



# Online Travel Agencies: 101



# A Comprehensive Guide to OTAs

Just a few decades ago, the world was still using travel agents, calling airlines and hotels directly, or booking a room through a hotel website to arrange their travel plans. Today, Online Travel Agencies have ushered in a new era where consumers have more control over pricing and booking.

An Online Travel Agency, or OTA, allows users to book travel through a website or mobile app. Although these services are confirmed by the airline, hotel, tour group, or other providers, the booking is made directly through the OTA.

Travel suppliers can still work with an Online Global Distribution System (GDS) or travel wholesalers. However, an OTA offers optimal convenience where travel suppliers can list all of the hotel rooms, airfare, or tours on its sites and process the booking. The customer ultimately engages with the OTA as the main point of contact when it comes to cancellations or changing any plans, eliminating the need for travel suppliers to handle that aspect of the customer service.

## Which Companies are Online Travel Agencies (OTAs)?

Prominent online Travel Agencies are Priceline.com, Kayak.com, Expedia.com, TripAdvisor.com, Booking.com, and similar booking sites. Although those are just some examples of the leading players in the OTA space, there are also newcomers like the mobile-only booking tool Hopper.

## The History Behind OTAs

OTAs slipped into the mainstream in 1996 when Expedia launched, followed by Priceline in 1997. Before that, no one had heard of an OTA or enjoyed access to the convenience and ability to compare and book their travel options online. However, Online Travel Agencies aren't just convenient for travelers.

The travel and hospitality industry also discovered how well OTA's marketed their offerings by reaching a mass consumer market through technology. Before OTAs came into the public view, hotels and airlines relied on a GDS that created transactions online but didn't compare and contrast competing fares and rates.

In its infancy, OTAs still represented a relatively small share of the global market's travel bookings. That's not the case in today's marketplace. OTAs have increasingly gained market share since their introduction in the mid-1990s and currently command 39% of the US online digital booking market with projections to grow.

## How do OTA's Work?

Traditional travel agents work by logging into a GDS to research rates offered to travel distributors. However, Online Travel Agencies directly connect customers with the airline, hotel, or tour operator's pricing. OTAs typically don't charge a fee for listing or continuing to market a hotel, airfare, tours, or other product, but will charge a commission upon purchase.

Different OTAs may have slight differences in their business models but mostly work the same. Most earn revenue from a commission-based model where an OTA passes on booking fees to hotels and airlines. Other OTAs, like Disney tickets and resort package resellers, snatch up inventory and resell at a profit to consumers. The biggest OTAs also enjoy high traffic volume and also earn revenue from running third-party ads on their site.

## Who Buys from OTAs?

OTAs serve travelers across every demographic, from luxury to budget-conscious, and business-focused. Travel agents might reference OTAs to find the best fares for their customers, although they are more likely to rely on GDS instead to manage an entire trip for their clients from ground transportation to airfare and activities.

Price point, destination, and amenities will dictate Online Travel Agencies' search results and show available options based on those preferences. Whereas travel agents may only work with a specific sector like business or luxury travelers, OTAs service anyone who comes looking.

## Are Fares and Rates Lower with an OTA?

Airline fares, hotel rates, tour rates, and other travel services generally aren't cheaper when booking through an Online Travel Agency. When an OTA charges a travel supplier a booking fee, the airline, hotel, or tour operator usually raises their rates enough on the consumer end to compensate for the cost.

Travelers may discover an OTA is a few dollars more, but when they try to book direct, the supplier's fees and taxes make it roughly equal to the OTA. There's little financial incentive for a consumer to book directly with a travel supplier if they find that tour or flight through an OTA.

However, there are occasions when Online Travel Agencies prove cheaper than booking directly. Travelers often score deals when booking last-minute services online, or when they combine flight, accommodation, and activities in a travel package.

OTAs also show creatively reduced fares based on multiple airline legs. For example, a user might book a trip from New York to Rome, and the fare includes a change of airline on one of the legs or a return trip on a different carrier.

