HOTELS
PASSION FOR HOSPITALITY
SINCE 1966

STARWOOD WAS NOT THE TARGET...

By Ivar Yuste

November 19, 2015 - Categories: Blogs,

...although the 10 reasons that Marriott outlined to explain the acquisition rationale of this fantastic company are all very valid. The ultimate targets of this acquisition were really Booking.com and Expedia. What Marriott was really after was to put an end to the overwhelming combined market share that these two platforms have managed to consolidate so far.

The recent acquisition by Expedia of HomeAway alone adds another one million home listings in 190 countries to Expedia's portfolio. This means in one move Expedia added this month the equivalent to the entire room count that the new Marriott has just achieved with the Starwood acquisition. But, Expedia owns also sites such as Hotels.com, Hotwire.com, Travelocity, Trivago, Orbitz and Venere, so the Expedia portfolio is many times larger than the new Marriott/Starwood company. Together, all of these brands were about to surpass the "old Marriott" in room night count this year with about 200 million room nights. This will no longer be the case, thanks to the purchase of Starwood.

On the Priceline front, each week, Booking.com consumers alone book over 4 million room nights globally. This volume is slightly higher than the total room nights Marriott was achieving prior to the Starwood acquisition. But the Priceline Group includes also Priceline, Agoda and Kayak. All the Priceline brands combined surpassed Expedia in hotel booking numbers already five years ago. Today, Priceline doubles Expedia in size and should exceed in 2015 the 400 million per year room nights mark.

If Booking.com and Expedia are channeling 30% of your hotel bookings and charging you up to 25% commission for that privilege, you better get bigger fast. Only a larger room night volume and the subsequent threat to pull the plug of these platforms will allow hotel groups to negotiate down distribution fees to more sensible levels.

So, for this reason only, expect more M&A activity to come...in the hotel space and in the distribution space.