

expedia group™

What really counts:

The economic impact of OTA travelers

When the World Health Organization declared COVID-19 a global pandemic in March 2020, the impact on the travel industry was immense. Unprecedented volumes of cancellations flooded call centers, worldwide flights were grounded, and hotels closed their doors.

The global travel shutdown reverberated across the global economy. According to latest estimates from the World Travel & Tourism Council (WTTC), the global economy is facing a loss of \$5.5 trillion from the travel and tourism sector in 2020.¹

People across the globe were unable to leave their homes at the outset of the pandemic, but this did not stop them from dreaming of a vacation. Weekly surveys beginning in April revealed that people who visited Expedia.com did so primarily to map out their next trip—and that desire persists, as those who remain at home are eager to reconnect with loved ones and colleagues.²

The industry is experiencing early signs of recovery, but the way people travel—and how they make decisions—has changed. This report examines how COVID-19 altered traveler behavior, including spending patterns, and outlines effective strategies that accommodation providers can use to attract and engage travelers.

The research journey

This report contains information from studies conducted by BVA BDRC for Expedia Group. The research, completed in February 2020, studied the behavior of 1,260 domestic and international travelers in Mexico to:

- Compare the spending patterns of OTA (Online Travel Agencies) travelers and direct hotel bookers
- Assess the volume of bookings captured by OTAs
- Evaluate the contributions of OTAs to the Mexico travel industry and broader economy

Supplemental studies from Expedia Group were used to form an early analysis of how COVID-19 is changing Mexican traveler spending and habits.

Key research findings

Traveler Preferences	Traveler Behavior
More than half of travelers that use OTAs are looking for the best rate	OTA travelers spend more on accommodation than direct bookers: domestic (+50%) and international (+20%)
Four out of ten travelers will book travel via an OTA	OTA travelers spend more on-property than direct bookers: domestic (+23%) and international (+12%)
Most travelers use OTAs to plan or research their trip: domestic (72%) and international (60%)	Domestic OTA travelers are good for communities, spending 20% more on meals and drinks and 24% more on activities

¹ More than 197m Travel & Tourism jobs will be lost due to prolonged travel restrictions, WTTC, June 2020

² Why Visiting Intercept, Expedia Group, August 2020

COVID-19 disrupts steady growth

The Mexican domestic travel sector posted nine years of consecutive growth from 2010 to 2019.³ Before COVID-19, employment in the tourism sector in Mexico also registered a steady growth from 2017 to 2020. In total, the number of tourism jobs in the Latin American country went up to 4.5 million in the first quarter of 2020.⁴

Prior to COVID-19, the Mexico tourism industry directly employed over **4.5 million workers**



However, the impact of COVID-19 on travel to and within Mexico in the first half of 2020 was extreme.

In April 2020, international visits to Mexico decreased nearly 80 percent from the previous year.⁵ Domestic and international travel spend in 2020 is expected to decline by nearly 50 percent compared to 2019, with the steepest drop for international travelers.⁶ Growth in travel GDP is forecasted to retract from nearly 9 percent in 2019 to approximately 5 percent by the end of 2020, representing a loss of 1.6 billion pesos (US\$79 million).⁷ The WTTC predicts that five million jobs supported by the tourism industry will be lost.⁸

While the path to full industry recovery is a steep climb, bright spots are on the horizon.

