



A POSITION PAPER

The End of Renting Customers

How direct supplier-to-supplier distribution rewrites travel economics — and what survives the transition.

FOR AIRLINE & HOTEL CCOs · CFOs · CSOs · VPs OF DISTRIBUTION

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Executive Summary

The core thesis

Direct supplier-to-supplier coordination improves margins, liquidity, customer ownership, and servicing quality across the travel ecosystem by aligning the incentives of the companies actually delivering the trip — and repositions intermediaries as infrastructure and service providers, not economic gatekeepers.

The asymmetry at the center of the paper

Underneath the thesis is a structural asymmetry the industry has never resolved:

- Airlines built the financial engine. Co-brand loyalty turned the largest US carriers into quasi-financial institutions — co-brand revenue now exceeds operating profit at the Big-3.¹
- Hotels own the deepest customer relationship. The longest exposure, the highest service intimacy, the multi-day multi-touchpoint stay — and the heaviest intermediary tax. Hotels pay OTA commissions of 15–25% versus sub-3% on air — rent extraction multiple times heavier per booking, commonly estimated around 6–8x.²
- The value both created flows upward to the discovery layer. Booking Holdings and Expedia carry a combined enterprise value near \$160 billion, built primarily on hotel commission³ — but a substantial share of that commission flows straight back out to Google as the cost of being found. The apex of the discovery layer is Google: it performs none of the value chain's functions, and monetizes the position itself.
- Supplier-to-supplier coordination rebalances the asymmetry. Not by removing the financial engine or the intermediary layer, but by aligning incentives around the two suppliers that actually deliver the trip — and building a path from intent to fulfilled trip that doesn't run through an auction.

At root, this paper argues the industry systematically underprices the supplier with the longest customer exposure — and that supplier-to-supplier economics is the mechanism that corrects it. It is not a redistribution from airlines to hotels. The coalition runs on the financial layer airlines built and on the relationship hotels built. Neither contribution is the junior one. The industry priced one and underpriced the other; the coalition prices both.

¹Reuters, "Credit-card cash reshapes US airline loyalty — and profit," 13 March 2026. Delta's 2025 American Express revenue (\$8.2B) equaled 14% of adjusted operating revenue and 1.4× its adjusted operating income; American Airlines' co-brand cash (\$6.2B) was ~4× its adjusted operating income. Co-brand revenue exceeded operating profit at all three legacy carriers in 2024 and 2025.

²OTA take-rate asymmetry: hotel OTA commissions run 15–25% of booking value (Cloudbeds; Booking and Expedia 10-K take-rate disclosures) versus a sub-3% blended take-rate on air (AltexSoft; airline-paid agency commissions were largely eliminated). The implied ~6–8x heavier per-booking rent extraction on hotels is an industry estimate derived from these ranges, not a single disclosed figure.

³Booking Holdings FY2024 Form 10-K and Q4 2024 earnings: revenue \$23.7B, gross bookings \$165.6B; the 10-K states "a significant majority of revenues ... is earned in connection with facilitating accommodation reservations." Expedia Group FY2024 Form 10-K: revenue \$13.7B, lodging 80% of revenue. Market caps early May 2026: Booking ~\$130–137B, Expedia ~\$27–28B — a combined ~\$160B of OTA enterprise value built primarily on accommodation commission.

Two layers, one structural problem on the first

The diagnosis splits cleanly. The discovery layer has an apex position, and Google holds it: it owns the front door, runs it as a search auction, and earns again on the cloud and compute the travel-tech vendors run on. This is structural, not prosecutorial. The settlement layer has a separate, unrelated dysfunction: BSP, ARC, and card rails were built around a 1970s trust problem, never for real-time multi-supplier retailing.⁴ Two problems, two layers; the constructive build addresses both, on separate tracks. The economics aren't corrupt — they're structurally unstable. Aggregation got cheap fast; the contracts didn't move. LLM agents are the catalyst, not the cause; the cause is an older inversion in which the supplier delivers the product, the discovery layer owns the front door, and the supplier pays on the booking, on the transaction, and again on the marketing to win back a customer it just served.

This paper argues for reclassification, not removal. Banks stay financiers. OTAs and GDSs stay real businesses — repositioned from toll road to marketplace: suppliers distribute to them by choice, the way a brand lists on Amazon, charging marketplace fees for marketplace services instead of a toll for owning the gate.

The argument in five lines

- Discovery is starting to move into the agent layer. A travel query on a frontier model costs \$0.01–\$0.05; on a Flash-class model, under a tenth of a cent⁵. That collapses the unit cost of aggregation — one OTA function, not all of them. Fraud, localization, complex servicing, and long-tail orchestration still need a service provider, repriced as a fee for service, not a percentage of every booking.
- Loyalty programs are already capitalized currencies. Marriott Bonvoy alone carries \$7.5 billion in loyalty liability⁶; the US Big-3 carriers over \$23 billion in mile liability between them⁷. Treated as settlement infrastructure rather than a marketing perk, this currency can clear inter-supplier reconciliation in points instead of through card networks.
- Banks pre-purchase trip credit instead of single-airline miles. The cash flow that keeps US network airlines solvent stays where it is — combined US Big-3 co-brand revenue hit \$16.4 billion in 2024, now exceeding operating profit at each carrier⁸. The reform restructures the underlying loyalty currency, not the bank cash flow.

⁴IATA, "Billing and Settlement Plan" overview and Financial Services Fact Sheet (December 2025): BSP processed \$232.8 billion in ticket sales in 2024 at a 100% on-time settlement rate. BSP launched 1 March 1971 in Japan. Per-ticket airline fee schedule is not published; trade-press estimates indicate sub-\$1 per ticket.

⁵LLM API list pricing, early 2026: GPT-4o \$2.50/\$15 per 1M input/output tokens; Claude Sonnet 4 \$3/\$15; Gemini 2.5 Pro \$1.25/\$10; Gemini 2.0 Flash \$0.10/\$0.40. A typical travel-search query (~3K input + 1K output tokens) prices at ~\$0.01–\$0.05 at frontier rates, under \$0.001 with Flash-class models. List pricing fell ~80% between early 2025 and early 2026.

⁶Marriott International, Form 10-K, fiscal 2024: the current and noncurrent guest-loyalty-program liability was \$7,519 million at 31 December 2024. Skift (April 2026) puts the total hotel-industry loyalty obligation at ~\$11.6B across the seven largest groups — a different basis; see note on source 44.

⁷United Airlines 10-Q (Q3 2024) frequent-flyer deferred revenue ~\$7.4B; American Airlines 10-K AAdvantage deferred revenue ~\$7.8B+; Delta air-traffic-liability \$10.2B (subset attributable to SkyMiles). Combined Big-3 mileage liability exceeds \$23B — Teliverty analysis of 10-K filings.

⁸Reuters, "Credit-card cash reshapes US airline loyalty — and profit," 13 March 2026. Delta's 2025 American Express revenue (\$8.2B) equaled 14% of adjusted operating revenue and 1.4× its adjusted operating income; American Airlines' co-brand cash (\$6.2B) was ~4× its adjusted operating income. Co-brand revenue exceeded operating profit at all three legacy carriers in 2024 and 2025.

- OTAs and GDSs reposition from toll road to marketplace. Suppliers distribute to them by choice; they charge marketplace fees for marketplace services — fraud, servicing, localization, trust, the long tail. Freed from the Google auction, they own their demand instead of renting it. And there's an expansion line on top: exposing trip-planning and reporting as an LLM-compatible orchestration channel the agent ecosystem pays to call.
- Telivty's scenario assessment — most likely case: suppliers have roughly 18 months to claim default-inventory status in the agent surface. The signals: Phocuswright sees agentic AI becoming a material travel discovery channel over 2025–2026⁹; Skift puts only ~2% of US consumers willing to give an AI tool full booking autonomy today, against 39% of active US travelers already using AI for travel tasks¹⁰; Adobe shows 29% using AI for trip planning¹¹; Kayak's CEO predicted the first commercial AI-travel deal would feel "like a dam breaking"¹². Slower and faster scenarios are both plausible. This is a most-likely-case read, not a forecast.

On magnitude

The deductible stack on a high-channel-mix booking is real: OTA commission of 15–25% on hotel bookings¹³; card interchange of 2–3% on the customer payment¹⁴; GDS segment fees of \$4–\$6 per segment, around \$16 per ticket¹⁵; hotel selling and marketing expense in the multi-billion-dollar range per chain on top of all of it¹⁶. Stacked, those layers materially erode supplier net economics on traditionally distributed inventory.

Restructuring the booking moment is the first-order opportunity — directionally large enough to justify the program, not large enough to model as a windfall, since migration costs absorb a real share of the upside in the first 6 to 12 months.

What this paper is not

This isn't an anti-OTA paper: OTAs have done thirty years of real work suppliers benefited from and never wanted to run themselves. It isn't an anti-bank paper: the airline–bank co-brand relationship is the closest thing the industry has to a structural earnings floor,

⁹Phocuswright, "Will Agentic AI Disrupt Travel Distribution?" (2025) and 2026 research update: 61% of travel businesses surveyed are experimenting with or scaling agentic AI (6% actively scaling, 22% beginning to scale). Phocuswright projects autonomous AI agents to become a material travel discovery channel over 2025–2026.

¹⁰Skift Research, "State of Travel 2025": only ~2% of US consumers willing to give an AI tool full autonomy to make bookings, even as 39% of active US travelers used AI for travel-related tasks in late 2025.

¹¹Adobe Digital Insights, September 2025 survey of 5,000+ US consumers: 29% have used generative AI to plan trips. Adobe also reports GenAI-sourced traffic to US travel sites was 47% less likely to convert than non-AI traffic in mid-2025, narrowing from 86% less likely in October 2024.

¹²Skift, "Kayak's CEO: First AI-Online Travel Deal Will Be Like 'A Dam Breaking,'" 7 January 2025: Kayak CEO Steve Hafner predicted 2025 would see the first commercial AI-travel-platform booking deal, after which agent-led distribution would scale rapidly.

¹³Booking Holdings and Expedia Group Forms 10-K (FY2024) imply blended take-rates of ~14–15%. Industry coverage (Cloudbeds; Hospitality Net) places the range at 15–25% for independent and smaller hotels on Booking.com and Expedia, varying by segment and contract leverage.

¹⁴Visa USA Interchange Reimbursement Fees schedule (current); Stripe, "Interchange fees 101." Travel and airline merchant categories carry interchange of ~2.30–2.55% + \$0.10 on Visa; Mastercard travel categories run 1.58–2.60%. Travel is a higher-risk MCC, at the upper end of the card-not-present range.

¹⁵Lufthansa Group published 2026 GDS surcharges of USD 21 (Amadeus) and USD 26 (Sabre) per ticket. Industry estimates (PwC; PhocusWire; AltexSoft) place the GDS segment-fee range at \$4–\$6 per segment, ~\$16 per ticket. Precise GDS–airline contracts are not publicly published.

¹⁶Marriott (10-K, fiscal 2024), Hilton (10-K, fiscal 2024), and IHG (20-F, fiscal 2024) disclose selling and marketing as a material, multi-billion-dollar annual expense category. These filings do not isolate spend on reacquiring customers OTAs already had a relationship with — no public source measures that population — so Telivty uses the audited S&M category as the closest defensible proxy. Trade-press benchmarks (~2.5% of room revenue on marketing; Kalibri Labs per-booking acquisition cost 16–25%) are directional, not primary-source-grade.

and any reform that breaks it is dead on arrival in a CFO meeting. It's a paper about which functions get repriced because the cost of delivering them collapsed, and which functions move because the technology that made them valuable in their original location moved.

It focuses on the US Big-3 carriers and major global hotel chains as the leading edge. The US is the natural starting point because its uncapped credit-card interchange environment let loyalty programs become the primary economic engine for network airlines; EU interchange caps have materially constrained equivalent structures¹⁷. Regional carriers, long-tail independent properties, and other regulatory regimes will follow different paths and are outside this analysis.

The window is open because the catalyst is here. The window will close because someone — a coalition of suppliers, a single mega-platform, or a regulator — will close it. The question is who builds the rails, not whether the rails get built.

1. The Customer Ownership Crisis

Start with the most intimate touchpoint in travel. The average US hotel guest stays about two nights¹⁸ — four or more in resort and leisure. The supplier eats with the guest, answers the guest's questions, fixes what goes wrong, and ends up with the highest-bandwidth direct relationship in the industry. Then ask where that guest books the next trip: Booking.com, Expedia, Google Flights — an aggregator that did none of the actual work.

