

Advantages and Disadvantages of OTAs in the Distribution System of a Seaside Holiday Hotels

PhD candidate Diyana Boteva
University of Economics - Varna, Varna, Bulgaria
diyana.boteva@ue-varna.bg

Abstract

The aim of this article is to analyse the advantages and disadvantages of OTAs (Online Travel Agencies) in the distribution system of a seaside holiday hotels. Based on the literature review and direct observations of the author on the activities of seaside holiday hotels on the Bulgarian Black Sea coast, the author aims to indicate the features of the seaside holiday hotel and defines its distribution system. The article points out the problems of a seaside holiday hotels when using different OTAs and reveals some benefits for both hotels and travellers.

Keywords: seaside hotels; distribution system; online travel agencies; hotel;

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Introduction

With the advent of online platforms, smartphones and apps have dramatically changed the way tourists make their accommodation bookings, as people now can interact directly with hospitality suppliers. Nowadays, more and more travellers book hotel rooms on the Internet, which has become one of the main distribution channels. Nevertheless, a significant number of tourists continue to make their reservations through offline channels. (Boto-García et al., 2021)

Managing a hotel has always been a challenge. But in recent years it has become even more complicated. Travelers' technology habits are evolving, forcing hoteliers to rethink their strategies in a variety of areas such as marketing, digital customer experience and measuring campaign success. This process is further complicated by the rapid spreading of new types of digital devices and interaction options such as voice search and chatbots. And even as hoteliers try to adapt to changes in travellers' behaviour, they are faced with difficult decisions which are related to inventory allocation, channel optimization, and to give importance to direct bookings. Choosing the optimal solution is a complex balance that must prioritize among competing options, such as greater spending on digital marketing and hotel technology, increasing direct bookings and reducing commission costs, while ensuring the highest possible occupancy rates.

A hotel has dozens of sources from which it can receive bookings. These sources are considered hotel distribution channels and include Online Travel Agencies (OTAs), Global Distribution Systems (GDS), the hotel's own website, travel agencies, metasearch platforms, word-of-mouth marketing, etc. In simple terms, hotel distribution channels are different platforms, mostly electronic, by which a hotel can sell its rooms to people around the globe.

Nowadays, hoteliers have noticed that most of their bookings are being made through electronic systems, especially through OTA (Online Travel Agencies). More and more hoteliers are recognizing the value of direct bookings to build deeper relationships with customers and save money on commissions. But the decision to push direct bookings is complicated by potentially higher marketing costs and hoteliers' willingness to take more responsibility for e-commerce strategies such as merchandising and personalization. The "best" selection of channels to sell hotel rooms depends on a complicated complex of factors including OTA commissions, and digital marketing costs. Deciding which channel is best suited for a hotel depends on many factors such as

the total value of the hotel room size, geographic location, customer segments and affiliation with a branded chain.

With the evolution of the Internet and various types of online distribution channels, Middleton and Clarke (2001) anticipated that the future hospitality market would never be presided over by a single distribution channel. Therefore, hotels use selection of online and offline distribution channels to maximize sales and market share while minimizing costs (Kang, Brewer, & Baloglu, 2007; Toh, Raven, & DeKay, 2011).

The travel industry works both online and offline. Hospitality is among the main divisions of the tourism industry, whose distribution process is characterized by a complex distribution landscape crossing multiple channels. Each electronic distribution channel has costs and benefits, and each is developing at a rapid pace based on new information technologies. Online travel agencies battle with internet search engines and hundreds of hotel sites for the user's attention. (Ilieva, 2015)

At the beginning of the existence of OTAs, hotels benefited a lot from them as they connected hotels with more customers and in this way helped hotels increase room occupancy. Such collaborative relationships existed in harmony until recently when the growing popularity of OTAs leads to increasing their market shares. Today, OTAs account for more than two-thirds of hotel bookings, while direct channels account for less than one-third of the market share. OTAs success has allowed them to play a more dominant role in the negotiation process with hotels and therefore to demand more from these partnerships. For instance, the commission that hotels pay to the partnering OTAs has gone up from 5% in the early years to up to 30% more recently. The high commission hotels pay to OTAs substantially eats up hotels' revenues (Chen & Chen, 2023).

However, as travellers become savvier and demanding, and more intermediaries such as online travel agencies (OTAs) enter the field, hoteliers must grapple with this challenge to achieve the right mix of direct and third-party bookings. With the vast number of interconnected interactions between guests, hotels and travel sites, and the diversity of travellers, it is impossible to expect that a single method of distribution will be successful. What works for one hotel may not work for another, because each distribution channel has its advantages and disadvantages to consider. Building a successful distribution strategy means finding the right balance between all the channels being used. So the purpose of this study is to show some of the advantages and disadvantages of the OTAs used by seaside hotel managers.

