

A photograph of the Dubai skyline at dusk, featuring several prominent skyscrapers. A semi-transparent blue rectangular overlay covers the middle portion of the image, containing the title and subtitle. The Ferris wheel is visible on the right side.

THE STATE OF HOTEL ONLINE DISTRIBUTION IN MIDDLE EAST

Insights and analysis on hotel industry's
approach to online distribution

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eRevMax
The Gold Standard of Connectivity



INTRODUCTION

Driven by millennials and smart phone penetration, the hotel industry is going through a rapid transformation in the Middle East when it comes to online distribution. Over 50% of the population in the Middle East is between 18 and 34 years of age. Born in the Internet era, they are conversant in online payments and are increasingly using mobile devices to book travel. As more regional online sales channels make their presence felt in the Middle East market, the report looks into hoteliers' technology adoption, online booking share and channel mix for a deep dive analysis into this booming sector.



OBJECTIVE

The objective of this study is to identify key trends in the hotel online distribution space in the Middle East and understand how the market is evolving with the constant changes in consumer behavior. In order to understand this, we conducted an online survey with hoteliers in the region, namely from UAE, Egypt, Qatar, Oman and Saudi Arabia. The results published and analyzed in the survey are based on responses from 108 accommodation providers.

HIGHLIGHTS

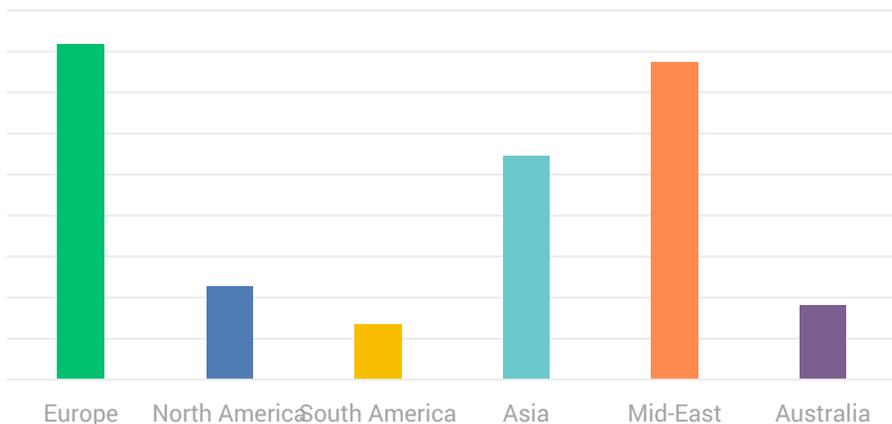
- Reliance on OTAs due to overdependence on transient guests
- Increasing adoption of technology
- Dynamic market forcing hotels to frequently update rate and availabilities
- Shorter booking window putting pressure on rate

Europe remains the top source region

The socio-political changes along with supply-demand imbalances has forced the hotel industry to relook at their operational strategy and diversify the revenue mix. While Europe remains the key source region, intra-region travel within Middle East remains strong. India is the single-largest source market for UAE, however, with the introduction of additional and direct airline routes, Chinese visitors to GCC are expected to increase substantially.

Over 81% of respondents consider Europe to be their key source region followed by 77% for Middle East, 55% for Asia, 36% for Africa, 23% for North America, 18% for Australia and 14% for South America.

Key Source Market



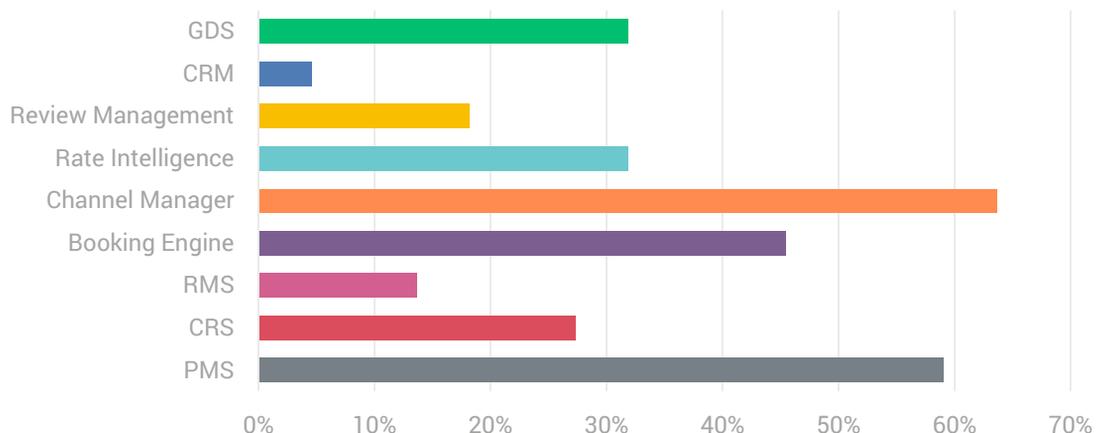
Increasing adoption of Channel Manager & PMS

Driven by the surge in digital travel, the Middle East hotel industry which has been slower to embrace new technology, are now increasingly investing on travel technology solutions.

