TRENDS REPORT 2020

GesHotels

MANAGING DIRECTOR'S LETTER

As our 2019 Trends Report was so wonderfully received by the sector, we're especially excited to start this year's 2020 Trends Report.

This year is a special one for the entire GesHotels family as our business is celebrating 25 years of history. It's a history full of challenges, changes and ventures that have got us to where we are today. And throughout our aim has always remained the same: to provide our customers with the best experience. We're grateful to each and every one of you.

For yet another year, our Guest Experience studies have broken all records and achieved the best participation rate in the market.

We're convinced that studies based on millions of guest experiences in holiday hotels and included in this monthly report can give the sector information that will help improve their guests' experiences and achieve higher profit rates.

Thank you.

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REPORT CONTENTS

ANALYSIS OF 2019

Tourism consumption changes and trends, which had been forecast years earlier, were consolidated in 2019.

The service quality cycle ended and became the age of guest experiences and personalised offerings.

Standing out in this new stage requires more than focusing on guests who express their dissatisfaction with a product through a measurement system. Success will lie in going one step further and attracting guests who are satisfied but won't return to our hotel again because they want to try their luck in a competitor's establishment.

In this new cycle, the culture of minimums does not tally with an increasingly competitive market with destinations that become cheaper every day and with new collaborative platforms that annually invest millions of euros in guest experiences.

Technological alternatives for collating experiences have not met the sector's expectations and have been declared insufficient for obtaining enough quality data to make objective decisions.

End customers are overwhelmed with email invitations to share their experience and it seems their brain has simply learned to ignore them. That's why participation indices in online surveys are constantly dropping and results are more polarised.

Companies in the sector are increasingly turning to personally collating their guests' experience because it's the option that gives them the highest volume of data quickly and easily so they can process the information and improve their guests' experience before they leave the hotel.

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“We’re not in an information age anymore. We’re in the information management age.”

Chris Hardwick
Actor

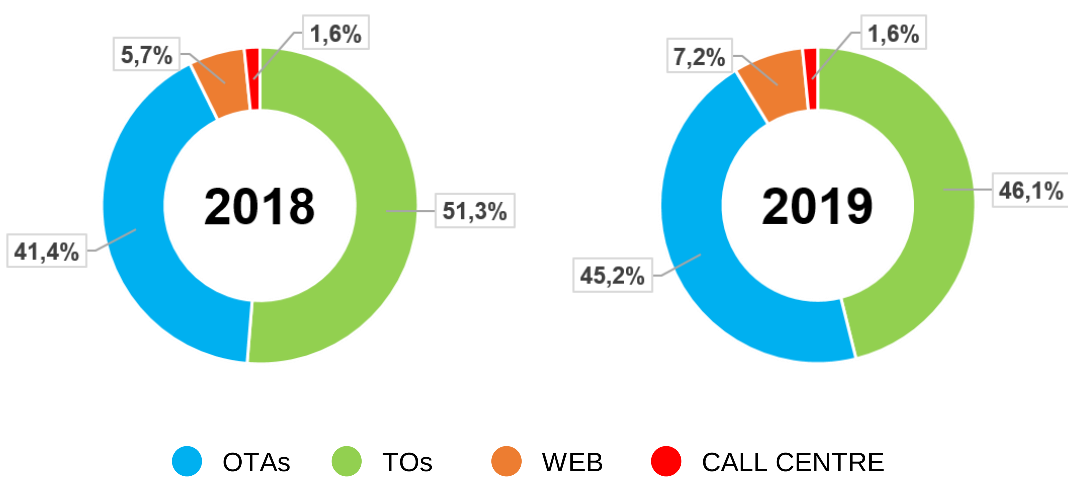
TRENDS
JAN. 2020

1. Interannual evolution of sales distribution channels and their use by first-time and returning guests

In 2019, we experienced several events that show that the way users consume hotels is changing. Increasingly more companies are investing their resources in attracting guests directly to learn their users' experience from beginning to end and to offer them an experience that matches their profiles and preferences. At GesHotels, we wanted to analyse how the distribution of these sales channels and their use have evolved in first-time and returning guests.

Initially, we analysed the consumption behaviour of first-time guests at the hotel. At a macro level, we observed that in 2019 OTAs increased their overall sales share by +3.8% compared with 2018. Secondly, bookings via companies' websites grew +1.5%, while bookings made via reservation call centres had no interannual variations and remained at 1.6%. The only channel with share losses is TOs, specifically -5.2%.

