

# **The two-billion dollar airline opportunity for hoteliers**

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Did you know that there were around four billion passengers carried on airplanes last year? But with profit margins so low many airlines are trying to increase margins by cross-selling their customers hotel accommodation – and this represents a huge opportunity for hoteliers.

Ancillary revenues for airlines – extra leg-room, baggage, in-flight sales and more – were around 100 billion US dollars last year according to Idea Works Company, a leading consultancy in this area.

But how much of that was accommodation spend? Whilst many of those flying already had plans for where to stay when booking their flight, many did not – and they bought their hotel via the airline.

The same study values the hotel, car, and insurance elements of ancillary revenues to be around 3 billion dollars in total, and at Hotelbeds we estimate the hotel part to be worth around two billion dollars and growing fast! This shows that the B2B airline sales channel is a huge opportunity for hoteliers worldwide to maximize their distribution reach and increase RevPAR.

Now, not all airlines have the right customer profile to be relevant in this space : from the 700 or so commercial airlines existing in the world today, we estimate that only about 120 are offering accommodation sales. But that still represents a sizeable opportunity.

But why should hoteliers distribute their rooms via the B2B airlines sales channel? Customers booking a flight will often look to reserve accommodation right after they book a flight, or in the case of packaging at the same time they book a flight. When better to be present than right at the moment when the intent to purchase is highest?

Ultimately airlines are able to attract high-value bookings that are hard to get via another channel, including the hotel's own dot com (no matter the price or uniqueness of the offer).

What is more, typically airline customers are high-value guests with low cancellation rates, that return more often, spend more in destination, pay more per night, book further in advance and additionally are more likely to be from international source markets. All in all, airlines are able to help a hotel increase RevPAR.

As a result, more and more, airlines are acting as a retailer rather than just only selling airline tickets via their websites. This also means that airlines don't just sell accommodation to clients who purchase a flight, but also through loyalty programs, their call centre and even via employee benefits programmes. The result? An airline can sell accommodation not just to destinations it services, but anywhere in the world.

At Hotelbeds we are currently working with more than 40 airlines worldwide such as easyJet, Ryanair, British Airways, Virgin, Finnair and Jet2 in Europe, Spirit, Air Canada, LATAM, Volaris and Azul in the Americas. More recently in Asia, we launched a partnership with Singapore Airlines to use our dynamic packaging platform for Singapore Airline holidays in around 20 of its key source markets.

Hotelbeds currently works with the majority of the world's largest airline carriers, providing full access to our hotel portfolio, and we have more customers due to go live this year. This is one of our fastest growing customer segments, so we would like to feel that we represent the best opportunity for hoteliers to maximize their reach via this route.

In the airline sector the sky is quite literally the limit and we feel that accommodation sales opportunities are only just taking off! Get on board the journey today.

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