1. Essence of the distribution system

The way hotel companies market their products is the most essential part of any competitive strategy. In their article, Porter and Millar (1985) pointed out distribution as one of the core activities of the firm, highlighting its importance to the long-term development and success of the firm. Effective distribution is very important especially for hotels where the product is very perishable (Vialle, 1995). An unsold hotel room cannot be stored and subsequently offered for sale later. Revenue is basically lost forever, making the sale of each hotel room each night at an optimum price is extremely important for the profitability of the hotel companies.

Distribution is a process of creating maximum convenience for the customer regarding where and how to purchase the product. The distribution of the tourist product is a specific and complex component of the marketing mix due to the objectively determined spatial separation, and especially the distance of producers from consumers. In tourism, unlike trade in material products of other economic sectors, customers move towards goods and services, not the other way around. (Marinov, 2017)

According to Green (2005): 'Distribution strategy has quickly become the function in hotel marketing that can have the greatest impact on profitability. Growing awareness of the vital role which distribution has in developing and maintaining a competitive advantage for tourism

businesses has led to an extensive amount of literature (Kracht and Wang, 2010; Pearce, 2009, 2010).

In order to successfully perform its product on the market, every organization creates a distribution system, the main elements of which are distribution channels. In the context of a distribution system, a distribution channel can be defined as a set of independent organizations that are linked in an orderly manner to provide convenient access to the product to the consumer. (Marinov, 2017) From this point of view, the distribution policy represents a choice of channels through which the hotel enterprise can sell its products on the market. Therefore, the main component of this policy is the distribution channel, which favours the process of delivering the product to the consumer.

On the one hand, hotel distribution channels are the mechanism through which bookings pass to reach the hotel. And on the other hand, they are the means of presenting information about the availability of rooms, prices and information about both - hotel and its services. Because of this two-way relationship distribution channels are the instruments which can respond rapidly to the dynamics of the market by adapting to the requirements of the industry and of the ultimate consumers.

Present day, multiple distribution channels are available to hoteliers: traditional travel trade intermediaries (inbound operators, tour wholesalers, travel agents); tourist information centres; airlines and other providers; online services; direct sales via phone, email and websites. The majority of hoteliers now use multi-channel systems, but there can be considerable variation in the number and type of channels used and how they are structured. Key interrelated structural features are:

➤ Channel mix: which channel or combination of channels are used. A first distinction can be made between direct and indirect distribution, that is, whether or not distribution occurs directly between the hotel and guest or with the aid of a third party or intermediary. What proportion of room sales is direct and indirect? Consideration can then be given to the particular types of channels used, both offline and online.

➤ Channel width: how many different intermediaries are used for each type of channel? For example, does the hotel distribute via multiple websites? Are numerous wholesalers used or only a select of few?

➤ Channel depth: in indirect channels how many different types of intermediaries or channel members perform distribution functions between the hotel and the guest (e.g. retail travel agents, tour wholesalers and inbound operator). In other words, how many links in the distribution chain are there between hotelier and consumer?

These days, travellers around the world check several booking channels and hotel distribution networks that are available to them before finalizing anything. Therefore, an omni-channel hotel distribution strategy is quite essential for any business. Marinov and Kazandjieva (2010) suggest that seaside holiday hotels in Bulgaria should adopt a more systematic, multi-channel approach to distribution that combines information and reservation functions and in which traditional intermediaries in the travel trade are complemented by online channels.

OTAs and third party websites play an essential role in hotels' multi-channel distribution strategy as they offer a huge selection of choices across a wide price range. (Thakran & Verma, 2013). Although hotels prefer to sell rooms through their own websites to reduce costs, OTAs remain crucial for hotel sales because of their accessibility to potential consumers and economies of scale associated with the large number of hotels listed (Yang & Leung, 2018).

The appearance of OTAs, such as Expedia.com, Travelocity.com, HRS.com, and Booking.com in the mid to late 1990s has completely changed the landscape of the travel industry over the past few decades. OTAs have several advantages over direct channels. For example, OTAs provide travellers with convenient „one-stop service“ by selling not only accommodation, but also airline tickets, car rentals, cruises and even activities. This significantly reduces customers' search

costs when planning a trip. Second, OTAs sell a wide variety of properties, including traditional hotels, guesthouses, rental homes, villas, resorts, apartments, and more. The number of hotels included in an OTA typically far exceeds the number of properties within a specific hotel brand. As an example, the number of properties listed on Booking.com reaches 29 262 442. In this way, OTAs allow customers to easily compare room rates across a large number of properties. Third, OTAs usually provide travellers reviews shared by their previous guests. This can help them to make more informed purchasing decisions. Finally, an OTA's marketing campaign can be much larger, than hotels, and can help them to attract much more traffic to their website and potentially convert some of that traffic into hotel bookings.