The supplier did the work. The intermediary kept the relationship. The supplier paid 15–25% in commission for the privilege¹⁹, paid again when the issuing bank took 2–3% interchange on the transaction²⁰, and paid a third time when the marketing budget went out the following year to win the customer back. No other major consumer industry inverts value capture this hard — it stays in place because thirty years of doing it normalized it.

The supplier with the deepest relationship pays the heaviest tax

Here's the asymmetry that runs through this entire paper. The supplier with the longest customer exposure and the highest service intimacy — the hotel — is also the supplier the intermediary layer taxes hardest. Hotel OTA commissions run 15–25% of booking

¹⁷ Regulation (EU) 2015/751 (Interchange Fee Regulation; EUR-Lex CELEX:32015R0751), effective 9 December 2015 — caps EU consumer credit-card interchange at 0.30% and debit at 0.20%. The US has no equivalent credit-card cap; the Durbin Amendment (Dodd-Frank §1075 / Federal Reserve Regulation II, 12 CFR Part 235) caps only debit interchange, and only for issuers above \$10B in assets. This regime difference is the principal reason US co-brand pre-purchase economics are materially larger than EU equivalents.

¹⁸ SiteMinder "Average Length of Stay" guides; AHLA industry data. US hotel average length of stay ~1.8–2.2 nights — city and business hotels at the lower end, resort/leisure materially higher (resort destinations frequently 4–8+ nights).

¹⁹ Booking Holdings and Expedia Group Forms 10-K (FY2024) imply blended take-rates of ~14–15%. Industry coverage (Cloudbeds; Hospitality Net) places the range at 15–25% for independent and smaller hotels on Booking.com and Expedia, varying by segment and contract leverage.

²⁰ Visa USA Interchange Reimbursement Fees schedule (current); Stripe, "Interchange fees 101." Travel and airline merchant categories carry interchange of ~2.30–2.55% + \$0.10 on Visa; Mastercard travel categories run 1.58–2.60%. Travel is a higher-risk MCC, at the upper end of the card-not-present range.

value. Air OTA take-rate is sub-3%. The rent extraction is multiple times heavier per booking on hotels than on airlines — commonly estimated around 6–8x, an industry estimate derived from those ranges rather than a disclosed figure²¹. The scale of what that extraction built is visible on the public markets: Booking Holdings and Expedia carry a combined enterprise value near \$160 billion, built primarily on hotel commission²² — the industry took the supplier with the deepest relationship and the highest-margin customer and made it the most heavily intermediated.

Why this is a strategic problem, not a P&L problem

On one transaction the math is annoying; at industry scale it's structural. When the relationship sits with the intermediary, every supplier decision — product, pricing, loyalty, service recovery — runs through a layer the supplier doesn't control. The supplier builds the experience, the intermediary monetizes the relationship, the supplier writes the next marketing check. The economics hold only as long as replacing the intermediary's function costs more than the rent. That condition held until 2023. It doesn't hold now.

Operator voice

A 213-respondent industry survey of airline-retailing stakeholders, published May 2026, says the same thing from inside the building. Cederhall observes that *"there is still too little focus on service recovery and 'moments of truth' when things go wrong"*, and that *"customers expect to make changes easily in an airline's app regardless of where the booking was made, but this remains more aspiration than reality for most carriers."*²³ The customer-ownership crisis, stated from inside the industry.

2. Why OTAs Won Historically

Any honest reading starts here: OTAs earned their position. Between 1996 and roughly 2015, no single supplier could replicate the bundle of functions an OTA delivered — and the functions are worth naming, because the next ten years are about which ones the agent layer absorbs and which still need a service provider.

Functions OTAs delivered

- Discovery. One URL to compare options across many suppliers in one session, without retyping dates.

²¹ OTA take-rate asymmetry: hotel OTA commissions run 15–25% of booking value (Cloudbeds; Booking and Expedia 10-K take-rate disclosures) versus a sub-3% blended take-rate on air (AltexSoft; airline-paid agency commissions were largely eliminated). The implied ~6–8x heavier per-booking rent extraction on hotels is an industry estimate derived from these ranges, not a single disclosed figure.

²² Booking Holdings FY2024 Form 10-K and Q4 2024 earnings: revenue \$23.7B, gross bookings \$165.6B; the 10-K states "a significant majority of revenues ... is earned in connection with facilitating accommodation reservations." Expedia Group FY2024 Form 10-K: revenue \$13.7B, lodging 80% of revenue. Market caps early May 2026: Booking ~\$130–137B, Expedia ~\$27–28B — a combined ~\$160B of OTA enterprise value built primarily on accommodation commission.

²³ Cederhall, Ann, "The State of Airline Retailing 2026," Leapshift Ltd (publication date 20 May 2026; cited from pre-publication copy). Survey-based industry whitepaper, 213 stakeholder respondents (111 airline employees), conducted January–March 2026 with Airline Information. Quoted commentary is the author's; quoted respondent statements are anonymous airline-retailing professionals.

- Trust aggregation. Reviews, brand equity, refund-handling reputation — a supplier the customer had never heard of borrowed credibility from the marketplace.
- Fraud handling. Chargeback management, risk scoring, identity verification across tens of millions of transactions.
- Localization. Language coverage, regional payment methods, currency handling, regulatory compliance — built once, spread across thousands of suppliers.
- Comparison normalization. Apples-to-apples display across messy supplier data — fare classes, room types, ancillary inclusions.
- Servicing scale. 24/7 multi-language support.
- Cross-supplier orchestration. Flight + hotel + car in a single cart, payment, and confirmation, with one point of contact when something breaks.

The rent was proportionate to the service — until it wasn't

A 15–25% hotel commission²⁴ for solving the seven functions above was about right in 2005 — the supplier couldn't replicate any of them at the same unit cost. The rent stopped being proportionate in two stages. First, the fixed cost of running each function fell — cloud, payments infrastructure, content management, headless servicing — and commission rates didn't fall with them. Second, the function the OTA was most uniquely indispensable for — discovery — started moving onto a surface the OTA doesn't own.

The mechanism nobody names: auction scale

There's a deeper reason a single supplier couldn't compete, and it isn't UX: the OTA could afford the Google auction at a scale no individual supplier could. A single hotel cannot outbid Booking.com for "hotels in Lisbon." Booking spent \$7.3 billion on marketing in FY2024, the substantial majority on search engines, primarily Google; Expedia spent \$7.63 billion.^{25,26} That's an auction-scale moat, not a UX moat. Suppliers lost the discovery layer because they couldn't write a nine-figure check to a search auction every year — and the OTA could, by pooling commission from thousands of suppliers into a single bid. The OTA's real product, underneath the seven functions, was *auction-buying power*. Section 6 follows where that money goes.

3. The Hidden Economics of Loyalty

Loyalty programs are pitched as marketing. Inside the building they're something else: balance-sheet liabilities, capitalized currencies, bank-financed customer-acquisition

²⁴Booking Holdings and Expedia Group Forms 10-K (FY2024) imply blended take-rates of ~14–15%. Industry coverage (Cloudbeds; Hospitality Net) places the range at 15–25% for independent and smaller hotels on Booking.com and Expedia, varying by segment and contract leverage.

²⁵Booking Holdings Form 10-K, FY2024 (SEC EDGAR). Total marketing expenses were \$7.3 billion in 2024 — ~31% of revenue and the company's largest variable cost line; performance marketing (the "substantial majority" of marketing spend) is "primarily related to the use of online search engines (primarily Google)." The 10-K's Risk Factors name reliance on Google and search/meta-search for a significant portion of traffic, with placement cost outside Booking's control.

²⁶Expedia Group Form 10-K, FY2024 (SEC EDGAR). Total selling and marketing expense of \$7.63 billion against \$13.7B revenue — about 56%; the "direct" selling-and-marketing sub-line alone was 50.0% of revenue. The 10-K's Risk Factors name Google as a competitor that could "disintermediate online travel agencies," refer customers directly to suppliers, raise traffic costs, and place its own offerings at the top of organic search results.

vehicles, and — almost by accident — the closest thing travel has to private settlement infrastructure.

What loyalty programs actually are

- A liability. Marriott's 2024 10-K reports a guest-loyalty-program liability of \$7.5 billion.²⁷ Combined US Big-3 airline mileage liability tops \$23 billion across the published 10-Ks.²⁸
- A capitalized currency. Banks pre-purchase miles for cash — cash arrives now, redemption happens later, often years later, and breakage (points that expire unredeemed) flows back to revenue.
- A customer-acquisition vehicle. Marriott Bonvoy reports about 271 million members at year-end 2025²⁹; Hilton Honors more than 235 million as of Q3 2025³⁰; United MileagePlus about 145 million³¹; Delta SkyMiles 146 million³²; American AAdvantage about 135 million.³³
- A reciprocity protocol. Hotels accept points across brands within a chain³⁴; airlines swap miles through alliance reciprocity. The United–Marriott RewardsPlus partnership runs a working bilateral mile-and-point exchange with published transfer ratios.³⁵ The plumbing for inter-supplier loyalty value transfer is already in production. What doesn't exist is a formal cross-chain or cross-industry settlement protocol.

What loyalty programs could be

If the inter-supplier reciprocity plumbing got productized as a settlement protocol — not a marketing perk — the same currency that drives engagement today could clear the inter-supplier leg of a multi-supplier trip without going through a card network. The closest historical analogue is Visa: a consortium of banks took bilateral reciprocity agreements that already existed and turned them into a multilateral clearing protocol. It survived because the underlying economic relationships were already there, and scaled because the consortium agreed on governance before technology. The travel version

²⁷ Marriott International, Form 10-K, fiscal 2024; the current and noncurrent guest-loyalty-program liability was \$7,519 million at 31 December 2024. Skift (April 2026) puts the total hotel-industry loyalty obligation at ~\$11.6B across the seven largest groups — a different basis; see note on source 44.

²⁸ United Airlines 10-Q (Q3 2024) frequent-flyer deferred revenue ~\$7.4B; American Airlines 10-K AAdvantage deferred revenue ~\$7.8B+; Delta air-traffic-liability \$10.2B (subset attributable to SkyMiles). Combined Big-3 mileage liability exceeds \$23B — Telivty analysis of 10-K filings.

²⁹ Marriott International, 2025 Annual Report (March 2026): Marriott Bonvoy reached ~271 million members at year-end 2025 (~43M added in the year).

³⁰ Hilton Worldwide, Q3 2025 results (October 2025): Hilton Honors had more than 235 million members as of Q3 2025.

³¹ United MileagePlus — approximately 145 million members, the figure repeated across United's 2025 annual-report-era disclosures. United does not publish a single precise, cleanly extractable membership figure; cited as the best-available recent number, not a single audited line item.

³² Delta Air Lines, December Quarter and Full Year 2025 Financial Results (February 2026): SkyMiles reported at approximately 146 million members.

³³ American Airlines, Q4 and Full Year 2025 Financial Results (January 2026): AAdvantage reported at approximately 135 million members. (American has described AAdvantage as the largest airline loyalty program; that characterization is not used in this paper, as it cannot be reconciled with the higher SkyMiles figure without a shared definition of "member.")

³⁴ Marriott Bonvoy, Hilton Honors, and World of Hyatt program terms and conditions: each operates a closed-loop currency redeemable only within the chain's own portfolio of brands and bilateral partners. There is no formal cross-redemption reciprocity between the three chains.

³⁵ Marriott Bonvoy + United MileagePlus "RewardsPlus" partnership. Reciprocal elite-status benefits and bilateral points/miles transfer at published ratios (3 Marriott : 1 United). A status-match and limited-transfer arrangement, not full currency interoperability.

exists in pieces — IATA's Billing and Settlement Plan has cleared inter-airline ticket settlement since 1971 and processed \$232.8 billion in 2024 alone.³⁶ The infrastructure precedent for multilateral travel settlement isn't theoretical.

Loyalty-as-settlement isn't a 2030 invention. It's a 1970s invention applied to a problem nobody bothered to formalize.

4. Why Airlines Became Banks With Wings

Any reform proposal that treats airline economics as a flying business doesn't survive its first meeting with an airline CFO. The flying business is a thin-margin freight operation with high fuel and labor exposure and a multi-decade record of destroying shareholder value. The earnings, in a normal year, come from the loyalty program.

