Specifics of the Management of the Electronic Distribution Channels in Hotel Industry

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Abstract. The theoretical aspects on distribution and the variety of electronic distribution channels in hospitality sector are one of important scientific and practical objects in information society development context. The peculiarities of e-distribution channels and perception of them in the sector were analysed in the article paying attention on the relationship of hotels and intermediaries. Aim of the article is to ascertain the hoteliers’ perceptions of the electronic distribution channels (EDC), and to assess the EDCs development trends. Empirical research targeted to identify challenges created by new trends of distribution for hotel industry. The semi structured in-depth interviews with hoteliers enabled to explore how the hoteliers understand, prioritize and manage their electronic distribution channels. The need of intermediaries in hospitality business was indicated during the research. Differences in company behaviour was identified in comparison of independent hoteliers and international or national chains in terms of electronic distribution management.

Keywords: hotel industry; electronic distribution channels; information communication technologies, management, logistic.
1. Introduction

Many traditional business processes transferred to the virtual space, and this was caused by development of information and communication technologies (ICT). One of processes changed by ICT development is distribution when new forms of distribution channels were created - electronic distribution channels in e-commerce, e-marketing, e-logistics, etc. The new generation of consumers emerged in the information age, so Internet usage habits changing rapidly also. The Internet becomes a part of the daily routine (e.g., people do not imagine any other way of information search and do not see their lives without being in the social Internet spaces, such as social networking sites, blogs, online interest groups, etc.) (Davidavičienė, Davidavičius 2014). So, constant research of behavioural changes, analysis of new technological possibilities for e-business decisions or reediness of companies for new ways of communication or cooperation and business process management are vital in the information age.

Actuality of distribution in e-environment for hotels is based on several facts such as behavioural changes, new technological possibilities, emerging new players and new forms of cooperation:

- The ICT development had transformed consumers’ behaviour in hospitality sector, like their searching, planning and booking habits, and this created the new opportunities for hotels in the global perspective. The number of reservations coming to hotels from the electronic distribution channels is increasing: according to Euromonitor International (2014) report hotel online sales by own channels in Europe reached 21US$ billion in 2014 and it is forecasted 30US$ billion in 2017, while hotel online sales through intermediaries in Europe was almost 50US$ billion and in 2017 it should reach 65US$ billion in sales. It can be treated as competition between hotels and third parties, which becomes tougher, while in airlines sector this have successfully managed via decisions of online intermediaries. So, in hotel industry lack of research and managerial options was observed, and the need of deeper analysis and possible solutions in e-distribution identified.

- It should be noted, that tour operators have been actively investing in the online platform, this confirms the online sales growth from 27 per cent in 2010 up to 35 per cent in 2014, what mean that the Global Distribution Systems continuously growing at approximately 10 per cent a year (Euromonitor International 2014).

- From the other hand, social media should be also taken in mind even if it has been less considered as a distribution channel, because it has become an
important engaging tool between businesses and customers, and it helps to gain loyalty over the long term. Most popular social networks in the world are mostly the same mentioned in various surveys: Facebook - 56 %, Linkedin - 14 %, Twitter - 11 % and Google+ - 9 % (Statisticbrain 2014).

- New companies have been emerging that perhaps could become the next players in online travel environment. Current intermediaries and emerged electronic channels in the hospitality industry lead to the imposed distribution costs for delivering the customer traffic to the hotel, expended price transparency, rate parity and other challenging issues for hoteliers.

In lack of knowledge and investigations in the field of electronic distribution channels (EDC) observed especially in the sector of hospitality seeking solutions for arrangement of relationship between hotels and intermediaries. For this - important to know hoteliers understanding, prioritization and management peculiarities of EDCs in the interest of property, how they use and which distribution channels in order to maximize their potential.

**Aim of the article** is to ascertain the hoteliers’ perceptions of the electronic distribution channels (EDC), and to assess the EDCs development trends.

For the research the Irish case was taken. Objectives of the research were: to identify the position of hoteliers towards relationship between hotels and intermediaries; to identify the challenges in distribution created by third parties; to assess how hoteliers work with their distribution partners; to identify future development trends of e-distribution channels in hotels sector by analysing case of Irish hotels case.

The following methods were employed: the comparative analysis of the scientific literature, semi structured in-depth interviews, and data analysis.