OTAs are leading channels and invest hugely in digital marketing, so they can appear on top of the users' search results most of the time. This has gradually changed the way that people book hotels. Moreover, through indirect booking channels such as OTA, customers can compare prices, services and promotions to choose the most suitable hotel very conveniently. Besides, booking and payment methods at indirect booking channels are also very flexible, customers can easily book with just a smartphone. Therefore, more and more people are fond of booking with these platforms. As the indirect booking channel attracts a stable number of customers, most hotels pay great attention to cooperating with these booking channels.

Booking a stay has evolved over the years. While travel agencies and hotel websites remain options, booking sites like Booking.com, Hotels.com, and Airbnb have revolutionized the hospitality sector. According to Statista Consumer Insights, who conducted an online survey in the period July 2022 – June 2023 among 4 286 U.S. respondents (18 – 64 years old) who booked hotels, vacation apartments, houses, 37% of travellers booked via Booking.com. On the second place 32% chose Hotels.com, and 31% went with Expedia in the last year. Airbnb comes in 4th at 30%, while Priceline is at 14%. (Figure 1)

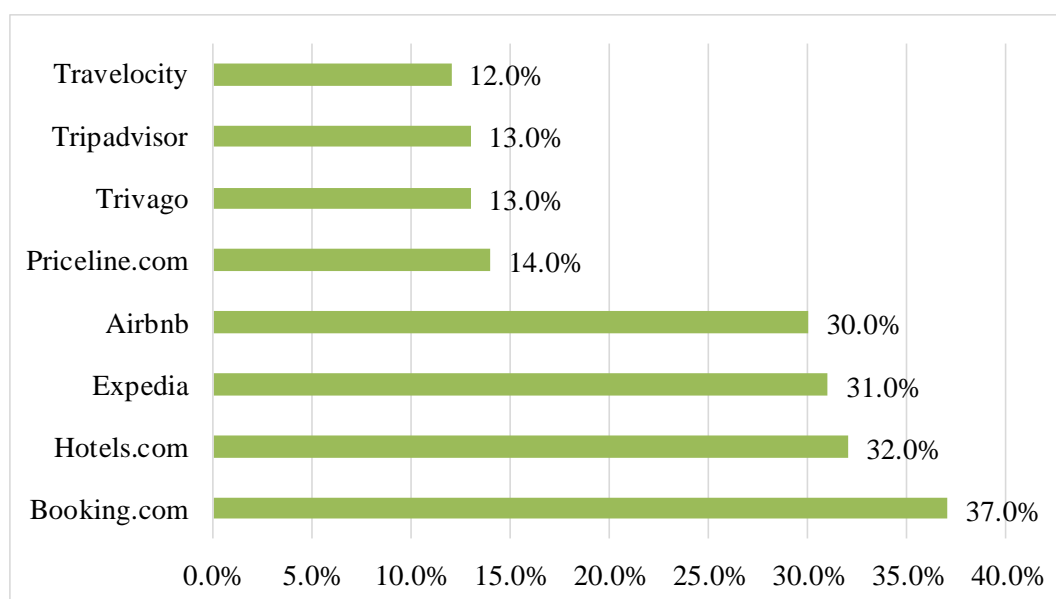


Figure 1. The most popular sites in the U.S. for booking accommodation.

Source: Statista Consumer Insights (01.10.2023)

Despite debates on short-term rentals, Airbnb and others play a significant role in the US tourism industry. In 2022, vacation rentals generated \$19 billion in the US and \$81 billion worldwide. (Statista, 2023)

According to Statista Research Department in September 2023, booking.com was the most visited travel and tourism website worldwide. That month, Booking's web page recorded roughly

554.5 million visits. Tripadvisor.com and airbnb.com followed in the ranking, with around 156 million and 89 million visits, respectively. (Figure 2)