The structural fact

As of 2025, co-brand credit-card revenue at the major US carriers doesn't just contribute to operating profit — it exceeds it. Reuters reported in March 2026 that Delta received \$8.2 billion from American Express in 2025, **1.4 times** Delta's adjusted operating income³⁷; American Airlines reported \$6.2 billion in co-brand cash, about **four times** its adjusted operating income³⁸; United took about \$3.2 billion from Chase in 2024³⁹. Combined US Big-3 co-brand revenue hit \$16.4 billion in 2024.⁴⁰

This isn't a critique. It's the structure that has kept network airlines solvent through fuel cycles, recessions, and a pandemic — and a distribution-reform conversation that reads as a threat to that cash flow is over in the first five minutes.

The implication for reform design

The reform that survives a CFO conversation keeps the bank cash flow at current scale, keeps the customer-facing co-brand mechanics intact, and restructures only the underlying currency the bank pre-purchases. Single-airline miles become trip-wide credit. The dollar volume from banks doesn't shrink — but the currency gets broader, more liquid, lower-breakage, and easier to market to a cardholder who flies multiple carriers. Hotels and ground operators get access to a slice of pre-purchase economics

³⁶ IATA, "Billing and Settlement Plan" overview and Financial Services Fact Sheet (December 2025); BSP processed \$232.8 billion in ticket sales in 2024 at a 100% on-time settlement rate. BSP launched 1 March 1971 in Japan. Per-ticket airline fee schedule is not published; trade-press estimates indicate sub-\$1 per ticket.

³⁷ Reuters, "Credit-card cash reshapes US airline loyalty — and profit," 13 March 2026. Delta's 2025 American Express revenue (\$8.2B) equaled 14% of adjusted operating revenue and 1.4× its adjusted operating income; American Airlines' co-brand cash (\$6.2B) was ~4× its adjusted operating income. Co-brand revenue exceeded operating profit at all three legacy carriers in 2024 and 2025.

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³⁹ Reuters, 13 March 2026; United Airlines investor materials. United co-brand revenue from Chase ~\$3.2 billion in 2024; the Chase-United partnership was extended in 2024 through 2029, projected to add ~\$400M/year incrementally.

⁴⁰ Reuters, "Credit-card cash reshapes US airline loyalty — and profit," 13 March 2026 — combined co-brand credit-card revenue across Delta, United, and American Airlines totaled \$16.4 billion in 2024.

they've been locked out of for thirty years. That alone is the alignment the coalition needs.

5. Why Hotels Own the Experience the Industry Underprices

Airlines built the financial engine. Hotels built something the industry never learned to price properly: the experiential layer — where the customer relationship is actually formed, and where the supplier has the longest, highest-bandwidth claim on the customer.

The structural fact

A flight is hours; a hotel stay is days — the average US guest stays roughly two nights, resort and leisure stays materially longer⁴¹. And the hotel isn't just providing a room: roughly 32% of full-service hotel revenue is non-room, with food and beverage the largest single component⁴². That's a multi-day, multi-touchpoint, multi-stream monetization surface with no analogue on the airline side beyond seat and bag ancillaries — where service recovery happens, where the trip becomes a memory worth repeating, where ancillary spend lands, and where customer identity persists longest.

The loyalty base is bigger — and structurally underpriced

Hotels also run the larger loyalty franchises by membership. Marriott Bonvoy reports approximately 271 million members⁴³; Hilton Honors more than 235 million⁴⁴ — Marriott Bonvoy alone is roughly 1.9x the size of the largest single airline program. The balance-sheet weight is real too: Marriott's guest-loyalty liability is \$7.5 billion on a 10-K deferred-revenue accounting basis⁴⁵, and Skift's analysis puts the seven largest hotel groups at roughly \$11.6 billion in aggregate loyalty obligation — computed on an economic-value basis, not the same basis as the 10-K figure and not additive with it⁴⁶. Yet hotel loyalty currency trades structurally below airline miles at the bilateral-transfer interface — the industry built its distribution and settlement architecture around airline economics and treats hotel currency as the junior instrument. That is the underpricing this paper is named after.

⁴¹ SiteMinder "Average Length of Stay" guides; AHLA industry data. US hotel average length of stay ~1.8–2.2 nights — city and business hotels at the lower end, resort/leisure materially higher (resort destinations frequently 4–8+ nights).

⁴² Non-room revenue accounts for ~32% of total revenue at full-service hotels, with food and beverage the largest single component within that non-room mix (STR Global / CoStar; CBRE). The multi-day, multi-touchpoint, multi-stream on-property monetization surface has no equivalent on the airline side beyond seat and bag ancillaries.

⁴³ Marriott International, 2025 Annual Report (March 2026): Marriott Bonvoy reached ~271 million members at year-end 2025 (~43M added in the year).

⁴⁴ Hilton Worldwide, Q3 2025 results (October 2025): Hilton Honors had more than 235 million members as of Q3 2025.

⁴⁵ Marriott International, Form 10-K, fiscal 2024: the current and noncurrent guest-loyalty-program liability was \$7,519 million at 31 December 2024. Skift (April 2026) puts the total hotel-industry loyalty obligation at ~\$11.6B across the seven largest groups — a different basis; see note on source 44.

⁴⁶ Skift, "The \$7 Billion Loyalty IOU," 5 April 2026 — analysis of recent filings: the seven largest hotel groups collectively owed loyalty members ~\$11.6 billion in unredeemed points at year-end. Basis note: Marriott's balance-sheet deferred-revenue liability is \$7.519B (FY2024 10-K); Skift's \$11.6B aggregate is on an economic-value-of-free-stays basis and is not additive with the 10-K deferred-revenue figure. This paper cites the Skift aggregate for industry scale and the Marriott 10-K figure for the single-chain balance-sheet number.

And the bigger profit pool

On the economics that matter for "who has the most to gain," hotels are not the smaller party. Global hotel-industry revenue is roughly \$1.7–1.8 trillion, against roughly \$996 billion for the global airline industry — hotels are about 1.8x the larger industry by revenue. The two figures rest on different source types: the hotel number is a broad-definition industry market-sizing estimate, the airline number is IATA primary data, so the 1.8x is directional, not a like-for-like ratio⁴⁷. Margins point the same way. IATA forecasts an airline net margin of 3.7% for 2025; hotels run a gross operating profit margin near 38% and a net margin commonly estimated near 8%. Note the basis difference: GOP and net are different margin lines, and the ~8% hotel net is an industry estimate, not an IATA-equivalent audited figure — the cleaner like-for-like read is hotel net ~8% against airline net 3.7%, still roughly double⁴⁸. Bigger revenue base, higher margin: on a profit-pool basis, hotels are directionally the larger prize. The airline story is the more visible one — airlines have the dramatic single statistic, co-brand revenue exceeding operating profit. The hotel story is quieter and larger.

The tax falls hardest here

And this is the supplier the intermediary layer taxes hardest. Kalibri Labs research puts hotel customer-acquisition cost at 15–25% of guest-paid revenue, reaching 35% at some properties⁴⁹. The channel gap is stark: hotels pay 13–17% of a night's room rate to acquire a guest through an OTA versus 3–8% direct, and the average OTA booking retains a contribution to operating profit roughly 10 percentage points below the average direct booking⁵⁰. The supplier with the deepest customer relationship, the longest exposure, the largest loyalty base, and the higher margin is also the one bleeding the most to intermediation. That is not an accident of the current architecture — it is the current architecture.

This is not a case for hotels over airlines

None of this argues hotels matter more than airlines. It argues the two contributions are different, and the industry only ever priced one. Airlines built the financial engine — the bank relationships, the pre-purchase capital, the currency velocity, the decades of

⁴⁷ Global hotel industry revenue ~\$1.7–1.8 trillion in 2024 (Fact.MR; IBISWorld — broad-definition estimate, varies by source). Global airline industry revenue ~\$996 billion in 2024 (IATA). IATA forecasts an airline net margin of 3.7% for 2025; hotel margins run higher — GOP margin ~38% (CoStar/STR), net margin estimated near 8% (Mews; Statista). A bigger revenue base and higher margin make hotels the larger profit pool; note that GOP and net are different bases, and the ~8% hotel net is an industry estimate, not an IATA-equivalent audited figure.

⁴⁸ Global hotel industry revenue ~\$1.7–1.8 trillion in 2024 (Fact.MR; IBISWorld — broad-definition estimate, varies by source). Global airline industry revenue ~\$996 billion in 2024 (IATA). IATA forecasts an airline net margin of 3.7% for 2025; hotel margins run higher — GOP margin ~38% (CoStar/STR), net margin estimated near 8% (Mews; Statista). A bigger revenue base and higher margin make hotels the larger profit pool; note that GOP and net are different bases, and the ~8% hotel net is an industry estimate, not an IATA-equivalent audited figure.

⁴⁹ Kalibri Labs research on hotel customer-acquisition economics (via Hotel Management; AHLA / Kalibri Labs, "Demystifying the Digital Marketplace"). Hotel customer-acquisition costs average 15–25% of guest-paid revenue, up to 35%. Kalibri Labs, "Book Direct": hotels pay 13–17% of room rate to acquire an OTA guest versus 3–8% direct; the average OTA booking's contribution to operating profit (COPE) is 82.7% versus 93.2% direct — a ~10-point net-margin penalty per OTA booking. Underlying study 2016–2017; finding still widely cited.

⁵⁰ Kalibri Labs research on hotel customer-acquisition economics (via Hotel Management; AHLA / Kalibri Labs, "Demystifying the Digital Marketplace"). Hotel customer-acquisition costs average 15–25% of guest-paid revenue, up to 35%. Kalibri Labs, "Book Direct": hotels pay 13–17% of room rate to acquire an OTA guest versus 3–8% direct; the average OTA booking's contribution to operating profit (COPE) is 82.7% versus 93.2% direct — a ~10-point net-margin penalty per OTA booking. Underlying study 2016–2017; finding still widely cited.

issuance and redemption volume that give loyalty currency its liquidity. The coalition runs on that engine; without the airline-built financial layer there is nothing to settle against. Hotels built the relationship the engine was always meant to serve. Neither side is the anchor and the other the rail. The industry spent thirty years pricing the financial contribution and underpricing the relational one — and the intermediary layer above both was the main beneficiary of the gap.

Airlines became banks with wings. Hotels became the most heavily intermediated high-margin business in travel — undervalued precisely because the industry's plumbing was built around someone else's economics. The coalition needs both: the engine and the relationship.

6. The Discovery Layer — Where the Cost Actually Goes

The intermediation cost on a multi-supplier trip is a stack of layers. Each was justified by something real that used to be expensive; each is now priced against a cost-of-delivery that has fallen. But the layers aren't the interesting part. The interesting part is where the money goes once you follow it — because it converges on one function, and one position within it.

The cost stack, briefly

The supplier-side picture, in approximate order of magnitude:

- OTA commission on hotel bookings: 15–25% of gross transaction value⁵¹; on air bookings, materially smaller — sub-3% blended.⁵²
- Card-network interchange: roughly 2–3% on travel-merchant categories.⁵³
- BSP/ARC clearing and GDS segment fees: per-ticket fixed plus small percentage on airline tickets routed through traditional distribution; \$4–\$6 per segment on the GDS side, against \$232.8 billion of BSP ticket sales settled in 2024.^{54,55}
- Hotel selling and marketing expense: a multi-billion-dollar annual line at every major chain — brand advertising, customer acquisition, distribution support.⁵⁶

⁵¹ Booking Holdings and Expedia Group Forms 10-K (FY2024) imply blended take-rates of ~14–15%. Industry coverage (Cloudbeds; Hospitality Net) places the range at 15–25% for independent and smaller hotels on Booking.com and Expedia, varying by segment and contract leverage.

⁵² Industry estimate — air-ticket OTA take-rate is materially smaller than hotel and is not separately disclosed in OTA filings. Typical blended air take-rate is sub-3%, mostly GDS-incentive economics and consumer-side service fees rather than airline-paid commissions (AltexSoft; OTA investor communications).

⁵³ Visa USA Interchange Reimbursement Fees schedule (current); Stripe, "Interchange fees 101." Travel and airline merchant categories carry interchange of ~2.30–2.55% + \$0.10 on Visa; Mastercard travel categories run 1.58–2.60%. Travel is a higher-risk MCC, at the upper end of the card-not-present range.

⁵⁴ IATA, "Billing and Settlement Plan" overview and Financial Services Fact Sheet (December 2025): BSP processed \$232.8 billion in ticket sales in 2024 at a 100% on-time settlement rate. BSP launched 1 March 1971 in Japan. Per-ticket airline fee schedule is not published; trade-press estimates indicate sub-\$1 per ticket.