2. **Theoretical background**

Topics of increasing efficiency of hotel management were analysed by different aspects. Crick and Spencer (2011) discuss issues related to service quality in the hotel industry that include aspects of hotel work and the implications for service delivery. Wang et al. (2011) analysed critical success factors of quality System implementation in the hotel industry. Liu et al. (2013) pays attention to organizational trust and organizational citizenship behaviour of hotel industry. Tsui et al. (2013) analysed organizational commitment on hospitality employee performance. Research of quality management, that was carried out in hotels in the Basque Country, indicated that a significant number of hotels implement a policy of continuous improvement to the system, as hotels believe in the efficiencies of quality management systems and think that such systems have
resulted in an increase in customers and profit (Alvarez et al. 2012). To enhance the satisfaction for visitors’ expected value, general hotel enterprises adjust the hardware equipment, atmosphere, and product innovation as service advantage, and target market, customer relationship management, and marketing innovation for marketing synergy are considered for relationship marketing so as to create the uniqueness (Ho, Chang 2013). In order to enhance operational efficiency, improve service quality and reduce costs, practitioners in the hospitality industry have widely adopted and implemented information and communication technologies (ICTs) in their businesses (Ip et al. 2011).

However, the main focuses remain the same: cost efficiency, protecting (or not) the rate parity and integrity, making the most bookings, and reaching the targeted customer segments. In order to achieve these goals it requires also understanding, knowledge, and right selection of channels. It became an important focus for managers to select the right and the most efficiency channels from the vast of choices and manage those channels rather than eliminating it (Christodoulidou et al. 2006). The distribution channels make it possible for suppliers to deliver the goods to the consumer (Jone, Pizam 2008). Intermediaries usually take a very important part in this process. They have certain expertise and contacts allowing organizations to reach desired markets (Jone, Pizam 2008). Pizam (2005), Hayes & Miller (2011), Nyheim & Connolly (2012) outline the concept of channel management strategy: selling inventory for the highest rates through the lowest cost channels.

Increasing Internet’s usage had repealed the geographical reach and helped to develop the intermediaries such as Expedia and Travelocity shifting power again from the suppliers to the intermediaries (Buhalis, Licata 2002; Buhalis, Law 2008; Tharan, Verma 2013). This progress had increased competition, as well as lead to the boom of intermediaries. Furthermore, industry gradually started more and more depending on travel agencies paying solid fees for each transaction allowing to shift the balance of power from the suppliers to the distribution channel intermediaries (Pizam 2005). It was growing rapidly, and more than 1.1 billion of transactions worldwide had been made through Global Distribution System (GDS) in 2008 (Tharan, Verma 2013). In order to gain independence from the GDS and travel agents by shifting the distribution environment from the GDS to disintermediation, organizations had to invest to their brand awareness (websites), search and bookings engines. According to the PhoCusWright (2014) the major technology move was in 1989, when The Hotel Industry Switch Company (THISCO) launched the cooperative project of 15 hotel chains in order to obtain independence from the GDS. This shift had helped to reduce distribution costs and gave the authority to alternative distribution systems which was very beneficiary to small and independent hotel
chains.

In order to create a competitive advantage of the online distribution channels it’s been proposed bundling packaging for the consumers by Carroll, Kwortnik and Rose in 2007. That lead to the decreased price transparency, because the rates are combined, hence it is difficult for the buyer to recognize the prices of individual section (Toh, Raven, DeKay 2011). Carroll, Kwortnik & Rose (2007), Tharan & Verma (2013) suggested that packaging provided a possibility to observe the consumers wishes and wants for travel, hence supplier gained the ability to suggest a travel package, rather than wait for consumers to look for the packages. The most recently, a new disintermediation – SoLoMo has emerged due to the new technology-applications: social, location and mobile-based applications. Facebook, MySpace, and TripAdvisor became powerful tools in travel business. Social media networking and online reviews have obtained a solid value during the last years (Tharan, Verma 2013).

Thakhram & Verma (2011) state that we are now entering a hybrid era where consumers rely on online search. Interestingly, they visit approximately two dozen websites in order to make a purchase. Buhalis & Law (2008) suggest that development of Information Communication Technologies (ICT) have hugely influenced the tourism/hospitality industries, and there is a constant evolution (Riesselman 2011). The electronic distribution is still developing with the focus on connectivity. Management of distribution channels becomes an important aspect to achieve the desired goals for the hotel (Christodoulidou et al. 2006). Efficiency channel management ensures maximized revenues through all used distribution channels. However, some issues appear in the distribution channels management. Green (2011) indicates the issue of transparency of pricing in the online surface. A discounted rate, used to attract customers and to raise the visibility, caused the potential gradual melting in revenue. Consumers or travel professionals look for the promotional rate instead of the rate was discussed previously.