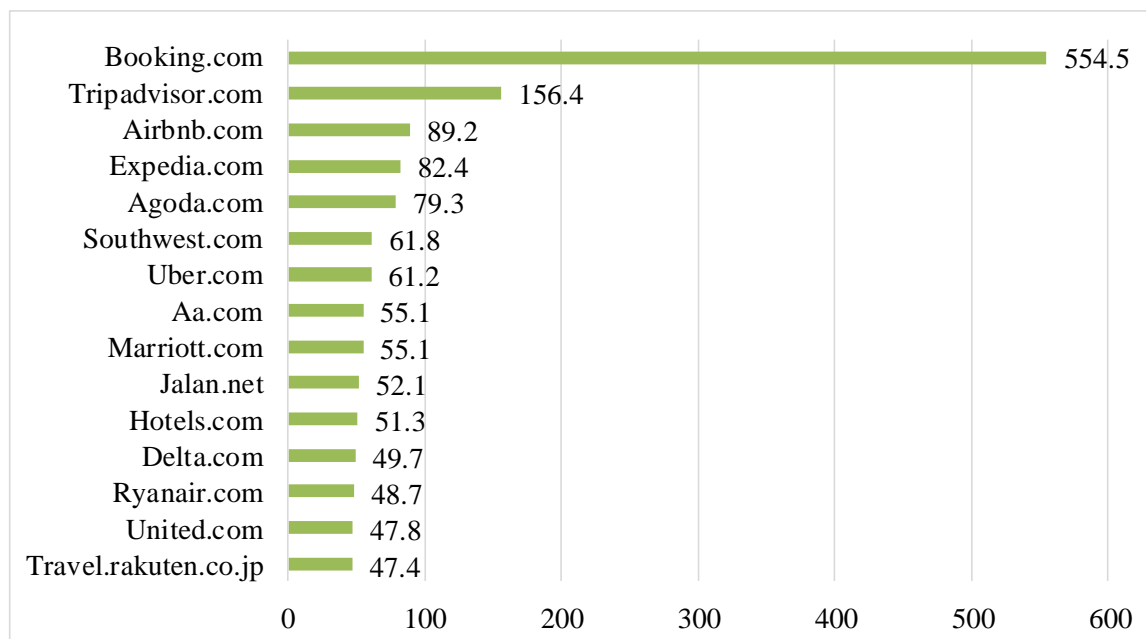


Figure 2. The most visited travel and tourism websites worldwide as of September 2023 in million visits

Source: Statista Research Department (17.10.2023)

Online travel agencies (OTAs), such as Booking and Expedia, offer a wide variety of services including online hotel bookings, flight reservations, and car rentals. According to Statista Consumer Insights Global survey, when looking at flight search engine online bookings by brand, Expedia was the most popular option when it came to making online flight reservations as of June 2023. Meanwhile, when focusing on hotel and private accommodation online bookings, Booking.com was the most popular brand, followed by Hotels.com and Expedia. (Statista, 2023)

With the onset of the coronavirus (COVID-19) pandemic, online travel agencies experienced a dramatic reduction in bookings as countries worldwide enforced travel restrictions to address the health crisis. After two very challenging years for the tourism market, travel companies showed strong signs of recovery in 2022. That year, the revenue of Booking Holdings worldwide amounted to over 17 billion U.S. dollars, surpassing pre-pandemic levels. Meanwhile, the global revenue of Expedia Group, Inc. rose by nearly 36% compared to 2021. (Statista, 2023)

Booking.com is the biggest player on the European online travel agency (OTA) market with a 70.6% relative market share as of 2021. Expedia and HRS held the second and third largest shares of the market, at 9.3% and 5.9% respectively. (Figure 3)

The relative market share was calculated based on an analysis of hotel chains' aggregated data of distribution channels used for bookings, so it's mainly based on hotel bookings. Booking.com's main business is as an aggregator and metasearch engine primarily for hotel and accommodation bookings, which has become the biggest online travel booking platform in Europe. Booking Holdings (formally Priceline Group), the company that owns Booking.com, was also the leading online travel agency worldwide in 2019, closely followed by Expedia. Although the two agencies are close global competitors, Expedia's business is closer to traditional travel agencies that include flight, car rental and vacation package bookings. Parent group Expedia Group additionally own several other brands including Hotels.com and eBookers, bringing their total relative market share up to over 16 percent. Likewise, HRS own Hotel.de and Tiscover, making Booking.com, Expedia and HRS the three main European players. (Statista, 2023)

