



Hotels' dependency on online intermediaries and their chosen distribution channel portfolios: Three country insights

Brigitte Stangl^{a,*}, Alessandro Inversini^b, Roland Schegg^c

^a University of Surrey, School of Hospitality and Tourism Management, Stag Hill, Guildford GU2 7XH, Surrey, United Kingdom

^b Bournemouth University, Faculty of Management, Fern Barrow, Bournemouth BH12 5BB, United Kingdom

^c Institute of Tourism, University of Applied Sciences Western Switzerland, TechnoPôle 3, 3960 Sierre, Switzerland

ARTICLE INFO

Article history:

Received 15 April 2015

Received in revised form 18 August 2015

Accepted 29 September 2015

Available online 22 October 2015

Keywords:

Distribution

Multi-channels

Internet distribution systems

Online travel agencies

Cluster analysis

Distribution strategy

ABSTRACT

New intermediaries are entering the market, challenging the hospitality industry to find an appropriate distribution channel portfolio. This research investigates how many channels hotels in Austria, Germany and Switzerland choose and what role the various channels play. Findings based on 1014 questionnaires reveal an average mix of 8.06 offline and online channel categories. Traditional channels, such as walk-ins and telephone, still play a major role; however, about one fifth of the bookings are completely generated online. On average, 3.61 online travel agencies (OTAs) are used. With regards to OTA penetration, an oligopolistic market structure is prevalent. Swiss and German hotels' OTA dependency is higher than Austrian's. A series of a posteriori cluster analysis results in four distribution portfolio groups hoteliers choose: multi-channel-, electronic-, real time-, and traditional distributors. Distribution portfolio profiles facilitate learning from strategies used by hotels with certain characteristics such as target group and star-rating.

© 2015 Elsevier Ltd. All rights reserved.

1. Introduction

In the competitive tourism environment (Michopoulou and Buhalis, 2008), hospitality enterprises (e.g., Kang et al., 2007) are exploiting various online distribution channels to increase their visibility (Buhalis, 1999), to raise awareness and interest (Chan and Law, 2006), and eventually to foster online purchasing (Abou-Shouk et al., 2013). With the development of the Internet it was assumed that the importance of intermediaries would decrease (Bennett and Lai, 2005; Tse, 2003). It was predicted that a user-friendly and useful hotel website would boost the likelihood of selling products directly to the customers (Ip et al., 2011). This prediction of dis-intermediation did not come true.

Many Online Travel Agencies (OTA) have been entering the market (Gazzoli et al., 2008), increasing the complexity of the online distribution network (Kracht and Wang, 2010). Consequently hospitality managers are faced with new challenges concerning marketing (Buhalis, 2003) and selling (O'Connor and Frew, 2004a,b) services. This so called "re-intermediation" (Bennett and Lai, 2005) results in a huge amount of online channels which are available in addition to traditional distribution channels, which in turn leads

to an increasingly multifaceted distribution environment (Kracht and Wang, 2010) challenging the hospitality industry. In order to stay competitive in this environment where customers can conveniently order the whole tourism experience in a "one-stop-shop" offered by OTAs (Jones, 2008) and where the competitor is only one click away (Law, 2009), hoteliers need to allocate scarce resources thoughtfully (Schegg et al., 2013).

Some players in the distribution network have been gaining advantages due to their centrality (Zeng and Gerritsen, 2014). They gained power in terms of controlling resources (Ford et al., 2012; Pfeffer, 1992). As a consequence less powerful players became dependent concerning their marketing decisions. This dependency, which is defined as the need to maintain relationships to achieve goals (e.g., Tourism Alliance, 2014), implies an Information and Communication Technology (ICT) driven shift in the distribution power balance (Tourism Alliance, 2014; Zeng and Gerritsen, 2014). Some OTAs are taking control of hotels' allotments (Carroll and Siguaw, 2003), marketing and pricing (Brewer et al., 2006), forcing hoteliers to constantly re-consider how they select OTAs (Kim et al., 2009). Depending on product and target market sophistication and resources-based issues (Coelho and Easingwood, 2008) hotel managers need to allocate the right amount of products to the most relevant portfolio of offline (e.g., walk-ins) and online channels owned by the hoteliers (e.g., hotel website) as well as third party websites such as OTAs' platforms (Gazzoli et al., 2008).

* Corresponding author. Tel.: +44 7568324826.

E-mail addresses: b.stangl@surrey.ac.uk (B. Stangl), ainversini@bournemouth.ac.uk (A. Inversini), roland.schegg@hevs.ch (R. Schegg).

Up to now, there is a lack of research looking at the dependency of hotels on a specific Internet Distribution System (IDS) channel/category such as an OTA and the mix of offline and online distribution channels hoteliers choose. In order to better understand how hoteliers select an effective portfolio of channels, this research investigates OTA dependency and the distribution channel mix chosen in the hospitality sector. Due to differences between countries in terms of OTA popularity (Schegg, 2014), pro-activeness and risk-taking attitudes (Brodbeck et al., 2000; Szabo et al., 2002), we look at three different countries namely Austria, Germany and Switzerland. In more detail the objective of this study is three-fold: (i) to reveal predominant off- and online distribution channels adopted by hotel managers, (ii) to highlight the differences between Germany, Austria and Switzerland concerning the OTA penetration rate and hoteliers' dependency on OTAs (i.e. bookings generated), and (iii) to reveal the amount of channels used as well as differences in the three countries with regards to the portfolio of channels used.