Demirciftci et al. (2010), Green (2011), Toh et al. (2011), McCartan (2014) discuss another issue – the rate parity. Rate parity is the same rate for a hotel across all of it is distribution channels. The Internet had provided a various tools for consumers to evaluate rates across numerous channels. Hence, the importance of rate parity has become more critical (Green, Lomanno 2012), and hoteliers must monitor the rates on the Internet due to the close relationship with the customers’ perceived fairness and with the brand’s image (Demirciftci et al. 2010). In opposite Dietz (2013) suggests that rate parity does not benefit hotel the best from a RM standpoint. Green (2011) develops the claim that distribution costs are not always sustainable. Hotels currently become
progressively dependent on the highest distribution costs, generating the lowest points in profitability. Toh et al. (2011) argue that hotels typically pay commissions between 15% and 30%. Large hotel chains are able to negotiate the lower commissions, while small chains or individual hotels have to pay higher commissions. The commissions appear even higher for the premium placement on the OTA, but it might be lower if hotel agrees to work with particular OTA exclusively.

Starkov (2011) suggests that today’s travel consumers no longer recognize the difference between media channels and content (substance) formats, leading to the one single customer engagement channel. This channel requires a new perspective of marketing and distribution. Gaining control of the direct online channel and all of it is components (Web, SEO, email, social media, mobile Web) is a critical step for managers. Lerner (2014) suggests to focus on multi-channel integration.

It is possible the electronic distribution channels have been rapidly developing and providing enormous possibilities for hospitality industry. Social media and mobile platform became the most powerful tools for hotels which can drive a significant amount of bookings via the brand website. Case study should be performed in order to identify newest trends in a field.

3. Research methodology

Primary research was performed in the form of qualitative research in order to examine electronic distribution channels within hotels in Ireland.

The Research Population and Sample. According to Failte Ireland (2010), there are 903 hotels in Ireland and more than a half of capacity is concentrated in Dublin or other tourist popular destinations in country. The most room capacity is in three and four star hotels and the average hotel now has 67 rooms. In order to meet the research objectives, the researchers have defined the population as hotels witch room capacity is more than 90 rooms. The sample has been chosen as property both independent and large chain hotels with the capacity greater than 90 rooms in Dublin area. In total 14 properties were represented and interviews were conducted for this research with hotel, revenue and audit managers.

The Interviews. Semi-structured in-depth interviews were applied as suitable technique for findings. A semi-structured interviews were open and not having a set of pre-determined answers, but allowing new ideas to be explored during the interviews. However, the researchers initiated a structural framework and guided the interviewees. The questions were formulated in accordance with the guidelines and requirements of methodological questions in the

The questions were divided into five batches based on their relevance: (1) respondent’s background information, (2) segmentation and variety of indirect electronic channels, (3) managing intermediaries, (4) managing direct booking channels (social media, mobile platform, and search engine optimisation (SEO)), and (5) distribution strategy.

**Interview Analysis and Observation.** This study conducted the period of January and February 2015 with hoteliers of 14 properties in the Dublin area. All conducted interviews were compared, and analysed in order to overview the situation of electronic distribution channels in hospitality industry.

4. **Data analysis and results**

The purpose of this research was to identify a sample of hoteliers’ and explore how they select and manage various distribution channels and assess their capability to assess challenges and issues created by distribution channels. The findings and analysis are set around the following aim of research: to ascertain the hoteliers’ perceptions of the EDCs, and to assess the approach to the EDCs whether it is strategic or tactical.

The questionnaire contained six questions in relation to the background of properties and respondents. The background is presented in terms of the following variables: hotel’s ownership, type, size, location, respondent’s position and responsibilities. In total, fourteen properties were observed and examined. That includes four hotels owned privately by families, four hotels were a part of national chains bringing total to eight properties being independent Irish hotels. Six hotels belong to the international brand chains. Seven hotels were indicated as a luxury type of hotel (including two hotels with business clientele, two hotels having leisure clientele, and one hotel both types of clientele), a leisure type – four hotels, a business type – two hotels, and a business/leisure mixed type – three hotels.