Majority of the respondents now use at least three travel technology applications. In lieu with the growth in online bookings, Channel Manager or OTA connectivity solution has become a must-have with 64% hotels using it to manage OTAs. As hotel operations become more complex, hotels are prioritizing technology investments. Based on the respondents, the current penetration of Property Management Systems or PMS across hotels in the region is as high 59% while that of Booking Engine is a little over 45%.

Surprisingly hoteliers in the region are yet embrace tools like CRM and RMS which have the potential to give insights for personalized campaign.

Technology Adoption



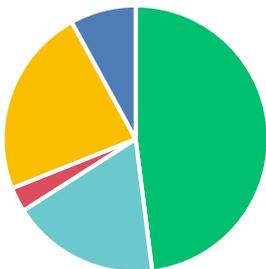
Reliance on OTAs as Distribution Channel

Given high internet connectivity and smartphone penetration in the region, the travel ecosystem in the Middle East has taken a shift to online. Internet booking has been growing in double digits, and this trend is expected to continue for the next few years.

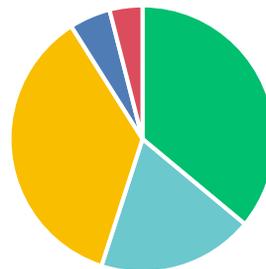
According to survey respondents, close to 48% of their reservations come from Online Travel Agencies, followed by Wholesalers contributing 23%. Online direct booking is around 18%, an indication of hoteliers' challenge in the region to keep up with the shift towards mobile booking.

Interestingly, when it comes to reservation revenue, wholesalers' contribution is significantly higher showing the region's dependence on corporate consortia. OTA, even though contributes 48% bookings, in revenue terms, accounts for 36% revenue – an indication of intensive price competition and commission.

Reservation Mix



Reservation Revenue Mix



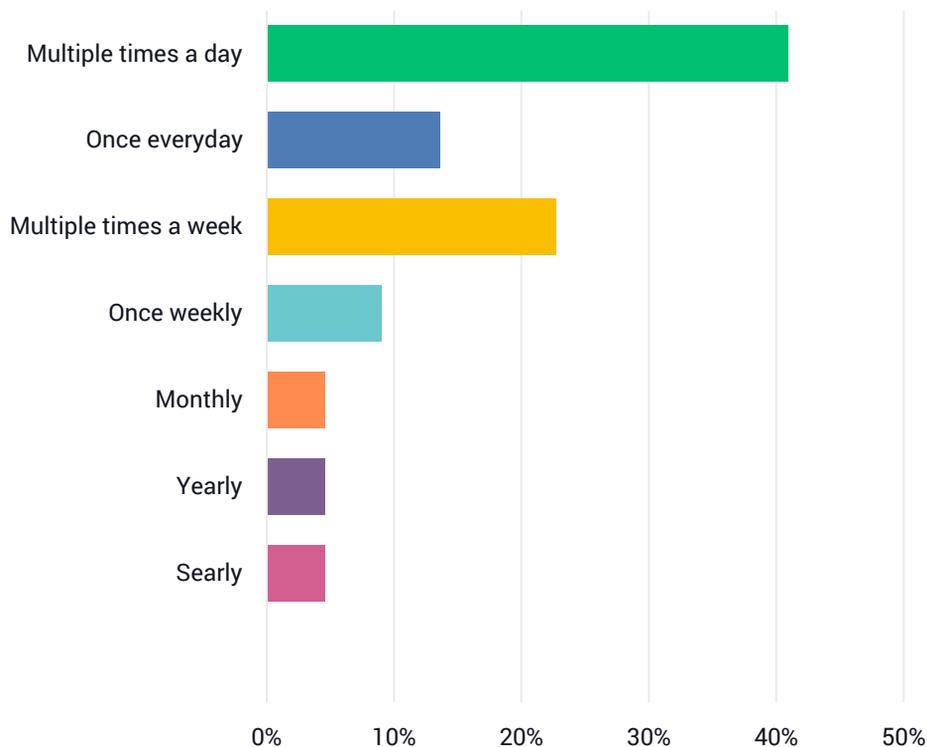
■ OTA ■ Direct ■ GDS ■ Wholesaler ■ Walk-in

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Proactive response to market dynamics

The extreme competition fueled by additional supply of rooms in the Middle East, safety issues and geopolitical uncertainties has made managing online sales channels even more complex for hoteliers.