⁵⁵ Lufthansa Group published 2026 GDS surcharges of USD 21 (Amadeus) and USD 26 (Sabre) per ticket. Industry estimates (PwC; PhocusWire; AltexSoft) place the GDS segment-fee range at \$4–\$6 per segment, ~\$16 per ticket. Precise GDS–airline contracts are not publicly published.

⁵⁶ Marriott (10-K, fiscal 2024), Hilton (10-K, fiscal 2024), and IHG (20-F, fiscal 2024) disclose selling and marketing as a material, multi-billion-dollar annual expense category. These filings do not isolate spend on reacquiring customers OTAs already had a relationship with — no public source measures that population — so Telivity uses the audited S&M category as the closest defensible proxy. Trade-press benchmarks (~2.5% of room revenue on marketing; Kalibri Labs per-booking acquisition cost 16–25%) are directional, not primary-source-grade.

Stack it and the supplier feels the squeeze. But the OTA commission — the largest single line — isn't where the money rests. It's a pass-through. Follow it.

Follow the money: it goes to the discovery layer

The OTA's 15–25% hotel commission is not OTA profit. A substantial share flows straight back out — to the discovery layer, as the cost of being found. Booking Holdings spent \$7.3 billion on marketing in FY2024, roughly 31% of revenue, the "substantial majority" of it performance marketing "primarily related to the use of online search engines (primarily Google)."⁵⁷ Expedia Group spent \$7.63 billion on selling and marketing — about 56% of revenue.⁵⁸ Combined, the two largest Western OTAs spent roughly \$14.9 billion in a single year to be found.⁵⁹ That spend isn't a choice; it's the cost of staying visible on a surface they don't own. The OTA isn't the apex of the cost stack — it's a customer of the apex.

The discovery layer has one apex position — and Google holds it

This is a structural observation, not an accusation. Google occupies the highest-value position in the travel value chain — the discovery surface, where the journey begins — while performing none of the chain's functions: no inventory, no supply risk, no service, no fulfillment, no post-booking relationship. It monetizes the position itself. The contrast with the OTA is the point: the OTA does real work and is mispriced for it; Google's position is priced at the value of the position, not of any work performed in the chain. It earns on three legs.

Leg one — the search auction

Google owns the front door and runs it as an auction. Google Hotel Ads is a bid-and-Ad-Rank marketplace where OTAs and hotels bid against each other for placement inside Google's surface; Google Flights does the equivalent for air.⁶⁰ Distribution stopped being a relationship and became a bid. Supplier margin and OTA margin both flow to the auctioneer — and the auction gets more expensive over time. Both Booking's and Expedia's 10-K filings name this dependency as a principal risk and cite rising cost; Expedia's filing uses the word "disintermediate," and Expedia's former COO has stated on the record that ad fees rose materially after Google remade search.⁶¹ Directional ad-

⁵⁷ Booking Holdings Form 10-K, FY2024 (SEC EDGAR). Total marketing expenses were \$7.3 billion in 2024 — ~31% of revenue and the company's largest variable cost line; performance marketing (the "substantial majority" of marketing spend) is "primarily related to the use of online search engines (primarily Google)." The 10-K's Risk Factors name reliance on Google and search/meta-search for a significant portion of traffic, with placement cost outside Booking's control.

⁵⁸ Expedia Group Form 10-K, FY2024 (SEC EDGAR). Total selling and marketing expense of \$7.63 billion against \$13.7B revenue — about 56%; the "direct" selling-and-marketing sub-line alone was 50.0% of revenue. The 10-K's Risk Factors name Google as a competitor that could "disintermediate online travel agencies," refer customers directly to suppliers, raise traffic costs, and place its own offerings at the top of organic search results.

⁵⁹ Combined Booking + Expedia FY2024 marketing/selling expense ≈ \$14.9 billion (10-K filings); the four largest global online travel companies spent a combined ≈ \$17.8 billion on sales and marketing in 2024 (PhocusWire). RBC Capital Markets estimated in 2018 that "north of 80%" of Booking's performance-marketing spend went to Google (CNBC) — a dated figure, cited directionally; neither OTA discloses a Google-specific spend line.

⁶⁰ Google's travel products span Google Flights, Google Hotels / Hotel Ads, Google Travel, and "Things to do." Google Hotel Ads runs as an auction — OTAs and hotels bid against each other on a bid-and-Ad-Rank basis, advertiser pays per click (Cendyn; SiteMinder; Google Hotel Ads documentation). Directional ad-agency benchmarks (Focus Digital; WordStream) show average travel-keyword CPC rising from ~\$1.40 (2021) to ~\$2.12 (2025); Expedia's former COO has publicly stated ad fees rose materially after Google remade search (The Seattle Times).

⁶¹ Expedia Group Form 10-K, FY2024 (SEC EDGAR). Total selling and marketing expense of \$7.63 billion against \$13.7B revenue — about 56%; the "direct" selling-and-marketing sub-line alone was 50.0% of revenue. The 10-K's Risk Factors name Google as a

agency benchmark data points the same way: average travel-keyword cost-per-click rose from roughly \$1.40 in 2021 to about \$2.12 in 2025.⁶²

Leg two — Google as compute landlord

Google also earns on the infrastructure the travel-technology layer runs on. Sabre runs roughly 99% of its compute in Google Cloud under a ten-year partnership; Amadeus signed a landmark Google Cloud and Vertex AI partnership in 2025.⁶³ Google earns on the search auction and sells the shovels to the companies building the systems underneath it. Not universal — Trip.com runs on AWS — but Google is a major compute landlord to travel-tech, not a bystander.

Leg three — the entry barrier

Control of the discovery surface is itself a barrier to entry. Even an established supplier can't simply build an alternative front door, because the customer can't reach it without passing through Google first. The European Commission's March 2025 preliminary findings under the Digital Markets Act take the view that "Alphabet self-preferences its own services over those of third parties" — naming Google Flights and Google Hotels specifically.⁶⁴ New distribution models don't die of bad economics; they die of unreachability. The position is self-reinforcing — controlling the surface is the barrier to building an alternative to it.

The deeper damage: a recursive revenue-management layer

The cost is the visible problem. This paper argues the distortion is the structural one. Airlines and hotels already run sophisticated revenue management — optimizing inventory, demand forecast, willingness to pay, load and occupancy, displacement, ancillary attachment, total network yield. That machinery optimizes the economics of the trip. The auction forced a second optimization layer on top of it: bid pressure, placement pressure, cost-per-click inflation, conversion arbitrage, sponsored-placement economics. That second layer doesn't optimize the trip. It optimizes visibility.

The industry accidentally built a second revenue-management layer on top of supplier revenue management — not to optimize the trip, but to optimize visibility inside discovery auctions.

Once discovery is auction-driven, the recursion sets in. The OTA optimizes Google; the supplier optimizes OTA placement; both optimize discoverability, and nobody optimizes

competitor that could "disintermediate online travel agencies," refer customers directly to suppliers, raise traffic costs, and place its own offerings at the top of organic search results.

⁶² Google's travel products span Google Flights, Google Hotels / Hotel Ads, Google Travel, and "Things to do." Google Hotel Ads runs as an auction — OTAs and hotels bid against each other on a bid-and-Ad-Rank basis, advertiser pays per click (Cendyn; SiteMinder; Google Hotel Ads documentation). Directional ad-agency benchmarks (Focus Digital; WordStream) show average travel-keyword CPC rising from ~\$1.40 (2021) to ~\$2.12 (2025); Expedia's former COO has publicly stated ad fees rose materially after Google remade search (The Seattle Times).

⁶³ Google as a compute/cloud vendor to travel-tech: Sabre runs ~99% of its compute in Google Cloud under a 10-year partnership (migrated ~40,000 servers, ~50 PB, closed 17–19 data centers); Amadeus and Google Cloud announced a 2025 partnership covering partial migration, Vertex AI, and Agentspace (Sabre, Amadeus, and Google Cloud press releases; Data Center Dynamics). Not universal — Trip.com Group runs on AWS. Google is a major compute landlord to travel-tech, not the only one.

⁶⁴ European Commission, "Commission sends preliminary findings to Alphabet under the Digital Markets Act," 19 March 2025: the Commission's preliminary view is that Alphabet self-preferences its own services — naming Google Shopping, Google Flights, and Google Hotels — in breach of DMA Article 6(5). Preliminary findings (a statement of objections), not a final infringement decision; DMA fines can reach up to 10% of global annual revenue.

total ecosystem efficiency. The OTA got trapped as much as the supplier did — it became a meta-revenue-management overlay on top of supplier systems, because the auction made discoverability the thing to manage. The cascading distortions follow: rate-parity wars, opaque pricing, loyalty inflation, channel conflict, margin compression. The constructive build later in this paper is, in part, an argument for collapsing that second layer — letting suppliers own pricing and yield, and marketplaces compete on service and orchestration rather than auction arbitrage.

Why the settlement layer is a separate problem

Google is the apex of the discovery layer, not the whole story. Underneath discovery sits a settlement layer with its own, unrelated dysfunction. BSP, ARC, and card-settlement infrastructure don't just add cost — they add reconciliation latency to the industry's cash cycle. Customer authorization happens instantly; the actual settlement, remittance, reconciliation, and release of funds can take days across multiple intermediaries. The architecture was built around a 1970s trust problem — making sure agencies remitted funds reliably to airlines. It still does that job. It was never built for real-time multi-supplier retailing.

"Settlement should become a service, not a gatekeeper, and will we see BSP evolve into a platform rather than a monopoly and just one option among several settlement trails." — Ann Cederhall, Distribution Strategist, in The State of Airline Retailing 2026 (Leapshift Ltd, May 2026)

Same conclusion this paper reaches, from independent industry analysis circulating in pre-publication. Two problems, two layers — the constructive build addresses both, on separate tracks.⁶⁵

On the size of the prize

The honest version: the gross savings opportunity is large, but realistic capture in the first 6–12 months is smaller because migration costs absorb a real share. Any single-number forecast during that period is an upper-bound model on clean execution. That is why this paper puts no point estimate on the prize.

7. Why LLMs Change Distribution Permanently

This isn't the usual "AI changes travel" framing. The thesis is narrower and more durable: the agent layer is the first credible alternative discovery surface to Google search in twenty-five years — and that, not the technology itself, is what changes distribution permanently. Section 6 established the structural fact; the agent layer breaks it — not by attacking Google, but by relocating where the journey starts. When the customer asks

⁶⁵ Cederhall, Ann, "The State of Airline Retailing 2026," Leapshift Ltd (publication date 20 May 2026; cited from pre-publication copy). Survey-based industry whitepaper, 213 stakeholder respondents (111 airline employees), conducted January–March 2026 with Airline Information. Quoted commentary is the author's; quoted respondent statements are anonymous airline-retailing professionals.

an agent instead of typing into a search box, discovery didn't happen on Google's auction surface. It happened somewhere the auction can't reach.

What aggregation cost in 1996 versus what it costs now

In 1996, aggregating multi-supplier inventory into one comparison surface needed a CRS or GDS connection, content management, multi-currency handling, multi-language UI, and a marketing budget large enough to make the URL discoverable — capital-intensive, operationally complex, defensible behind two decades of contracts. In 2026, a customer who tells an LLM agent "find me a flight to Lisbon Thursday and a hotel in the Alfama" gets a structured comparison generated for fractions of a cent — frontier-model travel queries cost about \$0.01–\$0.05, Flash-class models under \$0.001.⁶⁶ The *aggregation function* moves into the agent: no URL to type, no SERP to bid on, no metasearch surface to sit on, no OTA shelf to pay for. Discovery moves from a vendor's auction surface to the user's side of the conversation.

And the surface is already moving: Phocuswright reports general search fell from 51% to 36% as the leading trip-planning research resource in under a year, as generative-AI tools rose⁶⁷. The front door isn't a stable Google monopoly — it's a surface in active transition, right now.

Important distinction: inference cost replaces *aggregation cost*, not total OTA cost. Aggregation is one of seven OTA functions (Section 2). Fraud handling, localization, complex servicing, payment compliance, regulatory handling, liability ownership, and long-tail orchestration still need a service provider. The OTA model breaks where aggregation was load-bearing and the rent on the other six was bundled into commission; the other six survive, repriced fee-for-service.