<table>
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<tr>
<th>Ownership</th>
<th>Type</th>
<th>Size</th>
<th>Location</th>
<th>Respondent’s position</th>
<th>Respondent’s responsibilities</th>
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<td>Dublin suburbs</td>
<td>Revenue Manager</td>
<td>Directly involved</td>
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<tr>
<td>Independent/Family Owned</td>
<td>Leisure, 3 star</td>
<td>130</td>
<td>Dublin Centre</td>
<td>General Manager</td>
<td>Partially involved</td>
</tr>
<tr>
<td>Independent/Family Owned</td>
<td>Business &amp;</td>
<td>251</td>
<td>Dublin</td>
<td>Reservation</td>
<td>Directly</td>
</tr>
</tbody>
</table>

Table 1. The background of properties and respondents
Total of rooms of thirteen properties summed up to 2301 rooms, giving an average of 164 rooms per property. Majority of hotels were located in Dublin city centre – nine, and five properties in Dublin suburbs, including one hotel in Dublin’s airport. The table below lists the background information of properties participated in this research.

All interviewed hoteliers were professionals having a solid experience in hospitality sector. Five properties were represented by managers who specifically work in revenue management or reservation and are directly related to the EDCs. Six properties were presented by the general managers who were directly involved into the EDCs area decision – making process, one property was presented by owner who is heavily involved in all areas of hotel’s management. The last two properties were presented by audit managers who had experience in the reservations including (EDCs area), but currently moved to another field of hotel.

In order to establish the perceptions, the findings and analysis were grouped into three major sections: (1) customers segmentation and variety of third party electronic distribution channels, (2) managing the intermediaries, and (3)
managing direct bookings: Social Media, mobile platform, and search engines.

4.1. Customer segmentation and variety of indirect electronic distribution channels

Market segmentation groups customers with a similar travel purpose. The interviewed properties have two major segments: business and leisure customers. Four hotels have identified their biggest segment – business customers, five hotels – leisure customers, and four hotels recognized blended segment with business and leisure travellers. All interviewers have emphasised such segmentation due to the location of property and particular time of the year and week. The four properties with the majority of business travellers are located in the industrial or financial districts of Dublin including the international airport in Dublin. While, leisure segment dominates in the hotels which are located in the suburbs of Dublin close to the tourist attractions and in the city centre. All four hotels who identified their blended segment are located in the city centre of Dublin serving both groups of travellers, leisure and business.

The interviewed hoteliers have confirmed that the numbers within the customer segments in the hotel industry fluctuates. A number of leisure customers increases during the weekends, seasonal holiday period, and summer time. While a number of business customers dramatically decreases during these periods. However, majority of hoteliers have mentioned the challenge to identify properly the target market based on the booking patterns. Thirteen observed properties manage their inventory based on the customer segments and emphasize the importance of involving different distribution channels for different customer segments. However, when they were asked to identify the target market the most common answer was “We target everybody. You cannot really cut anybody. If we target business people, we have to target everyone. If we target leisure people, we have to target everyone”, said the reservation manager of the 4 star independent hotel in the city centre. The difference appears between the independent and international or national chain hotels in relation to the clear market segment. As it mentioned above the independent any size hotels “do not have this luxury” not to target all customers, “and especially because we are an independent hotel. We do not have marketing tools behind like Hilton, Radisson hotels. We have to be open to everyone”, while international brands and national chain hotels are more selective and have the comprehensible target markets.

There is a vast variety of distribution channels in today’s hospitality sector. Hence, taking and maximising advantage of them is necessary to achieve the desired result in have confirmed that they manage distribution of their inventory according to the segment. The most common indirect EDCs are the OTAs, GDS,
and metasearch. It was said “all this area got very scientific”.

All hotels with no exception use OTA channels in order to distribute their inventory. The most accepted OTAs by all hotels are Booking.com, Expedia, and Orbitz followed by Last Minute, Late Rooms, and more. It was not indicated any major distinctive differences in variety of OTAs between independent and global brand hotels.

The study revealed that the most powerful OTA was named by all hoteliers - Booking.com. According to the booking.com over 800000 room nights are reserved on website each day. A revenue manager of the 4 star hotel in the Dublin city centre said, “It’s probably because people are so comfortable with booking.com and this is so easy to book on their website”. A revenue manager of the 4 star independent hotel confirmed that booking.com is solid tool for making bookings “no booking fees, easy to cancel, usually no payment required”. This participant also mentioned that considering the benefits of using the booking.com their own brand website employed the same strategy and features.