In the following sections the literature review deals with setting the context of the study by discussing the development of online distribution, ICT driven distribution market developments, and power shifts in distribution networks. The results section presents descriptive findings concerning the role of various distribution channels; demonstrates the penetration rate and how many bookings are generated via different online channels; deals with how many channels are used and the distribution channel portfolio; and gives insights into differences between Germany, Austria and Switzerland. Finally, the theoretical discussion is followed by managerial implications.

2. Literature review

Economics has dealt with distribution by looking at transaction costs (Nash, 2001), management examined competitive strength, channel performance (Yan et al., 2011), bargaining power and profit sharing (Simchi-Levi et al., 2004), while marketing deals with market heterogeneity (Louvieris et al., 2003), positioning (Keller, 2010), channel conflict (Pauwels and Neslin, 2015) and global marketing strategies based on cross-cultural similarities (Kaynak and Herbig, 2014; Martenson, 1987).

In terms of cross-cultural similarities Brodbeck et al. (2000) found that leadership concepts are culturally endorsed. Austria, Germany and Switzerland share similar cultural values and thus have quite similar patterns concerning leadership (Thill et al., 2014). However, they differ concerning the importance of 'Humane Orientation' for outstanding leadership (Brodbeck et al., 2000). This is supported by Szabo et al. (2002) who revealed that in Switzerland the individual drives the society while in Germany and Austria the system promotes the individual. The countries also differ in terms of entrepreneurial orientation and organizational performance: In Austria risk-taking and innovativeness are growth factors, whereas only innovativeness is influential on performance in Switzerland (Filsler and Eggers, 2014). Cultural differences exist between the three countries with regards to the social environment promoting innovativeness, pro-activeness and risk-taking attitudes. Thus, considering country differences in the context of online distribution is important (Law et al., 2015).

2.1. The development of online distribution

Since the 1990s, the Internet has been changing the way in which business is conducted in the hospitality industry (Buhalis and Law, 2008; O'Connor and Frew, 2004a,b). The development of Computer Reservation Systems (CRS—1970s), Global Distribution Systems (GDS—1980s), and the advent of the Internet (1990s)

generated a paradigm shift and a change of the distribution management in the industry (Buhalis and Law, 2008; Ip et al., 2011).

Brewer et al. (2006) emphasize that Small and Medium sized Hospitality Enterprises (SMHEs) are of particularly interest when discussing the role of distribution management. Looking at the small and medium sized structured hospitality sector several authors provide evidence that the fragmentation caused a reluctance in terms of embracing the Internet (e.g., Law and Jogaratnam, 2005; Morosan and Jeong, 2008; Toh et al., 2011). Nowadays hotel managers recognize not only pre-WWW area distribution channels (Scaglione and Schegg, 2015) but also the advantages of the Internet in terms of fostering customized marketing activities (Lau et al., 2001) and engaging in sales by using cheaper and frequently accessed online channels (O'Connor and Frew, 2004a,b; Brown and Kaewkitipong, 2009). Law (2009) reported that the Internet has revolutionized the way business was conducted.

A growing body of literature has been focusing on online distribution (e.g., Werthner and Ricci, 2004) as alternative to increase bookings and revenue (Ball and Queyranne, 2009). Research also looked at the importance of accommodation websites (Law and Hsu, 2006) and the significance of a coherent web presence (Chung and Law, 2003), which is perceived as a crucial factor for success. Brewer et al. (2006) confirmed the significance of websites and identified rate control, staff education, customer loyalty, and the control of the hotel image as further challenges hoteliers face.

More recently, part of the academic discussion about online distribution shifted towards the use of social media for engaging with prospective (Filiari and McLeay, 2013; Inversini and Masiero, 2014) and loyal consumers (Vermeulen and Seegers, 2009), the effective use of OTAs and the selection of IDSs in general (Lee et al., 2013; Schegg et al., 2013).

2.2. ICT driven distribution market developments

In, 2002 online distribution was seen as a promising shift away from traditional sales channels such as walk-ins and telephone (Kasavana and Singh, 2001; O'Connor and Frew, 2002). Werthner and Ricci (2004) reported that tourism had become the top industry in terms of online transactions volume. Starkov and Price (2007), recorded that two out of three reservations were made online (i.e. actual transactions) or were influenced by the Internet (i.e. people search online but make reservations over the phone, doing what is called "cross-channel free-riding",—Chiu et al., 2011; Starkov and Price, 2007). TravelCLICK (2009) analysed thirty international brands/chains and revealed that the majority of hotel reservations (48%) was done online. While traditional storefront travel agents and traditional channels contribute 27% and 25%, respectively.

In the last years the online travel market experienced a faster growth than the entire travel market (PhoCusWright, 2011). This is driven by tourists who nowadays are aware of the variety of choices they have; they are more demanding, more knowledgeable about travelling (Buhalis and Law, 2008) and about information search (Xiang et al., 2008). Due to the change of tourist behaviour the importance of online distribution has been growing exponentially (Marcussen, 2008).

Toh et al. (2011) summarized the main reasons pertaining to the growth of the Internet as a booking channel: (i) it is a valuable channel for intangible goods, (ii) customers expect goods sold online to be cheaper, (iii) it allows for quick price comparisons and decreased search costs, and (iv) customers can bypass travel agencies and connect directly with the seller.

2.3. Power shifts in distribution networks

The market consists of a network of distribution channel members, which are related to each other (Coughlan et al., 2001).

Download English Version:

<https://daneshyari.com/en/article/1009210>

Download Persian Version:

<https://daneshyari.com/article/1009210>

[Daneshyari.com](https://daneshyari.com)