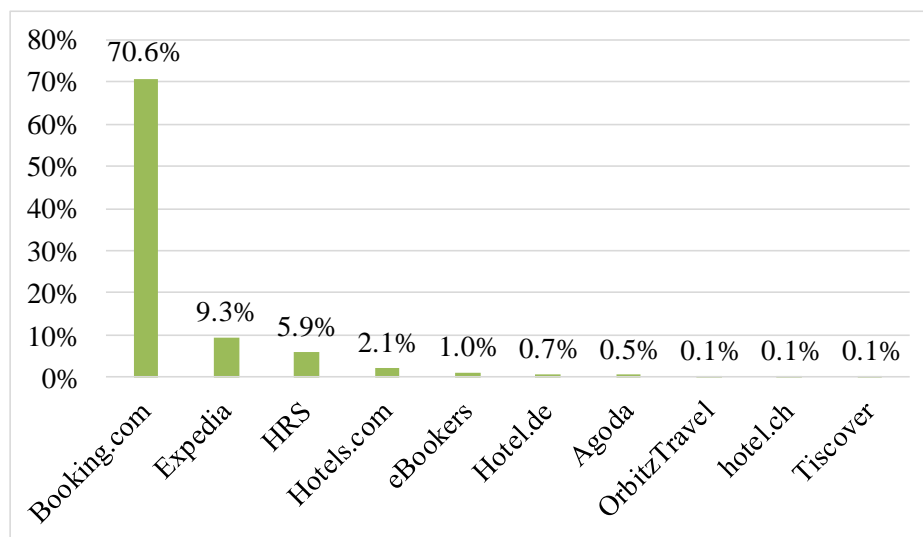


Figure 3. Market share of leading online travel agencies (OTAs) in Europe 2021
Source: Statista Research Department (15.11.2023)

With a market cap of approximately 78.2 billion U.S. dollars, Booking.com ranked first among the leading online travel companies worldwide as of December 2022. Competitors Airbnb, Trip.com, and Expedia followed on the list. Second-ranked Airbnb's market cap amounted to roughly 54.1 billion U.S. dollars. (Figure 4)

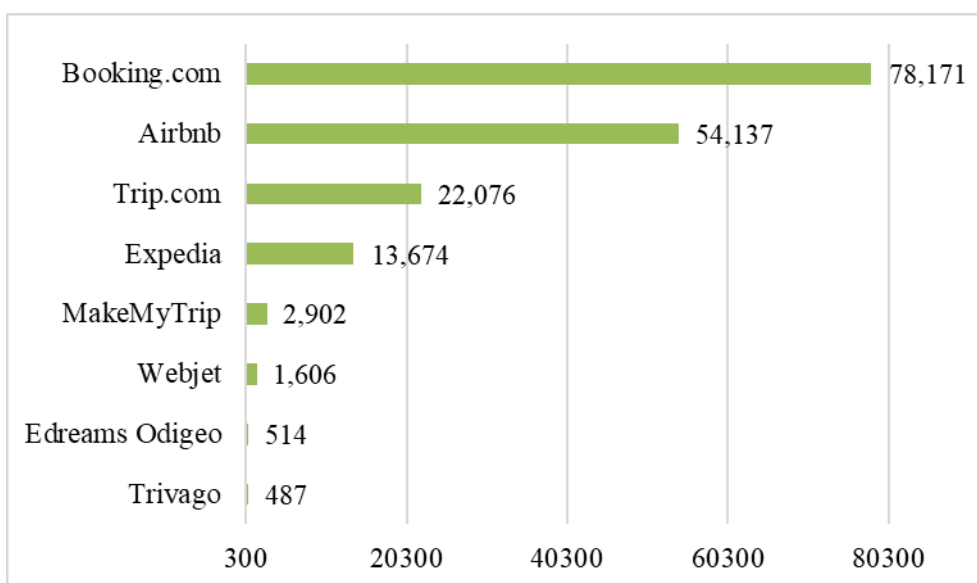


Figure 4. Leading online travel companies worldwide 2022, by market cap in million U.S. dollars
Source: Statista Research Department (01.10.2023)

We can infer from above discussion that in recent years, online travel agencies (OTAs) have dominated the tourism industry. In the last two decades, it has become increasingly common for consumers to book trips by themselves, often via OTAs. These online companies offer the comfort of booking from home and often entice consumers with package deals and price-saving options. When looking at the leading companies in the OTA market, Booking Holdings and Expedia are the biggest online travel agencies by revenue worldwide. While the global revenue of Booking Holdings totalled over 17 billion U.S. dollars in 2022, recovering from the impact of the coronavirus (COVID-19) pandemic, Expedia Group's revenue worldwide amounted to under 12

billion U.S. dollars, staying slightly below the peak reported in 2019. Another online travel company that has grown exponentially over the past years is Airbnb, which provides a vacation rental online marketplace that primarily offers homestays. The gross booking value of Airbnb bookings worldwide peaked at around 63 billion U.S. dollars in 2022, a threefold increase from 2017.

2. Peculiarities of a seaside holiday hotels

The specific nature of the hotel product suggests appropriate distribution channels and strategies. In practice, a product is rarely consumed immediately, and the same is true in the hospitality industry. To buy a hotel product is not to spend the night in the establishment of residence - it is consumption. The act of purchase is the booking of a room, the price of which is paid in advance or afterwards. Also, hotel product cannot be stored and kept for another period or consumer.