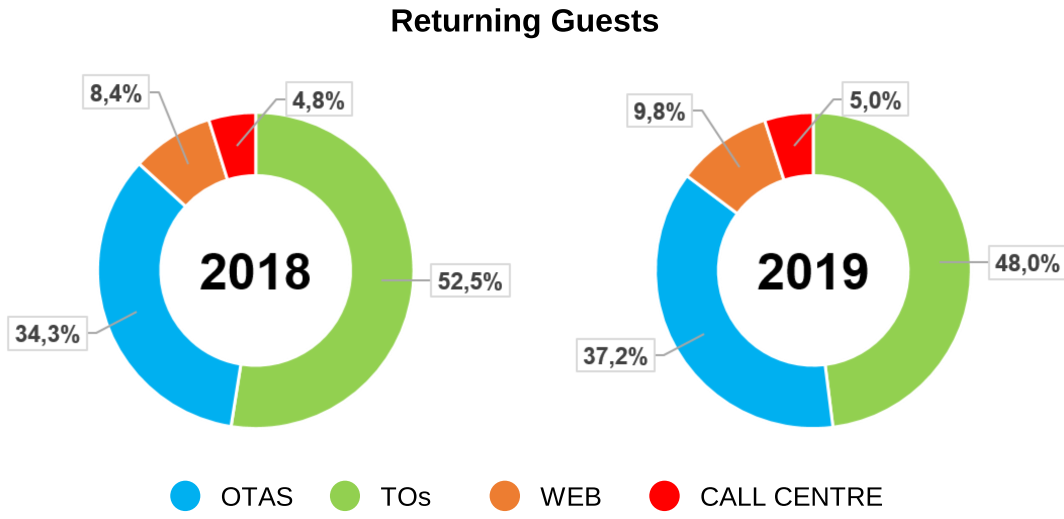
First-Time Guests



On analysing the results of first-time guests, we can clearly see how users with no previous hotel influence are evolving towards a more digital consumption.

Below we will study returning guests and we'll see that their consumption is quite different.

On analysing the results obtained for returning guests in 2019, we can see that the share for bookings via the company's website has increased by +1.4%; via the reservation call centre, bookings have gone up by +0.2% and by +2.9% via OTAs. Yet again, bookings via TOs have lost 4.5% of the share.



1.1. Comparing Returning Guests with First-Time Guests

On analysing the data obtained as a whole in 2019, we can see that returning guests have a direct booking share of 6.0% more than first-time guests, divided into +2.6% via the website and +3.4% via the call centre.

Another significant detail is that the OTAs have dropped considerably in this guest segment (-7.9%).

CHANNEL	FIRST-TIME	RETURNING	DIFFERENCE
TOs	46.1%	48.0%	**+1.9%**
OTAS	45.2%	37.2%	**-7.9%**
WEBSITE	7.2%	9.8%	**+2.6%**
CALL CENTRE	1.6%	5.0%	**+3.4%**

In terms of profitability per booking, we can conclude that guest loyalty significantly helps to improve the percentage of companies' direct sales and reduces their dependency on OTAs.

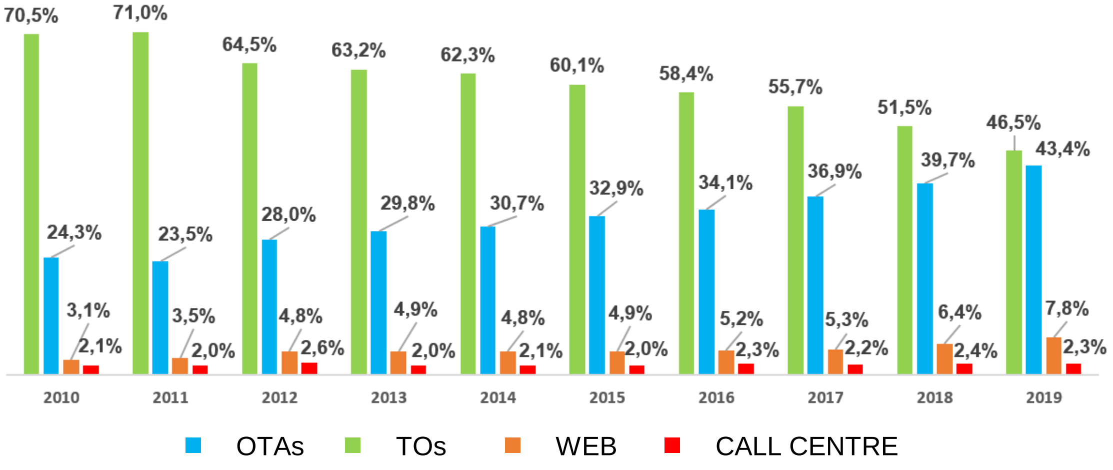
COMMERCIAL & MARKETING STUDY

GesHotels

2. Analysis of the distribution of sales channels in the last decade

In the last ten years we have witnessed a change in trends in holiday hotel distribution in 30 countries. Attracting guests via companies' own channels is now the common challenge in the sector.

At GesHotels, we decided to analyse how holiday hotel distribution has evolved worldwide in the past ten years.



On analysing the data obtained, we can see how TOs have experienced losses in their sales share since 2011 at an annual average rate of -2.8% while OTAs have not stopped climbing since the same year at an annual average rate of +2.3%. It's important to note that if the trends of recent years continue, OTAs will outstrip TOs in worldwide sales distribution, most likely in 2020.

When we analyse the evolution of companies' own sales channels, we can see how the average interannual growth rate for website bookings worldwide is +0.5%. Meanwhile, bookings via call centres seem to have stagnated around +2.2% and have a slight average annual growth of +0.03%.