"Distribution should become API based and not channel based." — Ann Cederhall, The State of Airline Retailing 2026 (Leapshift Ltd, May 2026)

Independent industry confirmation that the surface for travel distribution is moving from channel-bound storefronts to programmable inventory feeds. Suppliers that ship structured feeds and agent-compatible interfaces become the default inventory on that surface.⁶⁸

⁶⁶ LLM API list pricing, early 2026: GPT-4o \$2.50/\$15 per 1M input/output tokens; Claude Sonnet 4 \$3/\$15; Gemini 2.5 Pro \$1.25/\$10; Gemini 2.0 Flash \$0.10/\$0.40. A typical travel-search query (~3K input + 1K output tokens) prices at ~\$0.01–\$0.05 at frontier rates, under \$0.001 with Flash-class models. List pricing fell ~80% between early 2025 and early 2026.

⁶⁷ Phocuswright, "Search slips, AI surges" (2025): general search engines fell from 51% (late 2024) to 36% (second half 2025) as the leading trip-planning research resource as generative-AI tools rose; nearly 4 in 10 US travelers used generative AI for trip research in the trailing twelve months.

⁶⁸ Cederhall, Ann, "The State of Airline Retailing 2026," Leapshift Ltd (publication date 20 May 2026; cited from pre-publication copy). Survey-based industry whitepaper, 213 stakeholder respondents (111 airline employees), conducted January–March 2026 with Airline Information. Quoted commentary is the author's; quoted respondent statements are anonymous airline-retailing professionals.

Where the timing actually sits

Adobe reported 29% of US consumers had used AI to plan trips by September 2025⁶⁹; Skift found 39% of active US travelers using AI for travel tasks, only ~2% willing to give an AI tool full booking autonomy⁷⁰; Phocuswright reports 61% of travel businesses experimenting with or scaling agentic AI⁷¹. Kayak's CEO predicted the first commercial AI-travel booking deal would feel "a little bit like a dam breaking"⁷²; Amadeus's Global Report 2025 says the agentic-AI wave has "moved beyond pilots and proofs of concept, reaching a pivotal moment."⁷³

Honest reading: agent-led *planning* is already material; agent-led *autonomous booking* is early but moving fast. Telivity's most-likely-case assessment is that suppliers have about 18 months to claim default-inventory status in the agent surface; slower and faster scenarios are both plausible. What suppliers can act on inside that window: ship structured inventory feeds, MCP servers⁷⁴, and A2A-compatible interfaces⁷⁵ — the formats that decide which inventory the agent surface treats as default.

The same pattern played out with web search aggregation (1998–2003), mobile app stores (2008–2012), and social-feed distribution (2012–2016). Each time, the suppliers who treated the new surface as a side channel paid the new gatekeeper's rent for the next decade.

8. Loyalty as Settlement Infrastructure

This section describes a proposed architecture, not current market practice. The factual base is established — loyalty programs as balance-sheet liabilities, banks pre-purchasing loyalty value, bilateral inter-supplier transfers running in production, IATA's BSP as a working multilateral travel-industry settlement system. The leap to a cross-supplier coalition currency that settles reconciliation in points is Telivity's proposed architecture: not yet built in the form described, but buildable from existing primitives.

The mechanical proposal fits in one paragraph. Customers keep paying the same way at the customer-facing layer. The inter-supplier reconciliation on a bundled trip — the

⁶⁹ Adobe Digital Insights, September 2025 survey of 5,000+ US consumers: 29% have used generative AI to plan trips. Adobe also reports GenAI-sourced traffic to US travel sites was 47% less likely to convert than non-AI traffic in mid-2025, narrowing from 86% less likely in October 2024.

⁷⁰ Skift Research, "State of Travel 2025": only ~2% of US consumers willing to give an AI tool full autonomy to make bookings, even as 39% of active US travelers used AI for travel-related tasks in late 2025.

⁷¹ Phocuswright, "Will Agentic AI Disrupt Travel Distribution?" (2025) and 2026 research update: 61% of travel businesses surveyed are experimenting with or scaling agentic AI (6% actively scaling, 22% beginning to scale). Phocuswright projects autonomous AI agents to become a material travel discovery channel over 2025–2026.

⁷² Skift, "Kayak's CEO: First AI-Online Travel Deal Will Be Like 'A Dam Breaking,'" 7 January 2025: Kayak CEO Steve Hafner predicted 2025 would see the first commercial AI-travel-platform booking deal, after which agent-led distribution would scale rapidly.

⁷³ Amadeus IT Group, Global Report 2025 — Amadeus's flagship annual corporate report; cited passages reproduced from the public PDF, page references to the printed footer. Primary-source corroboration of structural claims, notable because Amadeus is the world's largest GDS — the entity most exposed to the disintermediation thesis.

⁷⁴ Anthropic, "Introducing the Model Context Protocol," 25 November 2024. MCP is an open-source standard for connecting LLM-based assistants to external tools and data via a single JSON-RPC 2.0 protocol.

⁷⁵ Google, "Announcing the Agent2Agent Protocol (A2A)," 9 April 2025; Linux Foundation press release, June 2025 (project donated to the Linux Foundation for neutral governance). A2A complements MCP and was launched with 50+ enterprise partners.

airline owing the hotel, the hotel owing the ground operator, all parties owing or owed proportional shares of a single trip credit — settles in coalition loyalty currency, not in dollars routed through the card networks.

Why this is feasible

- The currency exists. Major loyalty programs are already balance-sheet items with observable unit values — Marriott's \$7.5 billion liability, Big-3 mileage liability over \$23 billion.⁷⁶
- Bilateral reciprocity already exists. Marriott–United (RewardsPlus)⁷⁷; intra-chain transfers inside Marriott Bonvoy, Hilton Honors, and World of Hyatt⁷⁸; alliance mile swaps inside Star, SkyTeam, and Oneworld⁷⁹. The bilateral plumbing is in production.
- The accounting is solved. IATA's BSP has cleared inter-airline settlement since 1971 and processed \$232.8 billion in 2024 alone.⁸⁰ The mechanics are understood. The technology isn't the hard part.
- The catalyst exists. The agent layer creates demand for a multi-supplier booking surface that needs a settlement layer behind it.

Why this is non-trivial

The hard part isn't the technology — it's governance: a multilateral exchange-rate mechanism, a clearing entity, dispute mechanics, default protection, anti-trust posture. Hard because suppliers who currently compete on loyalty as a differentiator have to coordinate on loyalty as a shared settlement medium. Section 10 takes those questions seriously. The short version: the work is real, and it's the work of a consortium with explicit rules of construction, written before the first transaction settles — not the work of a single vendor.

9. Coalition-Based Supplier Economics

This is the structural expression of the central thesis. Suppliers — the companies that actually deliver the trip — become the primary economic center. Banks reposition as financiers; OTAs and GDSs as technology vendors. Nothing is destroyed. Incentives realign around the parties that carry the operational risk and own the customer

⁷⁶ Marriott International, Form 10-K, fiscal 2024; the current and noncurrent guest-loyalty-program liability was \$7,519 million at 31 December 2024. Skift (April 2026) puts the total hotel-industry loyalty obligation at ~\$11.6B across the seven largest groups — a different basis; see note on source 44.

⁷⁷ Marriott Bonvoy + United MileagePlus "RewardsPlus" partnership. Reciprocal elite-status benefits and bilateral points/miles transfer at published ratios (3 Marriott : 1 United). A status-match and limited-transfer arrangement, not full currency interoperability.

⁷⁸ Marriott Bonvoy, Hilton Honors, and World of Hyatt program terms and conditions: each operates a closed-loop currency redeemable only within the chain's own portfolio of brands and bilateral partners. There is no formal cross-redemption reciprocity between the three chains.

⁷⁹ Star Alliance, SkyTeam, and Oneworld member rosters (official alliance websites). Star Alliance: 26 members (founded 1997); SkyTeam: 19 members (2000); Oneworld: 13 members plus announced additions (1999). Combined: ~58 carriers.

⁸⁰ IATA, "Billing and Settlement Plan" overview and Financial Services Fact Sheet (December 2025): BSP processed \$232.8 billion in ticket sales in 2024 at a 100% on-time settlement rate. BSP launched 1 March 1971 in Japan. Per-ticket airline fee schedule is not published; trade-press estimates indicate sub-\$1 per ticket.

experience. The pie grows because alignment grows, and the share going to the parties making the pie grows with it.

The customer-facing economic primitive is trip credit: banks pre-purchase it from the coalition rather than miles from a single airline, and it redeems across coalition members in any combination — flight, hotel, ground, ancillary — at a published exchange rate.

What changes for each party

Banks

Same dollar volume from banks to suppliers, same co-brand mechanics, same cardholder earn-and-burn experience. Accounting treatment depends on contract structure — banks may carry the pre-purchase as a prepaid asset, customer-acquisition spend, or a hybrid; the coalition operator carries the unredeemed currency as deferred revenue, the same line that today sits on each airline's balance sheet for unredeemed miles. What changes is the cardholder-facing product: "trip credit redeemable across the coalition" is easier to put on a card application than "miles redeemable on Delta when seats are available." Breakage profiles would likely compress modestly as coalition-wide flexibility raises utility — and more importantly, broader trip credit could expand issuer economics overall, raising ecosystem-level spend concentration, cardholder engagement, revolving-balance penetration, and long-duration financing across a wider base. The result is potentially a larger, more durable financing business than today's narrow premium-travel-card ecosystem.

Airlines

Pre-purchase cash flow stays at current scale — the Big-3's \$16.4B in co-brand revenue⁸¹ stays where it is. Some loss of pricing power on the marginal mile, because the asset is valued against a coalition basket rather than a single carrier's seat inventory — offset by reduced commission and clearing costs on bundled trips, a stronger first-party claim on the customer relationship through the coalition's identity layer, and access to demand from hotel partners' own loyalty bases (Marriott Bonvoy's 271M members, Hilton Honors' 235M+).⁸²

Hotels

Hotels are not a beneficiary the coalition tolerates — they are a co-equal power center it can't function without, because they bring the thing airlines structurally lack: the deepest customer relationship in travel (Section 5). What changes is that hotel loyalty currency becomes economically interoperable with airline miles inside the coalition, rather than structurally devalued at the bilateral-transfer interface. Hotels stop being the junior instrument. The hotel side is already moving toward direct independently — Amadeus's 2025 report frames "the industry's imperative to ... reduce dependency on

⁸¹ Reuters, "Credit-card cash reshapes US airline loyalty — and profit," 13 March 2026 — combined co-brand credit-card revenue across Delta, United, and American Airlines totaled \$16.4 billion in 2024.

⁸² Marriott International, 2025 Annual Report (March 2026): Marriott Bonvoy reached ~271 million members at year-end 2025 (~43M added in the year).

intermediaries⁸³, and Kalibri Labs quantifies why: a direct booking retains roughly 10 percentage points more contribution to operating profit than the same booking through an OTA⁸⁴. Coalition economics make that trajectory faster, and pair it with a settlement layer the hotel can't build alone.

Ground operators and ancillary suppliers

Inclusion in coalition-scale pre-purchase economics for the first time, on a proportional-redemption basis. Marginal share of trip credit, but material against current standalone economics.

The asymmetric-contribution principle

This is the load-bearing constraint of the whole coalition design:

Airlines will not convert their proprietary loyalty economics into a shared coalition currency unless governance explicitly preserves their superior contribution. Any coalition arrangement that prices airline contribution at parity with smaller members fails before it ships.

Airlines bring three things no hotel or ground operator brings at comparable scale: the bank co-brand relationships (\$16.4B/year across the US Big-3 alone), the cardholder bases those relationships were built around, and the loyalty-currency liquidity from decades of issuance and redemption volume — plus the existing breakage risk on outstanding mile liability. That is the financial axis, and airlines weight heaviest on it. But contribution is two-dimensional, and the second axis runs the other way. Hotels bring the relational contribution the coalition equally can't function without: the deepest customer relationship in travel, the longest exposure, the highest service intimacy, the larger loyalty franchise by membership (Marriott Bonvoy's ~271M members alone is roughly 1.9x the largest single airline program⁸⁵), and the on-property servicing capability that determines whether a coalition trip gets delivered. A coalition that weights only the financial axis gets airlines and loses hotels — and a coalition without hotels has no experiential layer and no customer relationship worth settling against.

So the principle cuts both ways. Treat airline contribution at parity with smaller members and you're asking airlines to subsidize the coalition for free; treat hotel contribution as junior, the way the current architecture does, and hotel CFOs eventually read it the same way. This isn't a partnership of equals — it's a partnership of asymmetric contributors with shared distribution upside, and the rules of construction have to say so out loud on both axes: weighted voting, weighted share of pre-purchase economics, weighted reserve and breakage allocation. Section 10 covers the governance mechanics.