Based on the nature of their tourism product, seaside holiday hotels have the following features:

1. Seasonality

Most of the seaside holiday hotels operate seasonally and have different occupancy during the season. But even those that operate the whole year round have a distinct pre-season, low and high season. All of this leads to irregular occupancy, driven by the behaviour of holiday tourists, which is becoming increasingly variable and unpredictable.

The hospitality industry is highly seasonal with businesses often experiencing changes in demand depending upon the time of the year (winter-summer), week (weekday-weekend) and etc. Fluctuations in demand due to seasonality typically have more severe effects on businesses located in rural or coastal, far-off locations, as city locations have the potential to draw visitors with a number of different attractions. Hospitality product by its nature is perishable, thus, the hoteliers need to find ways to adjust supply and demand in the goal of sustaining revenue during the low season, and safeguard against profit foregone.

The hoteliers want to make a profit from the peak season and do not want their business to go down in the low season so they have a seasonal pricing strategy. This is common in pricing policy of seaside holiday hotels on the Bulgarian Black Sea coast. The prices of coastal recreational hotels are very dynamic and strongly influenced by seasonality. Initially the summer season has been divided into three periods- low, which includes the months of May and October, middle for June and September, and a high season including July and August. The shortening of the season in recent years has led to a drop of October almost entirely from the summer season of the accommodation establishments on the Bulgarian Black Sea Coast. (Marinov & Ilieva, 2018)

Hotels in the hospitality industry face a noticeable seasonality in demand, which can be divided into high and low season. In high seasons, hotel room rates do not seem to be affected by the amount of demand due to high occupancy rates. Consequently, demand for rooms in high seasons appears to be inelastic compared to low seasons. For this reason, room demand shows greater responsiveness and price elasticity in low seasons when hoteliers tend to work with room rates and availability/price increases/sales to overcome the decline in demand. Some factors that influence demand elasticity include room availability, need, buyer gains, length of stay, seasonality, "deal" pricing.

The seasonality pattern of tourism differs across tourism segments due to the different factors determining tourism demand. The leisure travel market is more dependent on climatic and institutional characteristics, suggesting that this segment has a stable seasonality pattern over a long period of time (Cannas, 2012). However, Xie and Tveteraas (2020) documented that the leisure travel market segment has a much larger income elasticity and is more sensitive to changes in the exchange rate than the business and conference travel segments. Unlike leisure travellers, tourists for business and conferences are more sensitive to economic factors and business cycles. In general,

private households for vacationing are more price-sensitive than those for businesses regarding travel decisions (Brons et al., 2002).

Taking into account these particular moments in the seasonality of seaside holiday hotels, a hotelier must very carefully target its product to the most appropriate distribution channel.

2. Partnership mainly with tour operators

The seaside holiday hotels provide tourists mainly through contracts with tour operators. These contracts are signed by the hoteliers about a year in advance. There are various different options of contracting the capacity - on a guaranteed basis, on a contingent basis with advance payment, on a contingent basis without advance payment, on a request basis with different release periods for different months and etc. This type of distribution of the hotel base gives some sort of certainty to the hotelier. But it also leads to the inability to use large contingents and to offer them through other alternative distribution channels, including OTAs. Tour operators are in a strong position when negotiating contracts with hotels because they assure these establishments with a satisfactory level of occupancy, and can establish prices, quotas and other conditions. Tour operators represent major clients for hotels, and this fact positions them as key actors.

Tour operators have become some of the most powerful and influential players in the tourism industry, given their knowledge of the target market, their influence over the direction of demand flows from primary source markets to tourist destinations, their marketing activities and their control over distribution channels.

However, today the distribution and the tour operator industry is currently experiencing some significant changes, such as the growth of low-cost airlines, the development of online travel agencies (OTAs), the rise of direct sale, and the increase in the number of independent travellers, all of which led to more competitors in the market. Thus, tour operators are facing this new reality, reacting to a market, where their relevance is still undisputed. In this process of adaptation, one of the tour operators' priorities is to develop their price policy correctly in order to increase their profit, while another priority is to improve their marketing strategy by adapting it to the new preferences of tourists.

In many destinations, tour operators are in a privileged position and manage the gap between supply and demand according to their own interests. They have strong control over the market by directing tourist flows, which influences the visibility of the destination in the main markets from which it originates. Tour operators also control a large part of the tourist experience given their volume, their influence in the image creation process, and their negotiation power with the various agents in the destinations. This has led to an increase in issues related to cooperation between hoteliers and tour operators.