In a sector in which large OTAs seem to have no competitors, making guests loyal combined with excellent work by online teams based on reliable in-house experience data and marketing campaigns focused on appropriate segments will prove crucial for keeping up with them.

“If you do not know how to ask the right question, you discover nothing.”

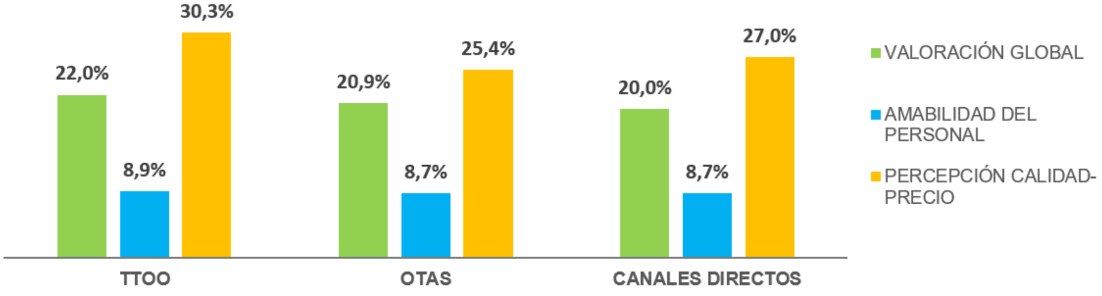
W. Edward Deming
Statistician

3. Analysis of the perceptions of guests provided by TOs, OTAs and Direct Channels in the main influence indicators.

When guests make their reservation, they have certain expectations based on previous similar experiences, their perception of value for money, the opinions of other users and even on the hotel's category and other factors. During their stay, these expectations will be exceeded, met or confounded.

Aware of the apparently unstoppable growth of OTAs in the holiday market, we have compared the perception of OTA guests with the perception of TO and Direct Channel guests of the main influence indicators by analysing the percentage of guests who said they're indifferent or moderately satisfied.

Percentage of indifferent or moderately satisfied guests



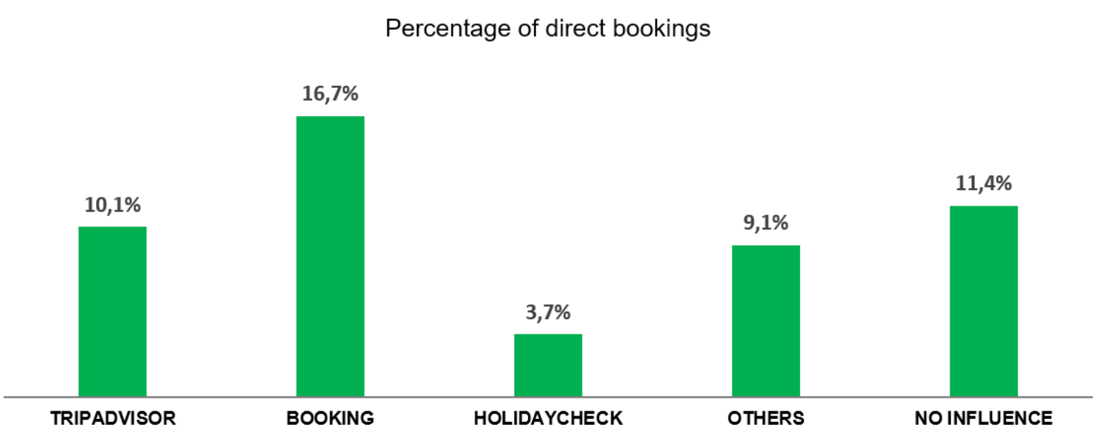
Studying the value-for-money indicator shows that TOs generate the highest percentage of indifferent guests, 4.9% more than OTAs. And OTAs generate 1.6% fewer indifferent guests than Direct Channels. This leads us to conclude that having the opportunity to compare a variety of rates at similar hotels helps to generate expectations that are more in keeping with reality and are, therefore, easier to exceed during a guest's stay.

Hotels are becoming increasingly aware that to ensure long-term success and forge a future relationship with their guests they have to identify indifferent or moderately satisfied guests to discover opportunities for improvement. Transforming indifferent guests into influencer guests before they leave the hotel is the Guest Experience challenge of the 21st century.

4. Analysis of the percentage of direct reservations made through the main Internet influence channels.

A hotel's image and reputation on the Internet is crucial for ensuring occupancy. By analysing 2019 results, we can observe that worldwide 73.5% of guests gather information about the hotel on an influence channel before booking their stay.

Consequently, at GesHotels we have analysed which influence channels provide a higher volume of direct bookings through the companies' websites and central reservation systems.



We can see that Booking.com is the channel that provides companies with the highest percentage of direct reservations. Specifically, 16.7% of guests seeking information on the hotel in Booking end up buying directly from companies' own channels.

We can see that TripAdvisor provides 10.1% of its traffic to hotels' direct channels.

A total of 3.7% of guests seeking information on HolidayCheck booked via non-commissioned channels, while other sites provide 9.1% of companies' direct bookings.

The 11.4% of guests who said they didn't seek information on any opinion website before making a reservation decided to book directly on the companies' websites or via their call centres.

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