³ Tourist Activity of the Tourism Gross Domestic Product, INEGI, month 2020

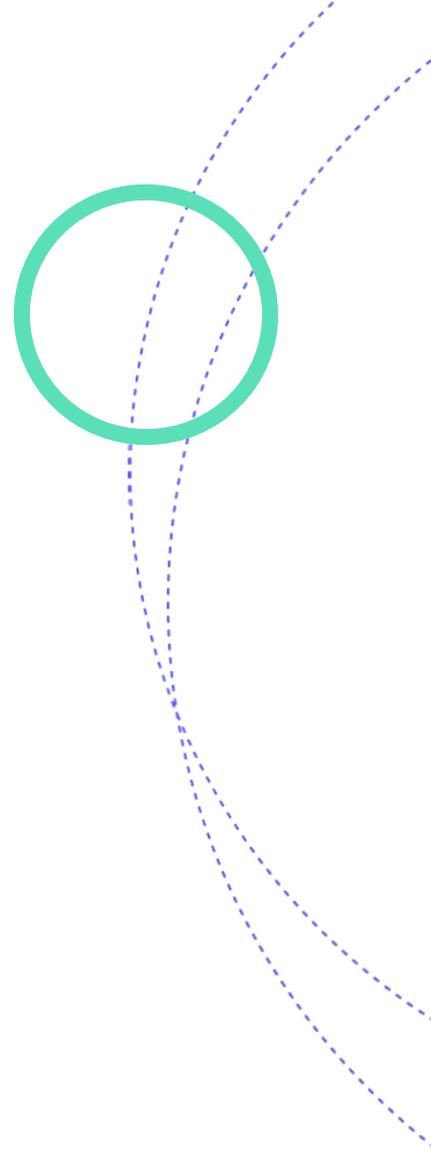
⁴ Mexico: tourism employment by quarter 2017-2020, Statista, Sept 2020

⁵ International tourism in Mexico plummets 78.5% in April, Forbes Mexico, June 2020

⁶ Estimation of the effects on the Mexican tourism in 2020 as Consequence of the covid-19 pandemic, CICOTUR, May 2020.

⁷ Fall in tourism GDP will be 1.6 billion pesos this year, estimates CNET, La Jornada, Oct 2020.

⁸ World Tourism Day: 5 million jobs lost in Mexico due to Covid-19, Forbes Mexico, Sept 2020.



Mexican travel in the next normal

Rebuilding the Mexican economy will likely last through 2023, but Mexican optimism for travel is climbing.⁹ While demand continues to recover, emerging traveler behaviors are defining a “new normal” for the industry. What does this “new normal” look like for the travel industry, and how can lodging providers best prepare their properties to navigate a situation that is hard to predict?

Recent research from Expedia Group revealed key traveler sentiment trends for 2020:¹⁰

- **When will they go?** Nearly 40 percent of respondents expect to travel six months or longer after the outbreak ends, 18 percent say within one to two months, and 13 percent say within two or three months.
- **How will they get there?** More than 20 percent expect to travel by car within Mexico. Nearly two-thirds chose a beach as their preferred destination, followed by small cities (39 percent), large cities (22 percent), and the mountains (13 percent).
- **Why will they travel again?** Seeing family and friends is the main reason Mexicans will return to travel (32 percent), followed by using a vacation relax (25 percent).
- **Where will they prefer to book?** In the leisure and business travel segment, 40 percent of Mexicans said they would book through online travel agencies, followed by 28 percent who would book directly at the hotel, while 26 percent would rent through a vacation rental site.

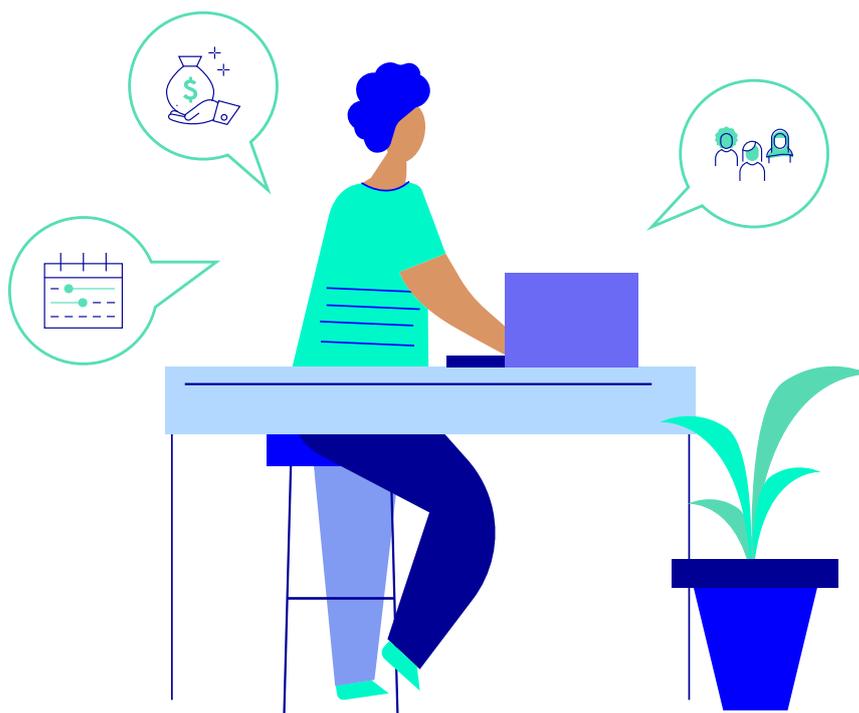
⁹ Sector estimates the full recovery of tourism in 2023, La Agencia de Viajes, Aug 2020.