## Are OTAs Safe for Users?

Reputable players in the OTA space like Expedia and Priceline are generally safe to use and employ trained customer service for unhappy travelers. Smaller, lesser-known OTAs who are entering the marketplace may pass down hidden fees or provide less transparency about how they work. Travelers may discover they just paid an OTA extra to book a seat on an airline that doesn't actually require it. The OTA pockets the costs as additional revenue.

Travel brands may also risk tarnishing their reputation when entering into partnerships with an unreputable OTA. If bookings fail to run smoothly or the traveler faces a customer service issue, they may blame the hotel or airline for the trouble. When it comes to safety, both users and suppliers should stick with reputable OTAs who already have a track record of success.



## What Are Some of the Pros of Using OTAs?

Travelers want convenience when it comes to booking their vacations. It's simpler to see a variety of fares and rates in one place than research multiple sites. Online Travel Agencies and their suppliers often feature a very similar price, and the lowest fare match guarantee. Travel suppliers vying to compete for travel dollars can't afford to miss out on bookings through an OTA. This consumer behavior also means suppliers benefit from staying visible on OTAs.

Travel suppliers, like tour operators and ticket resellers, can also reach a more diverse pool of travelers when working with an OTA. Instead of trying to market to just luxury or adventure travelers, OTAs reach anyone looking for a particular destination or offering.

Using an OTA also works as free advertising for travel suppliers. Instead of paying a fee to be seen across numerous websites, apps, and channels, an OTA shows various travel products for free. Travel suppliers only pay when a user books their tours, airfare, or hotel room. With OTA supplied analytics, travel resellers can also make more informed choices about what to offer and who their core consumer really is.

**Connect with  
resellers, OTA's &  
others who can  
sell tours and fill  
your seats.**

## What Are Some of the Cons of Using OTAs?

Not all travel companies prefer Online Travel Agency bookings and may even steer travelers away from purchasing through a third-party altogether. OTA commissions typically range from 10% to 30%. That figure often depends on how much brand recognition the OTA has, the size of the hotel or airline, and the popularity of the destination.

Some hotels and airlines encourage travelers to book directly through their own site to avoid paying out a commission altogether. For example, a hotel may offer early check-in or late check-out when booking through their site.

Depending on the brand and the perk offered, travelers may decide to skip the OTA booking. Travel brands are also more savvy about nurturing loyal customers and perfecting their customer service by being present on social media, creating user-generated campaigns with travel photos and videos, and building brand loyalty.

Another issue for travel brands using Online Travel Agencies is inventory. Unless a travel supplier can instantly track and adjust inventory in real-time, they risk overbooking and damaging their reputation. Inventory isn't usually an issue for airlines and hotels with robust software and operation teams, but smaller tour operators and service providers are often left scrambling to find a competitive solution.

## How Can Tour Operators Overcome Real-Time Inventory Challenges

Investing in the right technology can help tour suppliers remain competitive and stay on top of their inventory. Tools like [Tourbase](#) help tour companies compete and step into the OTA marketplace.

Live inventory is crucial to prevent overbooking for tour operators and other suppliers, and an open API allows for real-time inventory across all channels used. Depending on the needs, automated trigger emails can also be used to help communicate with users once they book.

Overcoming inventory challenges also means tour operators can focus on scaling their business and forecasting their profits to build more income in their business. The fees and commissions associated with an OTA may disappear completely when tour operators can sell more with ease. It's also possible to increase tour package rates and fees when more customers are vying for the same experience, driving up the demand.

## How to Pick the Right OTA

Online Travel Agencies aren't all created equally. Choosing an established OTA with a glowing reputation is one place to start, but businesses also need to consider their audience and their product before signing an agreement. Travelers looking for a small mountain getaway are more likely to look to an OTA alternative like Airbnb or VRBO, whereas business travelers might use Expedia or Booking.com.

Travel suppliers should also look for OTAs with attention to customer service who quickly resolve issues. A travel supplier needs to know the OTA will help them with an issue, as well as help their customers who try to book a tour.

