OTAs ARE SEEN AS IMPERSONAL, INFLEXIBLE AND DIFFICULT TO DEAL WITH WHEN PROBLEMS OCCUR

"Impersonal big companies who are constantly trying to gain our guest data." *Sawday's Owner*

"[Some OTAs] are very impersonal and only care about commission." *Sawday's Owner*

"They are hard to contact by telephone." *Sawday's Owner*

OTAs ARE CHARGING HIGH FEES TO BOTH OWNERS AND GUESTS:

"Creaming fees off an over saturated market..."

Sawday's Owner

"They are relatively expensive and also charge our guests a large fee." *Sawday's Owner*

"...they take commissions from us AND the visitor." *Sawday's Owner*

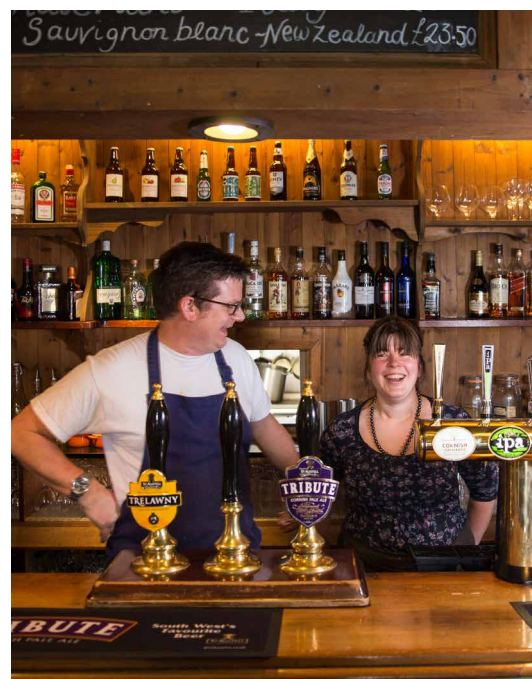
PAYMENT TERMS FAVOUR THE OTAs

"[Some OTAs] bank all of the fee from the moment of booking until guests have arrived."

Sawday's Owner

"[We] get paid the month after guest has stayed, as well as paying commission."

Sawday's Owner



"...dislike those who hoard the cash until after the customer's stay begins!"

Self-catering owner

OTAs IMPOSE UNFAIR CONTRACTS

"I object to our contracts being written in a way that gives the OTA all the rights and protection whilst we have little or none." *B&B owner*

"...if I am late in paying their commission, I have to pay a penalty. If they are late in paying me my booking fees, there is no penalty." *B&B owner*

IT CAN BE HARD TO STAND OUT, DIFFERENTIATE FROM THE MASSES AND TO REACH THE RIGHT CUSTOMERS

"Buyer's market, lack of control over visibility, difficult to distinguish myself from thousands of other listings." *Sawday's Owner*

"I feel we are buried within a mass of lets." Sawday's Owner

"Their consumers don't match our desired guest profile who understand and value what we do." *Sawday's Owner*

*Rentivo OTA Survey August 2016, Sawday's Member Survey 2017,
BBA Presentation OTAs- CMA-Sept 17*

THE FUTURE

How the industry can change

Taking the findings from the surveys and digging deeper with focus groups of Sawday's Owners we identified six key areas that we believe are key to a successful and sustainable relationship between small, independent accommodation providers and booking partners:

GIVING CONTROL BACK

Allowing owners more control over bookings, giving more flexibility of changeover days and length of stay and allowing them to set their own fair pricing. Letting owners run their business their way.

BEING VISIBLE

It's hard for owners to stand out, demonstrate their uniqueness and to remain visible. In a crowded marketplace there is a need for quality control and accurate representation, a way for guests to know that the place they are booking is special. Visibility should not be compromised by algorithms favouring commissionable bookings over direct.

RESTORING GUEST INTERACTION

Owners are feeling removed from the process, they want to speak to guests, to make the stay personal and to accommodate special requests. They miss the interaction and feel like they have no control over who is coming to visit.

BEING UNDERSTOOD

No one wants to feel like a commodity. Each property is unique, and owners want to work with booking partners who understand and recognise that.

ESTABLISHING FAIR PAYMENT TERMS

The industry standard of OTAs paying on or after stay often means a large gap between when the booking is made and when payment is received by owners, disrupting cashflow needed for maintenance and repairs and putting huge pressure on owners' finances; there needs to be a balance that works for both owners and guests.

LOWERING COSTS

Commission seems to be ever-increasing, reducing profit margins and the amounts that can be put back into maintaining the business, there is no consideration of how profitable the business itself is.

Sawday's Owner Insight Sessions January 2017



“We all want bookings. How many we get and how much we pay for them is the question.” Sawday’s Owner



OTAs have disrupted the industry but they play an important role and are a valuable source of revenue for small, independent accommodation providers. However the latter are feeling increasingly 'squeezed' by large, dominant and very profitable organisations, forcing the sector to suffer. If we want to allow independent travel businesses to thrive and to create a sustainable future, the challenge to the industry is to readdress the balance, giving owners back some ownership of the booking process and experience, whilst allowing them to reach the audiences they need and want, at a price that's fair and on a level playing field.

At Sawday's, we've spent 25 years championing the most passionate, generous, authentic owners of special places. Our mission has not changed, but our Guests' expectations of us have. Taking learnings from our Owners and our own experience through Sawday's Canopy & Stars, we are looking to our future by trialling a commissioned-based model that will be an alternative to the traditional OTA. A model that we hope will help our Owners stand apart by celebrating individuality, and be a simple, ethical and transparent service that works for both our Owners and Guests.

Sawday's

Sawday's
CANOPY&STARS

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