



RECOMMENDATION PROCEDURE RAISE OF COMMISSION

HOTELWORLD / HOSTELBOOKERS

Introduction

Lately Hostels received a letter from HostelWorld regarding the raise of the commission from 10% to 12%. This happened not only in Switzerland but was sent to hostels all over the world. The German Backpacker Network approached Swiss Hostels as well as other hostel networks, in order to do something in this matter together.

Different possibilities have been looked at and checked whether they are wise and feasible.

Facts

The booking engines offer a good service and added value for the guest. People find all hostels clearly and comparably listed on one site and they can make an immediate confirmed booking in hostels all over the world. The individual hostels don't offer this, and even for a hostel network like Swiss Hostels it is not possible to offer this service.

The OTAs (Online Travel Agencies) are doing a good job. HostelWorld is offering an advantage for the guest and for the hostels this service costs money and it is paid by the commission the OTAs charge.

The decisive question is who is going to pay the commission: The hostel or the guest? Why should the hostels pay for the service of being easily compared next to all of their competitors?

Procedure

Increase the prices on the booking engines to the amount of the commission (example 12%). This way the guest pays more when booking via the OTAs and less when booking on the hostel's own website.

If one of the OTA's would soon demand a 20% commission, then their offer would be accordingly more expensive. The market will control the rest—the guest will book where they'll get the best cost-benefit ratio for the booking transaction.

SWISS HOSTELS

Alpenstrasse 16
3800 Interlaken
Switzerland

Tel. 0041 33 823 46 46
Fax 0041 33 823 46 47
info@swisshostels.com
www.swisshostels.com





Conclusion

The booking websites were developed for the guest. The guest is their customer, not the hostel. The hostel is just the supplier of the sold product – the room. The principle flaw in the system is that the hostels pay for the portals. When we resolve this mistake these ongoing problems will sort themselves out.

The board of Swiss Hostels recommends:

Increase the price of your offer on all booking engines you use to the amount of the commission of the provider (HW, HB, and a.m.).

Advantages

- You no longer have to beg, plead or urge the OTAs not to raise the commission. Instead you just follow the increase of the commissions.
- The guest will start to book the hostels directly more often, as this is the better price.
- There is less booking commission to be paid.

(With DormBook it is easy to put the commission on top of the regular price. You simply set the for example 12% according to the providers contract and set the mark at „Commission increase“. After this, things will work automatically.)

Threats

- It is possible, that the OTAs will defend themselves against this procedure. But on request of their members hotelleriesuisse started to recommend the increase of the prices to the amount of commission for quite a while now. So far nothing has happened. If one of our members should be accused by one of the OTAs, SH would- if necessary - give assistance in receiving legal advice.
- Booking.com has also pushed Alixon with a paragraph in their contract to ensure same prices on both booking.com and own hostel's websites.
- In addition there is to say, that this step can have an effect on the competitiveness. If there is more than one hostel in one destination and not every hostel increases the price with the amount of the commission, some might have a competitive advantage over other hostels.

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