

# Hotelbeds Group Connects Travel Providers and Their Consumers to Ultimately Deliver Personalized Customer Experiences

**Published:** 29 September 2016

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## Case Study

Launched in 2001, Hotelbeds Group is one of the largest global distributors of services to the travel trade. Active in 120 markets, the company holds a leading position in some of the fastest-growing segments of the industry. It offers distribution of accommodations, transfers and activities in more than 185 countries via the world's leading "bedbank," and destination management services in more than 40 countries. Headquartered in Palma de Mallorca, Spain, Hotelbeds Group registered total transaction value (TTV) of €3.80 billion (US\$4.22 billion) in financial year 2014-2015, with 18% growth across its markets.

The company connects and distributes a portfolio of more than 85,000 properties to leading industry partners, including online travel agencies, retail agencies, tour operators and airlines. Hotelbeds Group annually handles more than 25 million room bookings. It has four business units: Bedbank, Transfer and Activity Bank (TAB), Destination Management and New Ventures.

Hotelbeds Group began as an offline destination management company contracting with transfers, tour, activity and accommodation suppliers to transport travelers between their planes or cruise ships and their local destinations. According to CTO Álvaro de Nicolás, the company realized some 15 years ago that an online platform connecting hoteliers with tour operators and travel agents would increase business volume. The company's subsequent success is based on a focused internationalization strategy. By continually innovating the business models and leveraging the powerful combination of global distribution with local destination infrastructure, it has been able to establish a virtuous circle of organic and sustainable growth, entering into new, high-growth segments worldwide as a digital platform business.

## A Global Travel Platform Business With B2B, B2B2C and Data Components

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Hotelbeds Group started as, and remains, a predominantly B2B platform, with some additional B2B2C options and a potential revenue stream from data. According to de Nicolás, the Bedbank is the premier organic growth story: A worldwide leader in its category, it has achieved double-digit growth every year since it was founded in 2001.

As Hotelbeds' core business, the Bedbank's initial supply integration platform connected travel agent "consumers" with room inventory information acquired digitally from accommodation providers. Having sets of both consumers and providers created the network effects for quick growth and expansion into new regions.

Hotelbeds receives either a percentage of the sale of a room, or a fixed-priced commission. Travel agents also receive a commission on the sale, and providers receive what the agent was able to sell the room for, less the commissions. Travel agents also benefit from the global reach of Hotelbeds, without language or currency concerns. Hotelbeds will never commandeer travel agent customers, making the value proposition for agents that much better. As a result, de Nicolás can report that "we have become the world's largest 'bedbank.'"

As the Bedbank grew, Hotelbeds Group expanded its platform capabilities to include a Transfer and Activity Bank of transport and other attraction providers, including Fútbol Club Barcelona, Disney Theme Parks, and Cirque du Soleil. This platform connects the transfer and activity providers with consumers of their services, including travel agents, hotels and independent travelers. This additional layer of B2B and the inclusion of direct B2C connections increase revenue and/or value for the providers and consumers, and for Hotelbeds Group as the platform owner.

The Transfer and Activity Bank was established on the same local destination management infrastructure and global distribution capability that originally helped drive the development of the Bedbank. By leveraging these two axes, it is making great strides in helping to consolidate a historically highly fragmented market space.

In addition to B2B capabilities, Hotelbeds provides websites, and plug-ins that travel agents can use on their own sites, for interacting directly with end consumers, including independent and business travelers. These web capabilities enable providers to advertise transfer, activity and travel offerings that consumers can select beyond the rooms and tours they book through travel agents.

Hotelbeds also provides white-label websites that foster greater intimacy between travel agents and their customers. De Nicolás cites a travel agent in India who created a web page using the white-label site. "This website helps the agent connect better and provide a more personalized customer experience," he explains. "For example, after booking a trip, customers can see activities throughout the trip that they can book at any destination. Reservations, trip information and various options are all available to the customer."

The 120 billion searches per year on the Hotelbeds platform generate a great deal of data. By combining this with credit card and mobile positioning data, the company has information on who customers are, where they are going, when they will arrive, what they like to do and where they spend their time. This data enables providers to target customers with specific advertising of goods and services, even before travel begins (e.g., adjusting hotel rates based on competitive offerings

and the type of customer). As Hotelbeds grows, it can use this information to differentiate itself from competitors and earn higher commissions.

## Evolving the Platform Business Model

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As for the future, de Nicolás sees the speed of change as one of the biggest threats to continued success. “You have to continually keep an eye on the environment because it changes very quickly,” he says. “Your enemy might become your friend, and the other way around, in the blink of an eye. It will be increasingly difficult to have a unique portfolio of products, except in areas where you can differentiate value, but even that will only last for two or three years.”

To maintain differentiation, de Nicolás has a strategy team looking closely at technology and other trends; while a technology “radar team” looks at trends further out, such as autonomous cars and their potential effect on hotel and conference center bookings. He also sponsors open hackathons for his internal developers and external people, and sends technology teams to hackathons sponsored by other businesses and organizations.

“Hackathons are a good incentive for our team and provide a lot of insight into how other people are doing things in the industry,” says de Nicolás. “I am bringing some of the marketing guys and salespeople to the next one we sponsor so that they can talk to our developers, ask questions and see how things get done.

“We also encourage our people to participate in ‘ideation challenges’ and to work with our New Venture businesses that complement our portfolio — such as Carnect, our ‘car hire’ bank.”

To cultivate fresh talent and ideas, de Nicolás works with two universities. “Sponsorship programs with local universities,” he explains, “combine a search for talent, especially scarce big data talent, with crowdsourced solutions to problems and increased brand awareness.”

For de Nicolás, the biggest success factor in creating a digital platform business is to educate the executive team and the rest of the business. As CTO in a company that has no CIO, he wears both hats, splitting his time between managing the IT team and “trying to educate the business and take it to the next frontier” — a task that consumes about 10% more of his time than managing.

“You have to make sure your executive team is as good as it needs to be, including your colleagues in sales, marketing and product. You need to educate them from the start, making them allies, to be able to move the company forward quickly — or find other people who will play that role. Otherwise they can drag you down even if you do everything correctly. You need them to move forward. It’s not just that you have to play ball with them. They need to play ball with you as well.”

Based on an interview with, and material from, Álvaro de Nicolás, CTO, Hotelbeds Group, April 2016.

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