The agency or commissionable model is employed by all hotels, agreed on commissions for sold inventory. The study showed that respondents from the independent and smaller hotels were being bullied in the past by OTAs in relation to pricing. The cost of distribution had increased during the recession and hoteliers agreed with any OTAs terms just to get a guest. A manager of the 3 star property said “During recession we would have agreed with any condition just to get anybody walking in”. The OTAs did not consider the needs of hotels and rejected a mutual and prosperous relationship. A revenue manager of 4 star luxury hotel in the suburbs of Dublin said “we felt trapped”. Within the international chains however, hoteliers have mentioned that situation is changing due to the improved economic situation and reversed demand-supply curve. Irish Tourist Industry Confederation (2014) reports the growth of visitors to the city by 7 per cent a year, and forecasting a 70 per cent increase of visitors to Dublin by 2020. A revenue manager of 4 star hotel in the city centre said “The power now is shifting. They (OTAs) are now becoming more flexible in relation to the commissions and other conditions”.

According to (PhoCusWright 2013), the strong point of OTAs’ is having a better view of customers than the hotels: behaviour, market demand, and pricing information. The evidence seems to suggest that hoteliers are not fully aware of the behaviour patterns of customer or market intensity, especially independent hotels. This struggle can appear mainly due to a vast of available data for OTAs. Hotels, simply, do not generate such a high traffic through their own platforms.

In summary, it is a hate-love relationship between hotels and OTAs.
Hoteliers have to pay high commissions and to give up power of rates, but if they manage the OTAs knowledgeably it can work very well.

The GDS system can distribute the hotel to the expansive network of international business and leisure travel agencies including OTAs. The TravelClick North American Distribution Review (2014) indicated that a number of booking via the GDSs grew in 2013. The study revealed that less than 10% of all bookings in average were booked through GDS for both independent and chain hotels. The respondents emphasized the need to be linked to the GDSs because their property will be available to the very high number of travel agents all across the world. Hence, the findings show that the GDS channel for corporate destination can be more favourable and profitable booking source for independent hotels. For example, a 4 star hotel oriented to the business clientele in the finance district of Dublin generates up to 20% of all bookings via GDS. The revenue manager said “It’s bringing in a transient business that we would not be able to target on our own. Then we can convert that business to regular customers. We need to have a global presence for those customers who can book global wise”. Such a high percentage of bookings through GDS can be related to the specific type and location of hotel – finance district and purely business clientele.

A participant from the international hotels chain advised that “GDS bookings tend to have a longer length of stay in average than other booking channels”. The same benefit has been pointed out by the revenue manager of a 4 star leisure hotel in suburbs of Dublin. All participants have not mentioned any concerns related to the rate of GDS’s commission.

Christodoulidou et al. (2006) suggested that the GDS technology system may not manage to continue to keep up at the same level in bookings services and may disappear from the distribution landscape, the participates believe not any time soon. Metasearch sites carry out searches across multiple sites and enable the user to collate room availability and rate. They develop quickly and considered to shake up the OTA power and influence (McCartain 2014). Analysing the responses in relation to the metasearch it has been noted two groups of answers. The group of independent hotels, particular the size of up to 150 rooms, have expressed their disappointment in relation to not meeting their expectations. A revenue manager of the 4 star hotel in Dublin suburbs said “We tried the Tripadvisor Business. We wanted to analyse where the business came from. The Tripadvisor was at the very bottom. What it costs us, simply, it is not worth so we pulled it”. While, the second group of international chain hotels size of more than 150 rooms, were satisfied in general with metasearch presented possibilities. The scientists particularly highlight the importance of
metasearch for the independent hotels, and emphasizing this as very useful for the marketing department, while hoteliers feel disappointed in metasearch. It also claims that the advantage of metasearch is the ability to merge the digital marketing and property’s distribution activities with the cost efficiency (Ford 2014; Kraynov 2014; McCartain 2014). However, OTAs are faster to adopt to metasearch than hoteliers due to the bigger marketing budgets which allows to spend more on PPC or CPA models, hence it could be an answer why independent hotels are simply not satisfied with metasearch. An audit manager of a 4 star international chain hotel in Dublin suburbs said “The difference between OTAs and metasearch sites is quite tricky” confirming confusion. The disagreement could also come from the lack of understanding how the metasearch should be considered as a marketing tool and task or as RM. Another reason for the lack of metasearch usage to consider is the difficulty to calculate the ROI because it is not clear whether this tool is purely related to the marketing department or to the electronic distribution area. The two departments working together could achieve the best possible results from these channels.

