

## Business Day

# Fewer, Bigger Travel Sites

### Some See a Merger Trend as a Boon for Consumers



ANDREA MOHIN/THE NEW YORK TIMES

Bjorn Hanson, a hospitality expert, said mergers could help customers make better price comparisons.

By HARRIET EDLESON

The online travel search business is consolidating, as two of the biggest online travel agencies, Priceline.com and Expedia.com, buy smaller search engines.

But most travel industry analysts said they did not expect either Priceline, which is buying the airline and hotel search engine Kayak, or Expedia, which last month acquired the German hotel search site Trivago, to tamper with the basic model of search engines: to show the consumer as many options as possible.

Search results in favor of Priceline, for example, would diminish the value of Kayak, said Bjorn Hanson, divisional dean of the Tisch Center for Hospitality, Tourism and Sports Management at New York University.

He said that market conditions — including hotel occupancy rates, which are much improved over their low levels in 2009 — and not consolidation, would have more of an effect on prices. In addition, he said, after consolidation, Kayak is likely to become better known. This would bring more consumers to the site, enabling them to make better price comparisons.

The hotel industry has emerged from two dark periods, Mr. Hanson said, one that followed 9/11 and the other in the midst of the most recent recession. "The hotel industry is doing better," he said. In 2002, on a typical night, 41 percent of hotel rooms were unoccupied, and in 2009, 45 percent of rooms were vacant. That number has now dropped to 38 percent, "a dramatic change," Mr. Hanson said.

"The change is so dramatic," he said, that hotels do not consider it as necessary to list their unsold rooms on the sites of online travel agencies like Priceline and Expedia.

That can be an advantage for consumers because they now deal directly with hotel companies, which have worked to draw travelers back to their Web sites and apps with loyalty programs, knowledge of guest history and price guarantees. A hotel, for instance, may promise to match the price or beat it if the traveler finds a lower price for the same room through an online travel agency or metasearch site.

Mr. Hanson said online travel agencies typically used four models for the hotel rooms they displayed: in one mod-

el, they act like a traditional brick-and-mortar travel agency, and the hotel pays the online travel agency a 5 percent commission; the second is the auction model like the one used by Priceline.com. The third is the opaque model, as on Hotwire.com, where consumers do not know what brand they are buying. The fourth is the merchant model, in which the online travel agency buys the room inventory from the hotel company, which then pays a commission ranging from 18 to as much as 38 percent to the online

### Priceline and Expedia buy smaller search engines to expand.

travel agency. The hotels aim to use the online travel agencies as little as possible, he said.

Hoteliers view the search sites as a way to bring more consumers to their sites, said Michelle Woodley, senior vice president of distribution and revenue management for the Preferred Hotel Group. "It's two streams of booking," Ms. Woodley said.

"Hotel companies are not going to give every channel the same price now — parity deals — that were written into the conditions of the agreement" in the past, Ms. Woodley added. There can be five different prices for the same room, she said. "So for consumers, it's a better environment."

The days of the rapid growth of the online travel agencies are gone. "Online travel in the U.S. is mature," said Henry Harteveltd, a travel industry analyst at Hudson Crossing. "Growth is flattening out. There isn't double-digit growth like in the late 1990s and early 2000s," he said. "Online travel agencies are exploring new ways to reach more people — acquisition and investments. Kayak and Trivago will refer more business to the respective purchasers."

In March, Expedia ranked second after TripAdvisor, with Priceline third among the top 10 online travel agencies and search sites, for the "number of unique visitors," according to comScore, which tracks visitors to travel and other types of Web sites. In March, Trip-

Advisor had nearly 20.95 million visitors, followed closely by Expedia with 20.92 million, and Priceline had 17.45 million. Kayak.com Network ranked eighth with 8.94 million visitors, with Trivago Sites ranking 248th with 142,000. Online travel agencies make money through online advertising more than through transactions, Mr. Harteveltd said.

While many analysts said they expected online travel search to remain much the same after the acquisitions, one argued that the parent company could now favor its own companies in its search results of hotels, for instance, or when it sells advertising. Kayak is "not neutral anymore," said Edward M. Woo, senior research analyst of digital media for Ascendant Capital Markets.

"They're owned by Priceline now," he said. "It will be hard to keep the barriers between them and Priceline. Within a year, how impartial is Kayak able to be when Priceline is Kayak's biggest customer? Expedia won't want to advertise on Kayak. Kayak doesn't care if it loses Expedia ads. They got the money." Priceline paid \$1.8 billion for Kayak, including \$500 million in cash and \$1.3 billion in equity and assumed stock options, according to Priceline.

Mr. Woo predicted the rise of another search engine "that will be neutral."

In March, the British Office of Fair Trading said it would review the Priceline-Kayak deal. The office accused Priceline's hotel reservation site, Booking.com, and Expedia of breaking both European and British competition laws by signing deals in July with InterContinental Hotels Group that limited discounts on hotel rooms.

Mr. Woo said he expected that regulators would approve the Priceline-Kayak deal. "Antitrust can go after them later on, but once the deal is through, there is no way to regulate the future," he said. A decision is expected in early May.

Expedia said it would acquire a 61.6 percent equity stake in Trivago for about \$632 million in cash and common stock.

Most travel experts said they believed the Priceline and Expedia deals would help the consumer because they would make more information available. "For the consumer, this would actually be a really big win," said Dan Marcec, a travel analyst at eMarketer. "It creates global travel search engines rather than regional ones."