

The Impact of Third-Party Customer Acquisition Channels on Customer Relationships:
Online Travel Agents (OTAs) in the Hotel Industry

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Abstract

Online travel agents (OTAs) have revolutionized the hotel industry, but there is unresolved tension between hotels and OTAs. While OTAs offer hotels access to prospects and help expand the customer base, they charge high commission rates and may even cannibalize brand-owned channels. This paper investigates the impact of the OTA acquisition channels on customer behavior and CLV. Analysis of customer-level data from a US-based hotel company reveals that the OTA-acquisition effect is mixed. Compared to brand-acquired customers, OTA-acquired customers spend 3.13% less per booking but book 11.8% more often. Additionally, the effect on revenue varies across brand tiers, and is stronger in premium than in economy brands. The CLV gap between brand- and OTA-acquired customers is 6.29% on average. Finally, we find evidence of booking channel inertia, which highlights the importance of the first-impressions in CRM.

Keywords: *Customer Acquisition; Online Travel Agents; Purchase Channels*

Track: Relationship Marketing