¹⁰ What Travelers Want, Expedia Group, Oct 2020.

OTA travelers are important for recovery

A common misperception is that direct bookers are more profitable for a hotel than OTA travelers. This economic impact study shows that, prior to the pandemic, OTA travelers stay the same amount of nights as direct bookers but spend significantly more on accommodations and on-property. OTAs consistently outperformed hotel booking channels in providing the best nightly rate – meaning the higher spend of OTA travelers speaks to the quality of the customer, not the price of the product. As markets rebuild their local tourism industry, the contribution of OTA travelers cannot be overlooked.

OTA travelers **spend more** on accommodation, **spend more** on-property, and **generate more revenue** for local communities.



While it is too early to see the lasting impact of COVID-19 on traveler spending behavior, trends point to the increasing importance of OTA travelers to the recovery of the global travel industry.

This research found six key behaviors that defined OTA traveler spend prior to the pandemic.

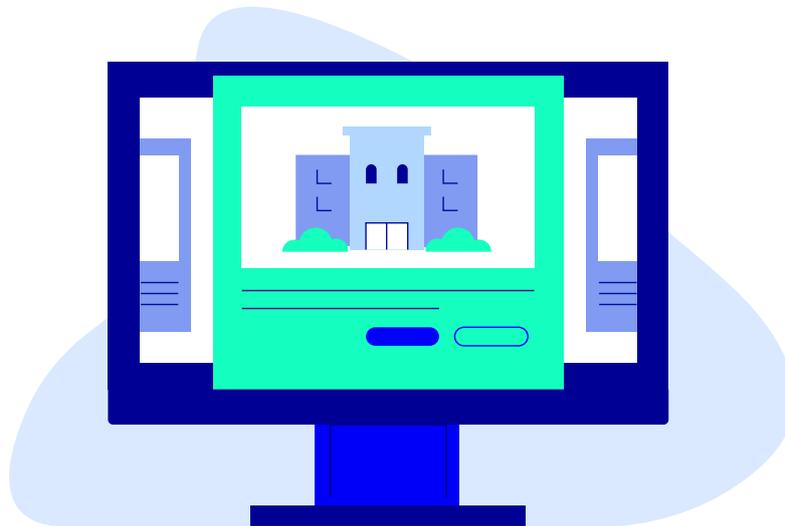
- The average trip spend for international travelers is nearly twice that of domestic travelers, with international travelers spending nearly half of their trip expenditures on accommodations compared to about a third of domestic travelers. International travelers spend twice as much on hotel and three times more on alternative accommodations compared to domestic travelers.
- Domestic OTA travelers spend 50 percent more per trip than direct bookers and, despite the perception that OTA travelers are searching for cheaper rates, they spend nearly 50 percent more than direct bookers on accommodations. International OTA travelers also spend more than direct hotel bookers on total trip (+18 percent) and accommodation (+20 percent).
- Domestic OTA travelers spend nearly 23 percent more on-property than hotel bookers, out-spending direct bookers in nearly every measured category: hotel restaurant, mini bar, hotel bar, resort services, laundry services, spa, and childcare services. Domestic OTA travelers are nearly twice as likely to use the hotel bar, a significant source of revenue for properties, compared to hotel bookers. International OTA travelers also out-spend direct bookers on-property by 12 percent, particularly on dining and bar services.
- Domestic OTA travelers generate more economic stimulus for both destinations and the supporting communities, spending more on meals and drinks (+20 percent), activities (+24 percent), and car rentals (+4 percent). Domestic OTA travelers are lively travelers, spending time at beaches, tasting local cuisine, and visiting cultural attractions among the activities.
- OTA domestic and international travelers stay the same amount of nights compared to direct hotel bookers. On average, domestic OTA travelers and direct bookers stay nearly four nights, while international OTA travelers and direct bookers stay just over seven nights.
- OTAs capture about a quarter of all domestic hotel bookings, and significantly more when looking at popular beach destinations. OTAs make up nearly 40 percent of domestic hotel bookings for Baja California, followed by nearly 30 percent of bookings on the Pacific Coast, and more than a quarter of bookings on the Yucatan Peninsula. International preference to book via OTAs is evenly distributed between cities and beach destinations, and higher than average in Central Mexico (+8 percent), Pacific Coast (+6 percent), and Northern Mexico (+4 percent).

