



INTERACTIVE TRAVEL SERVICES ASSOCIATION

How Do The Online Travel Companies Do Business?

Online travel companies connect travelers with hotels. Because they benefit from incremental sales and heavy volume, hotels are willing to allow online travel companies the opportunity to help facilitate the sale of hotel rooms over the internet using a marketing method that has evolved with the Internet. This “net-rate” or “negotiated rate” model works as follows:

- Online travel companies do not buy blocks of rooms, resell hotel rooms, have an inventory of rooms, purchase hotel rooms or sell hotel rooms to consumers.
- The hotel operator negotiates a rate with online travel companies that the hotel is willing to accept for the room booked through an online company. Hotels do so because online travel companies can market to consumers the individual hotel may not otherwise reach.
- The online travel company markets the room for an amount that includes the hotel’s charge plus a fee for the services the online travel company provides.
- When a room is booked by the hotel operator through an online travel company, the online intermediary provides to the hotelier the negotiated rate plus an amount equal to applicable occupancy taxes that are due.
- In addition to a “tax recovery fee,” the online travel companies may charge the consumer fees in addition to those mentioned above.
- The service and fees of the online travel companies are not subject to occupancy taxes. Occupancy taxes are invoiced by the hotels on their negotiated rate and paid to the hotels.

This new online business model helps consumers by increasing competition and offering great low prices that may not have been as easy to find in the past. It helps hotels book incremental rooms and increase volume, and it creates great marketing opportunities for smaller independent hotels that consumers might not otherwise know about. And, the increased hotel room bookings help local taxing authorities by increasing the overall tax revenue they receive.

For more information, visit www.interactivetravel.org.

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7113 Deer Crossing Ct. Bethesda, MD 20817
Phone: (301) 365-0270 Fax: (301) 365-1321