⁸³ Amadeus IT Group, Global Report 2025 — Amadeus's flagship annual corporate report; cited passages reproduced from the public PDF, page references to the printed footer. Primary-source corroboration of structural claims, notable because Amadeus is the world's largest GDS — the entity most exposed to the disintermediation thesis.

⁸⁴ Kalibri Labs research on hotel customer-acquisition economics (via Hotel Management; AHLA / Kalibri Labs, "Demystifying the Digital Marketplace"). Hotel customer-acquisition costs average 15–25% of guest-paid revenue, up to 35%. Kalibri Labs, "Book Direct": hotels pay 13–17% of room rate to acquire an OTA guest versus 3–8% direct; the average OTA booking's contribution to operating profit (COPE) is 82.7% versus 93.2% direct — a ~10-point net-margin penalty per OTA booking. Underlying study 2016–2017; finding still widely cited.

⁸⁵ Marriott International, 2025 Annual Report (March 2026): Marriott Bonvoy reached ~271 million members at year-end 2025 (~43M added in the year).

Orchestration, not aggregation

The functional argument for the coalition isn't that it aggregates more inventory than an OTA. It's that it *orchestrates* multi-supplier journeys end-to-end — discovery, booking, payment, servicing, disruption recovery, post-trip — with the parties that deliver each leg coordinating directly. The Cederhall report names the gap: "Many airline marketplaces aggregate third-party products, but few orchestrate them into coherent journeys."⁸⁶ And the framing isn't new inside the industry — IATA already names the "retailer-supplier" partnership model, defined in Amadeus's Global Report 2025 as "a modern airline partnership model built around the Offer and Order framework" that lets one airline source dynamically and sell a wide range of products, its own or from other travel companies, under a unified structure.⁸⁷ The framework exists. What's missing underneath it is the settlement infrastructure that lets value clear between members in points rather than dollars routed through card networks — the gap this paper's coalition architecture is built to fill.

10. Governance & Risk

Most failed industry-coordination efforts failed on governance, not technology. This section lists the questions a coalition has to answer in writing before the first transaction settles. The list is long on purpose: a coalition that can't answer these questions is a marketing program, not infrastructure.

Asymmetric contribution and weighted governance

The Section 9 principle written down. Voting weight on currency-issuance policy proportional to demonstrable contribution — two-dimensional: financial (cardholder base, co-brand pre-purchase volume, currency liquidity) and relational (relationship depth, servicing capability, redemption acceptance). Airlines weight heavier on the first axis, hotels on the second; weighted share of pre-purchase economics and weighted reserve and breakage allocation follow the same logic. The rules name the asymmetry rather than hide it in committee structure. Without it the coalition doesn't get airlines — and without the relational axis, it doesn't get hotels.

Settlement governance

Who clears inter-supplier loyalty transactions. What entity holds the position. What rule of construction applies when the rules are silent. Whether settlement is real-time, end-of-day, or net-of-cycle. Audit and attestation requirements on the clearing entity.

⁸⁶ Cederhall, Ann, "The State of Airline Retailing 2026," Leapshift Ltd (publication date 20 May 2026; cited from pre-publication copy). Survey-based industry whitepaper, 213 stakeholder respondents (111 airline employees), conducted January–March 2026 with Airline Information. Quoted commentary is the author's; quoted respondent statements are anonymous airline-retailing professionals.

⁸⁷ Amadeus IT Group, Global Report 2025 — Amadeus's flagship annual corporate report; cited passages reproduced from the public PDF, page references to the printed footer. Primary-source corroboration of structural claims, notable because Amadeus is the world's largest GDS — the entity most exposed to the disintermediation thesis.

Liability allocation

When a hotel oversells a coalition booking, who bears the cost — the hotel, the airline that booked the bundle, the coalition operator, the issuing bank for the bank-funded portion. Formal liability waterfall, written in advance, applied identically across members.

Loyalty exchange valuation

How the coalition currency is valued against each member's internal loyalty currency. Who sets the exchange rate, on what cadence, against what reference. Whether the rate is a single published number or a daily-fixed window.

Fraud arbitration

Where chargebacks land on coalition bookings. How fraud established at the agent layer — outside any single supplier's control — is allocated. Standards for evidence, standards for appeal, standards for time-bound resolution.

Coalition membership

Admission criteria. Capital adequacy, regulatory standing, brand alignment, technical readiness. Exit mechanics. Suspension mechanics. Anti-trust posture: open access on stated criteria, no concerted refusal to deal.

Supplier default

What happens to outstanding coalition liabilities when a member files for bankruptcy protection. Reserve requirements, mutualization mechanics, customer-facing protection.

Dispute resolution

When an airline cancels a leg and a hotel won't refund the corresponding portion of trip credit, who adjudicates. Tiered escalation: first the suppliers, then the coalition operator, then a binding arbitration mechanism with published rules.

OCC ownership during disruption

Who runs the rebooking when a coalition trip breaks mid-trip — the originating airline, the affected hotel, the coalition operator, an outsourced service provider. Customer-facing single point of contact even when operational responsibility is multi-party.

Servicing responsibility

The 24/7 multi-language servicing function OTAs currently provide — whether the coalition operator runs it, each supplier runs its own slice, or it is outsourced to a service provider on a coalition-wide contract.

Customer identity

Who owns the unified customer record across coalition members. Whether identity is federated, mutualized, or held by a single coalition entity. Consent management. Right-to-be-forgotten mechanics. Cross-border data transfer compliance.

Privacy

GDPR, CCPA, PIPL, and successor regimes. A multi-supplier identity store is a regulated entity in most major jurisdictions. Privacy by design, not privacy by audit.

Redemption inflation

The structural risk that coalition currency loses value over time as suppliers issue more units than they're willing to honor at par. Reserve requirements, transparent unit-value reporting, automatic supply controls when redemption velocity exceeds defined thresholds.

Treasury and risk controls

Capital adequacy on the coalition operator's balance sheet. Reserve requirements on each member's coalition liability. Stress testing. Regulatory framing — likely treated as a money-services business in some jurisdictions and as a loyalty program in others. Posture defined per jurisdiction in advance.

Governance is the load-bearing wall of this proposal. Technology is interior decoration. A coalition that ships software before it ships rules ships a marketing program.

Execution risk and historical base rates

The base rate for multi-party coordination of this scale in travel is poor. IATA's NDC program took over thirteen years to reach roughly 20% of bookings⁸⁸; ONE Order had achieved meaningful progress at only 27% of airlines more than a decade after launch⁸⁹. Even with asymmetric governance that explicitly protects major contributors, comparable initiatives routinely stall, get watered down, or fail. Asymmetric governance reduces the probability of failure; it does not eliminate it. This is why the migration path begins with bilateral pilots rather than a full coalition launch — proven economics in a small, high-alignment group are the prerequisite before scaling governance, and the coalition that succeeds will be the one willing to kill flawed pilots early.

11. Role of Banks in the New Stack

Banks stay financiers. The relationship that funds a meaningful share of network-airline operating profit today — \$16.4 billion across the US Big-3 in 2024⁹⁰ — funds the coalition's pre-purchase economics in the new model. The dollar volume doesn't shrink; the asset backing the cardholder-facing currency changes.

⁸⁸IATA, "Distribution with Offers and Orders (NDC) Factsheet," December 2025. IATA Resolution 787 (October 2012) launched the NDC program. NDC bookings reached ~20% of all bookings in 2024, up from 10% in 2023; IATA target is 65% of indirect bookings NDC-powered by 2026.

⁸⁹IATA, "ONE Order Fact Sheet" (December 2025) and "ONE Order Transition Study" (2025); by mid-2025 only 27% of airlines had made meaningful progress toward Offer and Order transformation; IATA's aspirational goal is full capability by 2030.

⁹⁰Reuters, "Credit-card cash reshapes US airline loyalty — and profit," 13 March 2026 — combined co-brand credit-card revenue across Delta, United, and American Airlines totaled \$16.4 billion in 2024.

What survives intact

- Co-brand card mechanics. Earn rates, sign-up bonuses, status pathways, premium card economics. Cardholder-facing experience is essentially unchanged.
- Pre-purchase cash flow. The bulk pre-purchase from issuer to coalition operator replaces today's pre-purchase from issuer to airline at comparable scale.
- Statement engagement. The merchant's category engagement story to the bank improves under a coalition currency, because it aggregates across more merchants.

What changes

- The currency the bank's co-brand product is built on is coalition trip credit, not single-supplier miles. Bank-side accounting treatment of the pre-purchase depends on contract structure and isn't materially affected; the product the bank sells to cardholders is broader, more liquid, easier to market.
- Banks may take a position in the coalition operator itself — providing working capital for the inter-supplier ledger, as banks underwrote the bootstrap of the card networks.
- Interchange on the inter-supplier reconciliation portion disappears for coalition-covered transactions, because that reconciliation moves into points settlement instead of card-network rails. Interchange on the customer's payment leg survives in either case at the published Visa/Mastercard travel-MCC rates of 2–3%; for non-coalition bookings the existing stack stays.⁹¹

Why issuers support this — directional framework

Anchor numbers from public disclosure: combined US Big-3 co-brand revenue ~\$16.4B in 2024; Marriott Bonvoy guest-loyalty liability \$7.5B at year-end 2024; combined Big-3 mileage liability >\$23B. The directional question for an issuer is whether the same dollars of pre-purchase, restructured around a broader currency, produce a larger or smaller financing business.

Dimension	Today — single-supplier miles	Coalition — trip credit
Redemption flexibility	Narrow (single carrier)	Broad (full trip)
Breakage profile	Higher (trapped value)	Lower (broader utility)
Spend concentration	Premium travel only	Full trip ecosystem
Engagement frequency	Episodic / trip-driven	Continuous / multi-touch
Revolving-balance penetration	Narrow affluent base	Broader cardholder base
Financing duration	Trip / event driven	Ecosystem-persistent
Net issuer economics	High yield / narrow base	Lower yield per unit / larger total pool

⁹¹ Visa USA Interchange Reimbursement Fees schedule (current); Stripe, "Interchange fees 101." Travel and airline merchant categories carry interchange of ~2.30–2.55% + \$0.10 on Visa; Mastercard travel categories run 1.58–2.60%. Travel is a higher-risk MCC, at the upper end of the card-not-present range.

Telivty illustrative framework — directional only, not a forecast. Full issuer-economics modeling (ROE, NIM, charge-off, securitization structure) is outside the scope of this paper and sits in a separate bank-facing analysis. The real question for an issuer is whether the larger pool more than offsets per-unit yield compression. Telivty's view is that on a multi-year horizon it does — and that's the version of the conversation worth having with a bank counterparty.

12. OTAs and GDSs — From Toll Road to Marketplace

OTAs and GDSs don't disappear in the supplier-to-supplier world. They lose one thing — the gatekeeper position — and the loss is survivable, because that position was never the healthy part of the business. It was a leveraged bet on someone else's auction.

"During the 2010s, total passenger numbers increased faster than the number of passengers with tickets sold via global distribution systems (GDSs), causing the relative share of GDS passenger sales to slowly decline. Reasons for this included the greater rate of growth of low-cost carriers... as well as the growth in airline direct channels (web and mobile) for full-service carriers." — Amadeus IT Group, Global Report 2025

That's not Telivty arguing for restructuring. That's Amadeus — the world's largest GDS — naming the structural decline of GDS share in its own annual report⁹². The repositioning is already underway, by the entity most exposed to it.

The OTA becomes a true marketplace

Today's OTA isn't really a marketplace. A marketplace is a place sellers choose to list because it brings them demand. Today's OTA goes and gets supply — scrapes it, contracts it, GDS-pulls it — then charges the supplier a toll for being sold, because it controls a path the supplier can't get around. That's not Amazon; it's a toll road with a storefront bolted on.

The supplier-to-supplier world inverts it. Suppliers can sell and settle directly, so the OTA no longer controls a path anyone is forced onto. What survives is the part that was always legitimate: the OTA as a marketplace suppliers choose to distribute to, the way a brand lists on Amazon — the supplier the principal, the OTA a retail channel. And it charges what every real marketplace charges: a fee for marketplace services rendered into the transaction — storefront, audience, comparison, booking, payment, fraud screening, servicing, trust, returns. Not a toll for owning the gate. A fee for running the store.