Preference for OTAs is on the rise

The spending patterns of OTA travelers make them valuable guests as properties reopen their doors. OTA customers tend to travel for leisure and place value on overall trip experience. Direct hotel channels rely on consistent business traveler bookings, which are stalled as a result of the ongoing COVID-19 pandemic. This puts OTAs in position to capture the first segment to travel.

Prior to the pandemic, this study shows that OTAs captured nearly a quarter of all domestic bookings and international bookings. Based on Expedia Group research, 40 percent of Mexican travelers indicate they will book via an OTA, showing a rising preference for online booking channels.

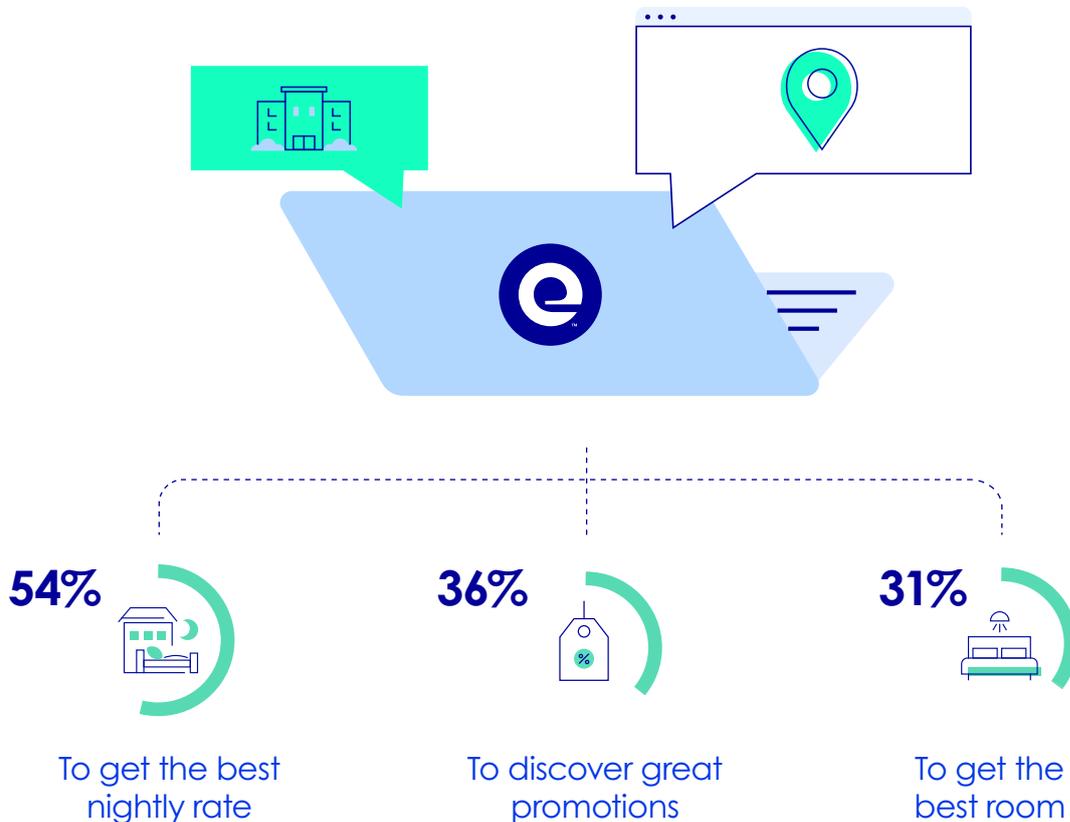
40% of Mexican travelers are likely to book **via an OTA**