The traditional conflict in the distribution channel between hoteliers and tour operators is obvious. OTAs are playing an increasingly dominating role, changing the distribution channel model in tourism. This situation makes it even more necessary to analyse the impact on the market of the new marketing strategies developed by tour operators to meet this new reality. Both tour operators' marketing strategies (new brands, segmentation strategies, labels, etc.), and price management, are strongly influenced by OTAs and the new distribution ecosystem.

Tour operators have an impact on the operations and performance of the hotel enterprises that work with them. They may ensure satisfactory occupancy levels for hotels and enable them to access new markets, which favours their survival and growth. Tour operators can even stimulate certain modernization processes in hotels by encouraging investment in their technological capabilities and information and communication technologies.

Hotels can become highly dependent on tour operators in order to guarantee minimum occupancy levels, especially during low seasons. This dependency allows tour operators to put pressure on hotels to reduce their profit margins. This pressure may even lead hotels to reduce the quality of some services in order to lower their costs. Tour operators play a leading role in the tourism industry since they channel mass tourist flows.

The number of tour operators a hotel works with is an indicator of the negotiation power exerted by tour operators. The level of competition between hotels to attract customers can also increase the power of tour operators, as when hotels compete intensively, tour operators are able to push for higher quality, lower prices and other terms of supply.

3. Advantages and disadvantages of OTAs in the distribution system for hotels and travellers

Online travel agencies (OTAs) are third-party platforms that facilitate the booking of travel-related services such as flights, accommodation, car rentals. The creation of OTAs in the late 1990s marked a significant turning point in the travel industry. They provided travellers with an incredible level of convenience, transparency and choice in planning their trips. OTAs such as Expedia, Booking.com, Airbnb, and TripAdvisor quickly become popular. They give travellers the ability to compare prices, read reviews and make bookings from the comfort of their home, ultimately changing the way people plan their holidays.

The evolution of Online Travel Agencies (OTAs) in the hospitality industry has brought about several benefits and weaknesses for both travellers and hotels.

Advantages and disadvantages for travellers

Empowering the Independent Traveler. One of the most significant impacts of OTAs on global tourism is the empowerment of independent travellers. Previously, travellers relied largely on travel agencies, tour operators, and guidebooks to plan their trips. OTAs changed travel planning by putting the power in the hands of individual travellers. Now, anyone with an Internet connection can put together their own personalized itinerary, choosing accommodations, flights, and activities that fit their preferences and budget. This change has not only broadened the horizons of travellers but has also led to the growth of niche and “off the beaten path” tourism. Travelers are no longer limited to pre-packaged tours but can explore destinations and experiences that suit their unique interests.

Competitive Pricing and Transparency. One of the most significant benefits of OTAs for travellers is the competitive pricing and transparency they offer. These platforms allow tourists easily compare prices across multiple providers, ensuring they get the best value for their money. This creates a competitive marketplace that drives hotels, airlines and other service providers to offer competitive pricing and promotions to attract bookings. In addition, OTAs often offer user-generated content, such as reviews and ratings, which provide travellers with valuable information about the quality of services and accommodation. This transparency forces hoteliers to maintain high standards and address customer concerns in a timely manner, which ultimately benefits the travel industry as a whole.

Variety of options. The OTAs offer a huge choice of accommodation from budget to luxury, giving travellers a wide range of choices that may not have been easily available before.

Special offers and discounts: OTAs often offer exclusive offers, discounts and loyalty programs that allow travellers to save money on their bookings and earn rewards on future trips.

Mobile Booking: The mobile revolution has made it easier for travellers to make bookings on the go, thereby improving the overall travel experience. Many OTAs have convenient mobile apps for quick and hassle-free bookings.

Flexibility: During the COVID-19 pandemic, many OTAs offered flexible cancellation policies, providing passengers with some comfort in uncertain times.

Virtual credit cards. This is a payment option that most of the OTAs offer to simplify the booking process for guests. Guests can pay online with their preferred payment method. OTA loads the amount to be paid onto a virtual credit card and sends the credit card details to the booked accommodation partner. The hotel can then debit the amount of the stay from this card.

Here are some of the disadvantages for travellers when booking with OTAs:

Customer service issues and cancellation policy. One of the reasons some tourists do not like to use OTAs is customer service, or lack thereof. After the sale, OTAs typically become the primary contact for cancellations, booking changes, or problem resolution. If something goes wrong, such as a cancellation due to an unforeseen event, travellers can find themselves in a situation where they are dealing with a large company and the impersonal and unsatisfactory customer service that is often associated with it. This can also affect their impression of the particular hotel.