⁹²Amadeus IT Group, Global Report 2025 — Amadeus's flagship annual corporate report; cited passages reproduced from the public PDF, page references to the printed footer. Primary-source corroboration of structural claims, notable because Amadeus is the world's largest GDS — the entity most exposed to the disintermediation thesis.

This resolves the apparent contradiction

"Supplier-to-supplier direct" doesn't mean no one else can sell. It means suppliers can sell and settle directly, so no intermediary holds a monopoly on the path. A trip gets booked four ways — supplier-direct, the agent layer, an OTA marketplace, the coalition's own surface — and none is a toll road. The OTA competes as a store, not a gate, the way brands sell direct and on Amazon and on other channels at the same time.

And it collapses the recursive revenue-management layer

Section 6 named the deeper distortion: the auction forced a second revenue-management layer on top of the supplier's own. The marketplace model collapses it. The supplier owns pricing and yield logic, full stop; the marketplace competes on service, trust, and orchestration, not on a meta-revenue-management overlay. One optimization layer, not two — and the thing being optimized goes back to being the trip.

Why getting off Google actually matters for the OTA

A real marketplace owns its demand. Amazon doesn't bid on Google for every product sale — people go to Amazon. Today's OTA does the opposite: it spends roughly 31% (Booking) to 56% (Expedia) of revenue on marketing, the substantial majority to Google, just to win the click^{93,94} — pure position-defense on a surface it doesn't own. Freed from the gatekeeper model, the roughly \$15 billion the two largest OTAs route into the auction⁹⁵ can be redeployed into the functions that actually serve the customer — servicing, trust infrastructure, fraud protection, product. The OTA's enemy was never the supplier; it was the same auction the supplier is trapped in.

What the agent layer takes, and what the marketplace keeps

The split is clean. The agent layer takes discovery — comparison and the front-door surface — for the share of demand that moves to agents. The marketplace keeps everything that makes a transaction completable, safe, and worth trusting: fraud screening, payment, 24/7 multi-language servicing, localization and regional compliance, returns and cancellations, reviews and trust signaling, and the long tail of independent inventory that won't ship a structured feed for years yet. The agent finds the trip; someone still runs the store, and earns marketplace economics for it.

⁹³ Booking Holdings Form 10-K, FY2024 (SEC EDGAR). Total marketing expenses were \$7.3 billion in 2024 — ~31% of revenue and the company's largest variable cost line; performance marketing (the "substantial majority" of marketing spend) is "primarily related to the use of online search engines (primarily Google)." The 10-K's Risk Factors name reliance on Google and search/meta-search for a significant portion of traffic, with placement cost outside Booking's control.

⁹⁴ Expedia Group Form 10-K, FY2024 (SEC EDGAR). Total selling and marketing expense of \$7.63 billion against \$13.7B revenue — about 56%; the "direct" selling-and-marketing sub-line alone was 50.0% of revenue. The 10-K's Risk Factors name Google as a competitor that could "disintermediate online travel agencies," refer customers directly to suppliers, raise traffic costs, and place its own offerings at the top of organic search results.

⁹⁵ Combined Booking + Expedia FY2024 marketing/selling expense ≈ \$14.9 billion (10-K filings); the four largest global online travel companies spent a combined ≈ \$17.8 billion on sales and marketing in 2024 (PhocusWire). RBC Capital Markets estimated in 2018 that "north of 80%" of Booking's performance-marketing spend went to Google (CNBC) — a dated figure, cited directionally; neither OTA discloses a Google-specific spend line.

The orchestration channel — the expansion line

There's a second revenue line, and it's the one that actually grows. The agent layer does discovery and the customer-facing conversation. It does not do deep orchestration — assembling a complex multi-supplier, multi-leg trip into a coherent itinerary, enforcing corporate travel policy, producing the reporting and expense integration a managed-travel program needs, tracking duty of care. That work is hard, valuable, and someone has to do it. The OTA or TMC that exposes its trip-planning and reporting engine as an LLM-compatible channel — a structured interface the agent ecosystem can call — becomes the orchestration layer that ecosystem depends on. And it charges for the orchestration: per trip assembled, per program managed, not per click won.

This is the TMC's natural future in particular. Corporate travel has always been orchestration, policy, reporting, and duty of care — the TMC's entire value is the connective and compliance work, not the booking itself. A TMC that becomes an agent-callable orchestration-and-reporting service is positioned to make more money in the agent-native world, not less, because the corporate agents running the customer-facing conversation will need exactly that backend. The marketplace model is the OTA's floor. The orchestration channel is its ceiling.

The honest version

This isn't free money for every OTA. Total OTA take across the industry shrinks — the fat gatekeeper commission on major-supplier bookings goes away, replaced by marketplace fees on the inventory suppliers choose to distribute, the long-tail marketplace kept outright, and a cost base no longer dominated by the Google auction. Whether any individual OTA comes out ahead depends on the OTA: the ones genuinely good at marketplace work — fraud, servicing, trust, product — come out healthier, because that work is now the business instead of a cost center starved to feed the auction; the ones that were pure Google arbitrage struggle. The OTA business stops being a doomed treadmill and becomes a real, defensible marketplace. That's the repositioning — not a demotion, a correction.

Visualizing the Value Chain

The two diagrams that follow put the current toll-booth model next to the future reclassified model. The point of both: the bank–airline co-brand cash flow that keeps the industry solvent stays intact. What gets restructured is the booking moment, the inter-supplier reconciliation, and the function-by-function pricing of the technology layer.

Current Value Chain — Toll-Booth Distribution

Each layer extracts rent on a transaction it did not create — and the rent converges on one apex position.

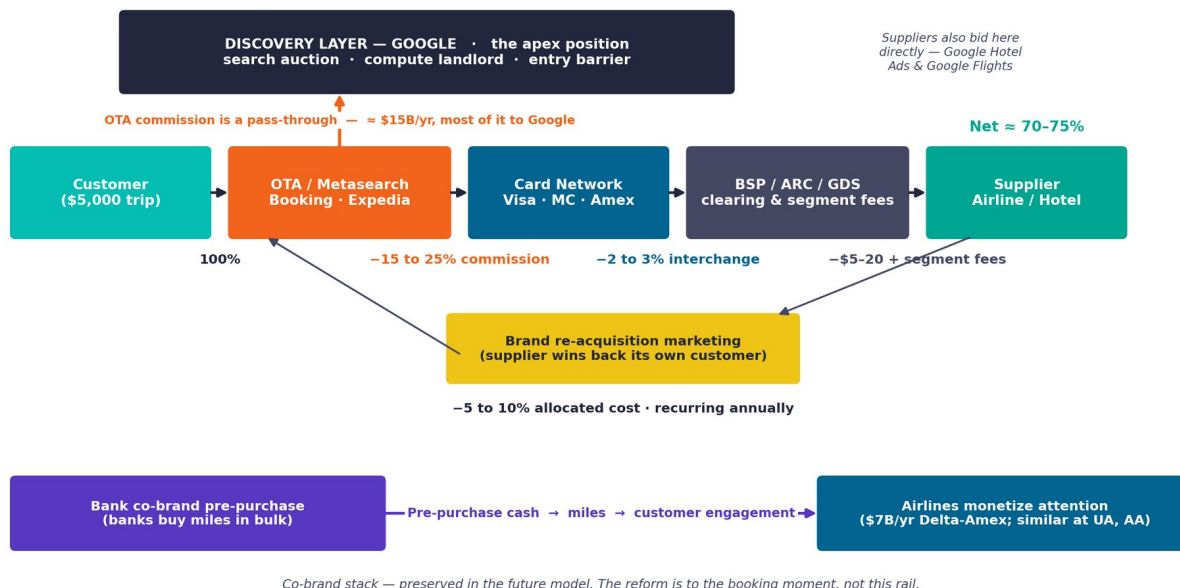
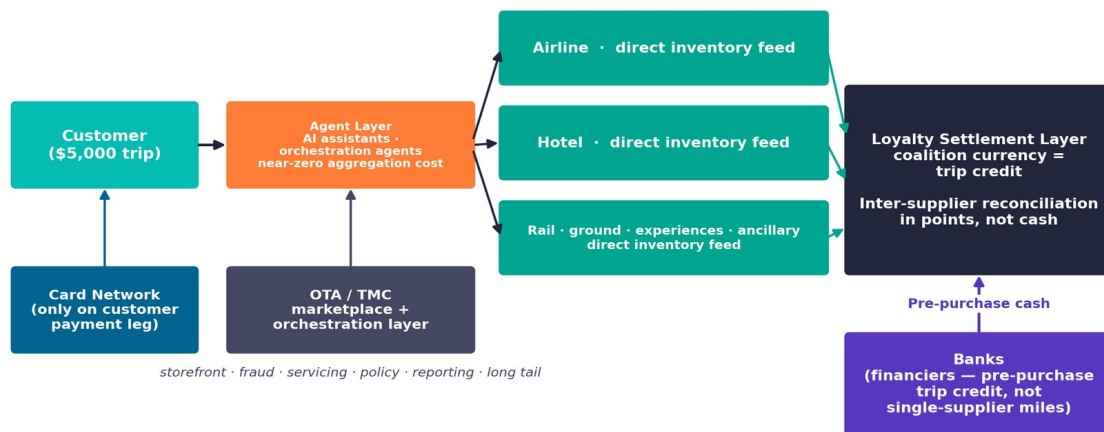


Figure 1 — Current value chain. Toll-booth take-rates per published industry sources (see footnotes).

Future Value Chain — Reclassified, Not Removed

Banks finance. OTAs run marketplaces. Suppliers settle directly through loyalty.



What disappears: OTA commission as % of revenue · interchange on inter-supplier reconciliation · BSP/ARC/GDS clearing on coalition bookings

What survives: bank co-brand cash flow (recast as trip credit) · OTA marketplace fees · interchange on customer payment

Figure 2 — Future value chain. Banks finance, OTAs run marketplaces that suppliers list on by choice, suppliers settle through loyalty.

Economics — The Cost Stack, Sourced

This section deliberately puts no single point estimate on the savings opportunity — modeling that number takes assumptions about channel mix, coalition operator fees, migration cost amortization, and counterparty negotiation outcomes, none credibly forecastable to a single line. What Telivity *can* present is the cost layers that exist today, the sourced range for each, and the structural change each goes through in the coalition + agent model below.

Cost layer	Cited range	What changes in coalition + agent model	Source
OTA commission — hotel booking	15–25% of gross	Function shifts to agent layer; OTA repriced as fee-for-service.	Cloudbeds; Booking / Expedia 10-Ks
OTA take-rate — air booking	<3% blended (estimate)	Already small; primarily indirect via GDS economics.	AltexSoft; industry estimate
Card interchange — customer payment	~2–3% on travel MCC	Preserved on customer leg; eliminated on inter-supplier reconciliation for coalition-covered transactions.	Visa schedule; Stripe
BSP/ARC clearing	Sub-\$1/ticket avg (estimate)	Bypassed for direct supplier-to-supplier coalition bookings.	IATA; AltexSoft
GDS segment fees	\$4–\$6/segment · ~\$16/ticket	Bypassed for coalition direct distribution.	AltexSoft; PwC; PhocusWire
Hotel selling & marketing expense	Multi-billion / year (per chain)	Stronger first-party customer relationship reduces dependency on paid re-acquisition.	Marriott / Hilton / IHG 10-K & 20-F filings
LLM inference per query (new line)	\$0.001–\$0.05	New cost line. Materially smaller than the displaced commission/clearing layers.	OpenAI / Anthropic / Google pricing

Reading the table:

- Every cited range is sourced to a public document or documented industry benchmark; where a number is an industry estimate (BSP per-ticket, OTA air take-rate), the table marks it as such.

- The right-hand column describes a structural change, not a forecast number. Coalitions that capture it in full see materially improved supplier economics over a multi-year horizon; those that capture it in part see proportionally smaller improvements.
- Migration costs — coalition operator buildout, settlement clearing, governance, agent-layer integration — are real and absorb a meaningful share of the gross saving across the migration window, weighted toward the early phases.

13. Migration Path

Industry-wide reform that reads as a flag day fails. The migration path here is incremental, runs in parallel with existing infrastructure, and builds economic gravity at each phase instead of depending on one coordinated cutover.