These are the top motivations driving an increased preference for OTAs according to respondents:

- More than half are looking for the best rate. Placing a greater priority on value is a common trend in periods of economic downturn.
- More than a third are looking for enticing promotions and deals.
- Nearly a third want the best room to meet their expectations on size, safety, and cancellation policies.
- More than a quarter want to compare properties in one location to find the best option to meet their needs.
- Other motivations include one-stop shopping (33 percent); buying a bundled offer, such a flight and hotel, in one transaction (24 percent); earning reward points (16 percent); and spending reward points (11 percent).

Top reasons travelers are using OTAs:



Making travel decisions

OTAs also play a critical role in the overall hotel purchase path. This is gaining importance as more travelers rely on OTAs to make travel decisions during the pandemic.

As found in this study, OTAs captured a quarter of all domestic and international bookings. International bookings via travel agent is higher in Mexico (20 percent) compared to the US (10 percent), likely from the advisor role that traditional agents play in the resort vacation booking path.

As a marketplace and one-stop shop, OTAs are widely used in the planning and research phases of travel booking to compare rates across multiple travel products. This study shows the majority of both domestic (72 percent) and international travelers (60 percent) use OTAs to plan or research at least one aspect of their trip, from hotels to flights, to car rentals, activities, and more. 55 percent of domestic and 68 percent of international travelers that use an OTA in the research and planning phase are likely to also book the hotel via an OTA.

The next step on the road to recovery

COVID-19 redefined traveler behavior. But the unprecedented events of the last year present an opportunity to re-examine our own behaviors and reset our strategies to appeal to travelers. To help the industry understand emerging leisure and business travel trends in the “next normal,” Expedia Group is continuously surveying customers, suppliers, and business travel managers to reveal new influences shaping travel preferences.¹¹ Embracing new behaviors will help accommodation providers in Mexico shift strategies to meet evolving traveler needs, and support companies as they reimagine travel policies.

Do more to stand out

Eight in ten Mexican travelers said hotels in similar price ranges look the same online and that they must do more to stand out. Accommodation providers can differentiate by offering value-added incentives like breakfast vouchers, free bicycle rentals, or upgrades to premium rooms.

Flexibility is a must

Mexican travelers prioritize flexibility, and less than 20 percent would book a non-refundable room in exchange for a better rate. With COVID-19 cases rising in many regions, flexibility will remain top of mind for travelers in the short and long term.

Reputation, and cleanliness, matter

Nearly three-quarters of Mexican travelers read reviews before booking a property and rate the most influential reviews as those about “room cleanliness” and “overall condition of the hotel.” In addition, 85 percent of Mexican travelers believe if hotels do not respond to negative property reviews, then the review must be truthful.

Transport guests with great photos

More than half of Mexican travelers view 10 or more photos before making a booking decision, and millennials and Generation Z view 15 or more. Lodging partners should capture what is unique about their property, influencing guests in the dreaming or research phase of their travel journey to book.