The researchers asked how the hoteliers measure efficiency of distribution channels, what tools and techniques apply to the chosen EDC mix. 100 per cent of respondents said they run financial and operational reports run by systems in order to measure efficiency of channels and to have a clear insight of performances. The efficiency is measured by the following key indicators for each channel: payments, arrivals, cancelled bookings, now show bookings, ADR, occupancy percentage, the length of stay and more. The management systems generate very advanced reports so hoteliers can evaluate each of the channels.

4.2. Managing the intermediaries
New systems help to manage the bookings from all channels. The interviewers have not emphasized any issues in relation to the managing bookings due to the advanced distribution channels management system incorporated with the hotel’s or chain’s PMs. The management of distribution channels has been described as “a complex task”. A well diverted approach is required in order to manage EDCs. As it was mentioned above, the participants were asked to describe what measurement tools and techniques they use in order to evaluate the efficiency of EDCs, all hoteliers have mentioned the channel management systems which run certain reports allowing to indicate the performance of each distribution channel. It includes such as booking lead time, day of weeks stays, cancellation percentage, length of stay, no show ratio, total revenue per room or
per client, cost per room, level of business, pace analysis, competitor analysis, and the commission rate. These key indicators allow to understand the performance of channels and distribute inventory accordingly. The level of reporting is a very important element for choosing distribution channels management system.

Different channels can reach customers with different price approach. It can be assumed that different channels usually have different commission rate associated, hence allowing revenue managers to distribute inventory through less expensive channels orientated to the price sensitive customers. The landscape of customer journey online changes rapidly that today’s distribution channels can be out of the market scenes in a couple of years, and this probably has more to do with technology.

The rate parity issue has been discussed amongst many scientists and hoteliers. The research asked if hoteliers see the rate parity as an issue. Three respondents said they did. The main concept of rate parity is providing for consumer the best price guarantees, but this tends to cause a disagreement between hotels and OTAs. As the economy improves the hotels start to revise and re-evaluate the concept of rate parity in general. The dissatisfaction is growing, hence, the European Union antitrust legislators started to propel major OTAs to revise the rate parity agreements (Baker 2015).

The research revealed that international hotel chains are able to negotiate the lower commissions due to the volume of business, while national chains and independent hotels do not have that much flexibility in negotiation with intermediaries. However, on positive note it was expressed that situation is improving, and three independent national chain hotels have managed to dictate their conditions in relation to the given inventory and commission rate to the OTAs. The findings show that there is no impact on rate due to the rate parity.

Participants were asked if they identify high-demand dates in advance and close out high-cost channels. The findings show that all respondents with no hesitation either close the channels or leave a very few rooms available for the OTAs.

4.3. Managing direct bookings: Social Media, mobile platform, and search engine

There was a tremendous growth in the number of indirect distribution channels (OTAs, GDSs, metasearch) over the last few years. Due to the high commission rates, not accessing the database systems managed by intermediaries, lack of established relationship with customer, there is a need for direct booking systems as never before.
Majority of respondents acknowledged the growth of bookings from their own branded website, from 17 per cent to 30 per cent depending on property. There was only one property experienced an incremental bookings decline through the brand website. According to Mest (2015) the brand website is usually the cheapest comparing with third part intermediaries and potentially the most valuable in relation to the direct connection with customers. Throughout the interviews, the participants expressed the importance of their branded website as the most desirable distribution channel for hotels and wanting to shift bookings from OTAs to the hotels website, as well as for the ability to establish direct relationship with customers. According to Collins (2015), SEO effort, organic search, PPC increase visibility of brand website. All participants emphasized the need of features above and confirmed that they have successfully incorporated them in to their brand websites. The booking.com became a role model for some hotels due to “no booking fees, easy to cancel, no credit card required”, and some strategy elements and features were employed by own brand website of independent hotel in Dublin suburbs. In addition, the own website provides the brand experience by offering “instant chat possibility, answering questions through reviews”. The research finds that independent hotels understand the importance of the brand website and tend to keep up in the same line with chain hotels.