Phase 1 — Bilateral pilot (6–12 months)

One major airline, one major hotel chain. The United–Marriott RewardsPlus partnership⁹⁶ is the closest existing template — formalize the reciprocal mile-and-point exchange into a thin settlement protocol over a defined trip-bundle scope. Customer-facing experience unchanged; inter-supplier reconciliation in points instead of dollars on the bundled portion. Goal: prove the operational model and surface the governance gaps.

Phase 2 — Coalition formation (12–18 months)

Three to five supplier members, written governance, settlement clearing infrastructure stood up as a separate operating entity. First bank co-brand reframed as trip credit on a small footprint. Goal: prove the multilateral mechanics and the bank-side balance-sheet treatment.

Phase 3 — Agent-layer integration (18–30 months)

Coalition members ship structured inventory feeds, MCP servers⁹⁷, and A2A-compatible interfaces⁹⁸. Agent-layer aggregators take coalition inventory as the default for coalition-covered supply. Goal: claim default-inventory status in the agent surface.

Phase 4 — OTA renegotiation (30–48 months)

Coalition members' OTA contracts come up for renewal. Fee-for-service repricing replaces percentage-of-revenue commission on the slice of inventory that already books direct or through coalition rails. OTAs keep commission-equivalent economics on long-tail and cross-supplier-orchestration scenarios where they keep delivering real value. Beyond this window, the longer-horizon equilibrium — coalition currency as the dominant inter-supplier settlement medium — is the subject of Section 15.

⁹⁶ Marriott Bonvoy + United MileagePlus "RewardsPlus" partnership. Reciprocal elite-status benefits and bilateral points/miles transfer at published ratios (3 Marriott : 1 United). A status-match and limited-transfer arrangement, not full currency interoperability.

⁹⁷ Anthropic, "Introducing the Model Context Protocol," 25 November 2024. MCP is an open-source standard for connecting LLM-based assistants to external tools and data via a single JSON-RPC 2.0 protocol.

⁹⁸ Google, "Announcing the Agent2Agent Protocol (A2A)," 9 April 2025; Linux Foundation press release, June 2025 (project donated to the Linux Foundation for neutral governance). A2A complements MCP and was launched with 50+ enterprise partners.

14. Institutional Failure and Industry Inertia

The reform in this paper is the kind of work an industry standards body should have led a decade ago. It didn't — for reasons that are structural, not personal.

Incentives, not competence

Industry standards bodies are governed by their members. Members compete on the dimensions they'd need to coordinate on. Coordination on those dimensions is structurally suppressed. Not unique to travel. The same dynamic produced ISO 20022 over twenty-one years in payments (published December 2004; mandatory for cross-border SWIFT messages November 2025)⁹⁹, HL7 FHIR over a decade in healthcare (concept 2011; broad US adoption 2018+)¹⁰⁰, and UK Open Banking over six to seven years (PSD2 effective January 2018; ~12 million active UK users by December 2024).¹⁰¹ In each case the standard arrived late, narrow, and shaped by incumbent veto.

IATA's NDC launched by Resolution 787 in October 2012; NDC bookings reached about 20% of all bookings in 2024, more than thirteen years in.¹⁰² The version-stuck data is sharper: the May 2026 Leapshift survey reports about 70% of airlines still on NDC v17.2 — which doesn't support servicing — while the current version is 24.1, and migrating between versions is costly and slow.¹⁰³ Amadeus's Global Report 2025 acknowledges in print that NDC content on top of traditional content has driven "further fragmentation of airline content," and reports just 35 NDC-live airlines on its platform by year-end 2025, up from 4 in 2022.¹⁰⁴ IATA's ONE Order initiative reports only 27% of airlines at meaningful progress as of mid-2025, against a 2030 capability goal¹⁰⁵; Amadeus adds that ONE Order went into production with just two airlines during 2025, after roughly a decade of standards work.¹⁰⁶ Both efforts are legitimate. Neither is sized to the restructuring of distribution economics now in progress: the institution that should have led this work optimized for the coordination cost of the status quo, not the coordination problem of transition.

⁹⁹ ISO 20022 was first published December 2004 (SWIFT). SWIFT cross-border ISO 20022 migration began March 2023; the coexistence period ended 22 November 2025, when ISO 20022 became the exclusive cross-border payments standard. Inception to mandatory: ~21 years.

¹⁰⁰ HL7 FHIR concept proposed by Grahame Grieve August 2011; first published 2014; broad US adoption catalyzed by Apple Health Records (January 2018) and the ONC Cures Act (effective 2020). ~10–13 years from concept to ubiquitous US use.

¹⁰¹ Open Banking Limited (UK), "OBL celebrates seventh anniversary of PSD2," January 2025. PSD2 effective in the UK 13 January 2018; 12.09 million active open-banking users by December 2024. ~6–7 years from regulation to ~10%+ consumer adoption; rollout ongoing.

¹⁰² IATA, "Distribution with Offers and Orders (NDC) Factsheet," December 2025. IATA Resolution 787 (October 2012) launched the NDC program. NDC bookings reached ~20% of all bookings in 2024, up from 10% in 2023; IATA target is 65% of indirect bookings NDC-powered by 2026.

¹⁰³ Cederhall, Ann, "The State of Airline Retailing 2026," Leapshift Ltd (publication date 20 May 2026; cited from pre-publication copy). Survey-based industry whitepaper, 213 stakeholder respondents (111 airline employees), conducted January–March 2026 with Airline Information. Quoted commentary is the author's; quoted respondent statements are anonymous airline-retailing professionals.

¹⁰⁴ Amadeus IT Group, Global Report 2025 — Amadeus's flagship annual corporate report; cited passages reproduced from the public PDF, page references to the printed footer. Primary-source corroboration of structural claims, notable because Amadeus is the world's largest GDS — the entity most exposed to the disintermediation thesis.

¹⁰⁵ IATA, "ONE Order Fact Sheet" (December 2025) and "ONE Order Transition Study" (2025): by mid-2025 only 27% of airlines had made meaningful progress toward Offer and Order transformation; IATA's aspirational goal is full capability by 2030.

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The view from inside the industry

This isn't Telivity's framing alone. The same Leapshift survey gathered open-text feedback from 213 airline-retailing stakeholders. Two themes dominated:¹⁰⁷

"Airline is a captive to its tech partners. Until it assumes its own tech leadership and vendor neutral transformation it is doomed to low margins and leaky ROIs."
— anonymous airline survey respondent

"Fragmented systems, too much reliance on PSS. Legacy PSS vendors are the main blocker." — anonymous airline survey respondent

"NDC risks becoming EDIFACT with lipstick only." — Cederhall, summarizing industry sentiment

The diagnosis from inside the industry matches the diagnosis from outside it. That convergence is the strongest evidence the structural argument here isn't a theory looking for a problem — it's a description of a problem the people running distribution at airlines are already naming, in their own publications.

Implication for the coalition

The coalition described here most likely starts outside any existing standards body, runs in parallel with existing infrastructure, and either subsumes the relevant institutional functions or operates alongside them on a workable interoperability protocol. The history of analogous transitions says the coalition that ships the rails first sets the rules.

15. The Next 10 Years

Three structural trends are already in motion, and the reform in this paper is downstream of all three. They'll be the operating context for whoever runs airline and hotel commercial functions in 2030.

- Consolidation continues. The airline industry trends toward a small number of globally integrated alliance-or-group structures — three major alliances today (Star, SkyTeam, Oneworld) covering ~58 carriers.¹⁰⁸ The hotel industry has been quietly running the same play. The top ten US hotel groups control about 65% of branded room supply.¹⁰⁹
- Agent-native distribution becomes the default for transactional travel. Phocuswright projects agentic AI as a material discovery channel over 2025–2026¹¹⁰, and 29% of US consumers already use AI for trip planning per Adobe's September

¹⁰⁷ Cederhall, Ann, "The State of Airline Retailing 2026," Leapshift Ltd (publication date 20 May 2026; cited from pre-publication copy). Survey-based industry whitepaper, 213 stakeholder respondents (111 airline employees), conducted January–March 2026 with Airline Information. Quoted commentary is the author's; quoted respondent statements are anonymous airline-retailing professionals.

¹⁰⁸ Star Alliance, SkyTeam, and Oneworld member rosters (official alliance websites). Star Alliance: 26 members (founded 1997); SkyTeam: 19 members (2000); Oneworld: 13 members plus announced additions (1999). Combined: ~58 carriers.

¹⁰⁹ CBRE, "Brands and Brand Families Matter"; AltexSoft, "Top Hotel Groups, Chains, and Brands." The top 10 hotel groups control ~65% of US branded room supply; Marriott, Hilton, IHG, Wyndham, and Choice combined exceed ~3M rooms in the US. Global "branded" share definitions vary by source.

2025 data.¹¹¹ Brand-driven and high-consideration travel takes longer to migrate. It follows.

- Coalition currency emerges. Multiple regional coalitions before any global one. A standardization or interoperability layer follows once two or three coalitions need to interoperate. Global travel gross bookings projected at ~\$1.8T by 2027¹¹² — big enough to justify multiple coalitions in parallel.

The institutions that lead the transformation will be defined by who controls coalition governance, not who owns the most inventory. Inventory is a precondition for sitting at the table; governance decides who gets paid for what.

The suppliers who move first will hold the strongest first-party claim on the next 25 years of customer relationship. Everyone else negotiates with whoever does.

¹¹⁰ Phocuswright, "Will Agentic AI Disrupt Travel Distribution?" (2025) and 2026 research update: 61% of travel businesses surveyed are experimenting with or scaling agentic AI (6% actively scaling, 22% beginning to scale). Phocuswright projects autonomous AI agents to become a material travel discovery channel over 2025–2026.

¹¹¹ Adobe Digital Insights, September 2025 survey of 5,000+ US consumers: 29% have used generative AI to plan trips. Adobe also reports GenAI-sourced traffic to US travel sites was 47% less likely to convert than non-AI traffic in mid-2025, narrowing from 86% less likely in October 2024.

¹¹² Phocuswright, "How Global Travel Will Grow, Shift and Digitize by 2027": global travel gross bookings climbed to \$1.6T in 2024 and are projected to approach \$1.8T by 2027 (5.2% CAGR).

About Telivty

Telivty is building infrastructure aligned with many of the architectural directions discussed in this paper, including:

- OTAIP (Open Travel AI Platform) for airline and travel orchestration,
- HAIP for hospitality orchestration,
- and Aviare for next-generation travel retailing and servicing workflows.

These platforms are not presented as implementations of the coalition architecture described in this paper, but as practical explorations of agent-native distribution, deterministic orchestration, supplier-centric servicing, and structured multi-supplier travel infrastructure.

Appendix · Glossary

BSP (Billing and Settlement Plan)

IATA-administered system for clearing inter-airline ticket settlement between travel agencies and airlines. Launched 1 March 1971 in Japan; processed \$232.8B in 2024.

ARC (Airlines Reporting Corporation)

US equivalent of BSP. Clears ticket transactions between US travel agencies and airlines.

GDS (Global Distribution System)

Sabre, Amadeus, Travelport. Multi-airline (and multi-supplier) inventory and booking infrastructure.

NDC (New Distribution Capability)

IATA standard launched by Resolution 787 (October 2012) for richer airline-content distribution beyond traditional GDS schemas. ~20% of bookings as of 2024.

ONE Order

IATA initiative consolidating order management across reservations, ticketing, and accounting. 27% of airlines had made meaningful progress by mid-2025; 2030 capability target.

OCC (Operations Control Center)

Airline command function responsible for managing irregular operations — cancellations, diversions, rebookings, crew duty constraints. Rebooking authority during disruption typically lives here.

MCP (Model Context Protocol)

Open-source protocol announced by Anthropic on 25 November 2024 for connecting LLM-based assistants to external tools and data.

A2A (Agent-to-Agent Protocol)

Google-launched protocol announced 9 April 2025; donated to Linux Foundation June 2025. Complements MCP for inter-agent coordination.

EMSR (Expected Marginal Seat Revenue)

Foundational airline revenue management heuristic for protecting higher-fare seat inventory.

Interchange

Fee paid by the merchant's bank to the cardholder's bank on each card transaction. ~2–3% of transaction value on travel-merchant categories per published Visa/Mastercard schedules.

Coalition currency / trip credit

Multi-supplier loyalty currency redeemable across coalition members for any combination of travel components. Pre-purchased by banks under co-brand agreements.

Breakage

Loyalty currency issued but never redeemed. Generally falls back to revenue once the redemption window closes or a defined inactivity threshold is met.

Multilateral settlement

Clearing arrangement in which multiple counterparties' obligations net against each other through a central operator, rather than settling pairwise.

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