Understand expectations

Mexican travelers seek out amenities that reduce their environmental footprint during trips: build openable windows to lower the use of air conditioning, serve locally produced food (38 percent), and provide recycling bins in common areas (37 percent).

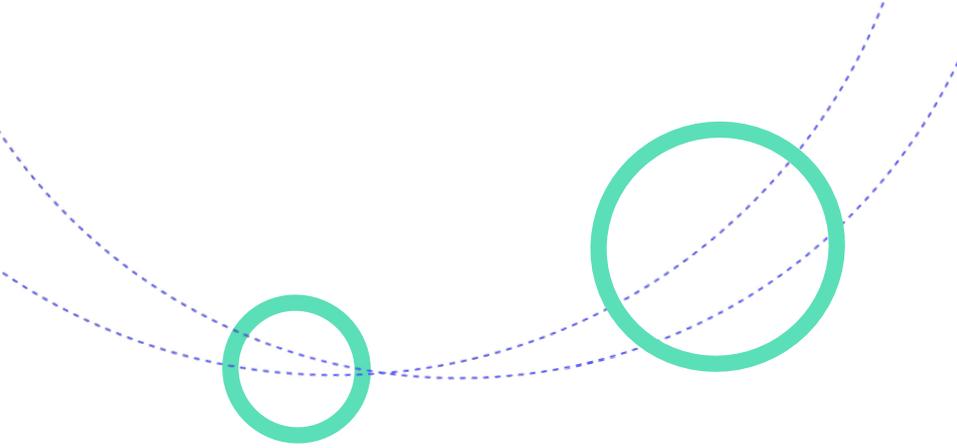
Be communicative

Most Mexican travelers (90 percent) want to receive information on amenities prior to check-in. And nearly 60 percent of travelers are willing to share their arrival time, along with any special needs, in advance to improve their stay.

Stay up to speed on regulations

Those who rely on the short-term rental industry for income continually face regulatory hurdles. With the ever-changing operating environments and travel restrictions, property managers should routinely review local regulations to ensure they are up to date, or risk punitive action by authorities.

¹¹ Expedia Group research, February to August 2020 (detailed in methodology)



Rethink travel policies

Risk management remains a focus for travel managers. Staying up to date on country-level requirements, working with their stakeholders to set safety protocols, and aligning travel policies with company needs will remain key considerations as business travel resumes.

Research methodology

Expedia Group partnered with BVA BCRC to study the behavior of nearly 1,300 Mexico domestic and international travelers from November 2019 to February 2020. The goal of the research was to determine:

- Compare the spending patterns of OTA (Online Travel Agencies) travelers and direct hotel bookers
- Assess the volume of bookings captured by OTAs
- Evaluate the contributions of OTAs to the Mexico travel industry and broader economy

BVA BDRC gained insight into the spending behavior of travelers by surveying them in one of two ways: after they booked a flight or after taking a recent business or leisure trip. The sample also includes domestic travelers who did not take a flight on their last trip. This ensured the research included information from travelers who used a wide variety of travel research and booking options.

All domestic travelers were required to have stayed in paid-for accommodation for at least one night in the past year. The total sample size (n=1,260) was compiled of n=718 international travelers to Mexico and n=542 domestic travelers, equally distributed across both males and females.

Additional insights were sourced from: "What Travelers Want," an Expedia Group survey of 34,000 travelers in 13 countries conducted in February and May 2020; an Egencia survey of 2,300 travel managers conducted in June 2020, a Vrbo survey of 887 travelers conducted in July 2020, and an Expedia.com customer intercept survey conducted in August 2020.

Respondent profiles

Respondents were segmented by those with an air and hotel booking, and those with only a hotel booking. The average domestic traveler was 34 years of age, traveling with family (85 percent), and spending four nights away. The average international traveler was 52 years of age, traveling with family (85 percent), and spending 10 nights away. Further demographic data includes the mode of travel mode – flight or car – and whether the trip was for leisure or business.

North America represented the largest region of origin for international travelers at 82 percent, followed by Europe (13 percent), and Latin America (4 percent).