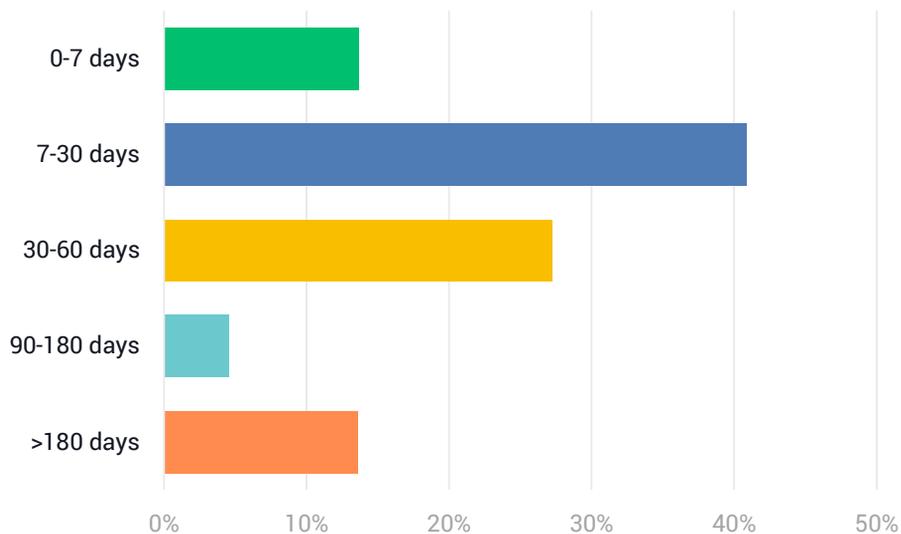
The price sensitive nature of the market puts pressure on the hotels to maintain rate at par with competitors. Dependence on transient selling has also led them to change rates often, with most respondents updating online rate and inventory multiple times a day.



Shorter booking window

The increasing availability of information along with change in consumer behavior has thrown up both a challenge and an opportunity for the hotel industry. With booking lead times, or 'booking window' getting shorter, hotels are being forced to depend on last-minute apps or OTAs to improve occupancy.

While major chains have the corporate consortia to fall back upon, independents struggle to maintain good occupancy - leading to aggressive rate strategies.



SUMMARY

As more people travel to the Middle East, hotels in the region need to ensure they connect to the right channels and target key source markets that are expected to grow. While big global and local channels may bring results, it is crucial to add regional channels that cater to the Chinese and American travellers for future business growth.

Technology is the key aspect that Middle East hotels cannot afford to ignore. A hotel revenue and distribution manager today uses multiple technology solutions for their daily operations which are not synchronized between them. Integration of solutions are both time-consuming and expensive, making it futile for most hotels. As a result, hotel managers today are confronted with numerous emails from their solution providers with suggested actions. The biggest challenge for hotels now is to balance between core activities like service and connectivity disruption. With the growing popularity of automation and artificial intelligence, hotels need a solution which would seamlessly integrate data from all technology tools that would work like a central hub and allow interoperability of their systems like PMSs, CRSs, OTAs and RMSs.

While it is critical to maintain presence on different sales channels, hotels need to get closer to their guests. Consumers expect personalization, which hotels can also deliver through deep understanding and profiling of guests. As consumer loyalty takes a backseat over experience, hotel companies is putting their focus on engaging with guests throughout the customer journey instead of the fragmented engagement and acquisition approach to build long- standing relationship.

In essence, 2019 can be a great year for Middle East hotels if they play their cards right.



ABOUT EREVMAX:

eRevMax is a travel technology company that assists hotels through channel management, rate intelligence and connectivity solutions. The company connects multiple online channels to the hotels' PMSs to seamlessly deliver ARI updates and reservations. eRevMax is known for its stable solutions with 99.9% product uptime and provides 24x7 customer support. It works closely with around 400 channel and technology partners assisting over 9000 hotels worldwide to increase revenue opportunities and streamline business processes. It is the connectivity partner of choice for large hotel groups, mid-scale chains as well as independent properties in both luxury and budget segment worldwide providing solutions through its core product brands - [RateTiger](#), [LiveOS](#) and [AgentX101](#).



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