## Why Should Tour Companies Use OTAs?

The rapidly growing trend to collect experiences and engage in tours and activities is projected to rise. According to a survey by [Tripadvisor](#), one of the fastest-growing types of experiences globally include private and customized tours. Profits also align with those findings, with online tours and activities gross bookings have almost doubled from 2015 to 2020.

Travelers are already using Online Travel Agencies to book activities and tours, signaling a growing trend in the marketplace. Airbnb Experiences and TripAdvisor are just a few examples, as well as tour deals on sites like Expedia. Tour operators risk missing out on sales when travelers are already booking their flights, accommodations, and ground transportation from one OTA and see the option to add on activities. Instead of going directly to a tour company, travelers are more likely to book everything at once.

Larger OTAs are also acquiring guest tour operators as part of their portfolio. TripAdvisor owns Viator, and Expedia launched a Local Expert and GetYourGuide. To stay visible and stand-out, tour operators need to capture bookings through OTAs, travel agents, word of mouth, and any other means possible.

Tour operators also aren't competing with a handful of airlines or hotel chains; they're trying to stand-out from an endless sea of suppliers. There are over 100,000 tour related suppliers globally, ranging from small mom and pop travel services to large tour operators and studies have also found two out of five tour suppliers don't accept online bookings at all, and most do not connect to third-party resellers.

Unfortunately, the trend to stay offline doesn't align with travelers' desire for convenient, online booking. However, tour companies that use Online Travel Agencies and deliver the online experience customers want are automatically ahead of the curve.

## Why Aren't More Tour Operators Using OTAs?

If the industry points to OTAs as a “must-have” for tour operators, then why aren't more suppliers using them?

Although OTA's are on the rise, 31% of tour suppliers still have no plans to acquire reservation software. Reasons include thinking their company is too small or are deciding their current sales process is good enough.

Tour operators are usually smaller operations than airlines and hotels and have smaller profit managers to spend on commissions. However, consumer habits are clear. Travelers are well-versed in researching and booking last-minute deals with little hesitation. OTAs are part of mainstream consumer culture and are increasingly becoming the go-to for all things travel.

This type of mindset and impulse buying behavior are both pros and cons for tour operators. The supplier has more visibility, but that exposure also makes it more difficult for tour operators to keep up with the demand and scale.

Without being able to track and control real-time inventory, tour operators are forced to pull out of OTA agreements or increase marketing dollars to sell to consumers and travel agents directly. Shunning an OTA may offer a more personalized approach to selling but doesn't scale in a digital world known for its rapid pace.

## What Does the Future Hold for OTAs?

Online Travel Agencies continue their rise to prominence and will likely engulf the online booking space. According to industry research, the percentage of suppliers using third-party reservation systems surged from just 14% in 2011 to 45% in 2016.

OTAs will likely need to compete with their own suppliers, as well as other OTAs, to capture more market dollars. OTAs are also savvy to the fact travelers of all interests from budget-savvy to luxury use reward points. In response, OTAs are launching their own loyalty programs like Expedia Rewards or Orbitz Rewards that offer points per dollar spent, and Hotels.com also offers free nights with repeat bookings.

The rise of such loyalty programs means even more travelers are likely to adopt booking directly through OTAs. With an increasing demand for OTAs to deliver on comprehensive experiences, tour operators and other travel suppliers are expected to choose OTAs to stay visible, even if it means paying a commission for the exposure and booking.

Hotels and airlines are also expanding their relationship with OTAs and shaking up the industry. In November 2018, Expedia and Marriott entered negotiations that offer Marriott hotel owners more control over their distribution relationship, as well as positions Expedia as a brand partner. A successful partnership could usher in a new era of collaboration increased exposure for travel suppliers using OTAs.

Online Travel Agencies will continue to evolve as travel trends shift, but aren't going anywhere. In a world where travelers want more convenience, more options, and more accessibility to book everything they want in one place, OTAs will find a way to deliver.