Hidden Fees. Some OTAs may have additional fees, such as booking fees or service charges, which may not be immediately visible during the booking process.

Risk of overbooking. In rare cases, technical glitches or delays in updating inventory may result in overbooked accommodations, potentially causing inconvenience for travellers.

Data privacy concerns. Some travellers may have concerns about the handling of their personal information by OTAs, particularly in light of privacy issues in the online world.

Advantages and disadvantages for hotels

Increased visibility. Partnering with OTAs gives hotels greater visibility to a global audience. This helps them attract a wider range of guests.

Access to a large customer base. Most OTAs have a large customer base and an established online presence, which can help hotels to enter new markets and generate additional revenue.

Occupancy optimization. OTAs help hotels optimize occupancy rates by filling rooms that would otherwise remain empty, especially during periods of low demand.

Distribution channels. OTAs provide an additional distribution channel for hotels, reducing their reliance on traditional distribution methods and travel agents.

Marketing and advertising. Many OTAs invest in marketing and advertising to promote their partner hotels, further increasing their visibility and brand awareness.

Dynamic pricing. OTAs allow hotels to adjust prices dynamically according to demand and market conditions, helping them to increase their revenues.

Competitive insights. OTAs provide hotels with valuable information about pricing and occupancy levels of their competitors, allowing them to make more informed decisions.

Time and cost savings. OTAs handle the marketing and advertising side of a hotel's inventory, saving hotels valuable time and resources. Additionally, the commission-based model used by most OTAs means that hotels only pay for actual bookings, making it a cost-effective option in terms of distribution.

Sponsored benefits. Through this program, customers receive a price incentive when booking through a particular OTA for example Booking.com. Booking.com offers customers a competitive price for their accommodation, i.e. the customer may be offered a cheaper price than the hotel has set. OTA covers the difference between the price provided by the accommodation and the price paid by the customer.

Here are some of the cons of working with OTAs:

Commission fees. OTAs charge a commission on every booking made through their platform, which can be as high as 30%. This can significantly impact a hotel's profit margins.

Lack of control. When working with OTAs, hotels have limited control over their brand, pricing, and customer data. Additionally, OTAs may use aggressive methods to push other properties located in the same area, potentially causing the hotel to lose bookings.

Dependency. Over-reliance on OTAs can make hotels vulnerable to sudden changes in the market, such as changes in commission rates or changes in consumer behaviour. In addition, hotels may lose direct bookings and customer loyalty if they rely exclusively on OTAs for distribution.

Booking Restrictions. OTAs may set more restrictive booking conditions, such as automatic room resales or cancellation policies.

Risk of overbooking. Overbookings can be a common problem even if the hotel isn't currently list on an OTA. They might already be taking bookings over the phone, at the office, on

the website, and through resellers. Adding multiple online travel agents to the mix can create more work to manage overbooking. Doing it manually or using a number of different systems and processes can be unproductive, reducing the many benefits of selling through OTAs. The best solution for overbooking is a centralized booking system with a channel manager that lets hotels keep track of all the bookings.

Price parity. Hotels must take into account the price which is display on OTAs, including on their own website. OTAs may insist that hotels' website display the same rate or higher than the one listed on the platform. They don't want hotels' website to compete against them with a lower price.

Conclusion

Online travel agencies have unquestionably transformed the world of tourism. They empower travellers, increase transparency, and expand the global reach of the industry. OTAs continue to innovate and adapt to meet the changing demands of travellers.

In future years, the relationship between world tourism and OTAs will continue to evolve under the influence of technological advances and changing consumer preferences. As both travellers and the industry adapt to this new landscape, the world of tourism will become more dynamic and accessible than ever before.

The symbiotic relationship between global tourism and OTAs continues to evolve. OTAs are adapting to changing consumer preferences by expanding their services to include activities, transportation, and even restaurant reservations. They are also investing in advanced technology, such as artificial intelligence and machine learning, to provide personalized recommendations and enhanced user experiences. The tourism and travel industry is increasingly recognizing the importance of bookings and cultivating loyal customer relationships.

The development of OTAs in the hospitality industry benefits travellers by making travel planning more convenient and cost-effective, and on the other hand benefits hotels and accommodation providers by increasing their visibility and revenue opportunities. However, it's important to note that there can be challenges and drawbacks associated with OTAs, such as high commission fees and potential conflicts over pricing and customer data, which both travellers and hotels need to navigate carefully.

As well as weighing up advantages and disadvantages before starting to work with an OTA, seaside holiday hotels need to create a detailed distribution strategy. This will help them determine which distribution channels they should work with and on what scale.

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