Hoteliers were asked for the results of managing direct booking channels through social media, mobile platform and search engine optimisation (SEO). Table 2 shows the mode and average. It can be seen that all the statements that define the effects of managing direct booking channels through social media, mobile platform and search engine optimisation, for the respondents seem quite important, but the most important effects of it as respondents distinguish that own branded website lead to growth of bookings (average – 3.93), search engine marketing increase visibility of brand website (average – 3.94), social media can give a general sense of what guests want and how they feel about the hotel (average – 3.98).

For the Internal Consistency scale of the questionnaire was used Cronbach's alpha coefficient. Cronbach’s alpha coefficient for properly composed questionnaire should be greater than 0.7 (Cronbach’s α > 0.7). In this case was 0.7083. So questionnaire was made properly. Spearman-Brown coefficient is close to Cronbach’s alpha coefficient (0.7099), which means that the answers to certain questions have similar dispersion (Pukėnas 2009).

Table 2. Answers to the questions for the results of Managing Direct Booking Channels through Social Media, Mobile Platform and Search Engine Optimisation (1 - strongly disagree, 5 - completely agree)
For the analysis of the effects of managing direct booking channels through social media, mobile platform and search engine optimisation performed Spearman's rank correlation. Table 3 shows that the statements “Own branded website lead to growth of bookings” correlates with the following statements: “Social media creates the ability to establish direct relationship with customers” (correlation coefficient - 0.451), “Social Media support the progress of revenue management (RM) strategies by engaging customers” (0,532); Search engine options can help in reaching out customers with distinctive proposals (0,658).

One of the consequences of managing direct booking channels through search engine optimisation – search engine marketing increase visibility of brand website, there a strong correlation was associated with the statements “Search engine options can help in reaching out customers with distinctive proposals” (0,739); Social Media present a opportunity for hotel to make a better communication with guests (0,589) and slightly weaker correlation ”Mobile platform helps for guests to discover hotel and book a room” (0,309).

As Bosworth (2014) suggests the hoteliers need to produce the value for customers in the bookings, because the value proposition has been lately shrinking due to the distribution intermediaries. Hoteliers were not able to create captivating booking experience offering superb content and coherent value.

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<tr>
<th>Statements</th>
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<th>Mode</th>
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<tr>
<td>Own branded website lead to growth of bookings</td>
<td>3,93</td>
<td>4</td>
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<tr>
<td>Social media creates the ability to establish direct relationship with customers</td>
<td>3,05</td>
<td>3</td>
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<td>Social Media support the progress of revenue management (RM) strategies by engaging customers</td>
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<tr>
<td>Search engine marketing increase visibility of brand website</td>
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<tr>
<td>Search engine options can help in reaching out customers with distinctive proposals</td>
<td>3,33</td>
<td>3</td>
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<tr>
<td>Growing role of mobile platform in field of direct booking</td>
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<td>Social Media present a opportunity for hotel to make a better communication with guests</td>
<td>3,13</td>
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<tr>
<td>Mobile platform helps for guests to discover hotel and book a room</td>
<td>3,74</td>
<td>4</td>
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<td>Social Media can give a general sense of what guests want and how they feel about the hotel</td>
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Table 3. Correlation of statements
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<td>Search engine options can help in reaching out customers with distinctive proposals</td>
<td>0.658(**)</td>
<td>0.739(**)</td>
<td>0.440(*)</td>
</tr>
<tr>
<td>Social Media support the progress of revenue management (RM) strategies by engaging customers</td>
<td>0.532(**)</td>
<td>0.169(**)</td>
<td>0.666(**)</td>
</tr>
<tr>
<td>Social media creates the ability to establish direct relationship with customers</td>
<td>0.451(**)</td>
<td>0.062</td>
<td>0.015</td>
</tr>
<tr>
<td>Social Media can give a general sense of what guests want and how they feel about the hotel</td>
<td>0.103</td>
<td>0.487(*)</td>
<td>0.396(*)</td>
</tr>
<tr>
<td>Mobile platform helps for guests to discover hotel and book a room</td>
<td>0.039</td>
<td>0.309(*)</td>
<td>1.000</td>
</tr>
<tr>
<td>Social Media present a opportunity for hotel to make a better communication with guests</td>
<td>0.044</td>
<td>0.589(**)</td>
<td>0.681(**)</td>
</tr>
</tbody>
</table>

Social Media has changed the way businesses communicate with customers and become a norm (Lerner 2014). Details were sought on whether Social Media is considered as a distribution channel and how hoteliers determine Social Media’s impact on the bookings. The findings confirm the suggestion that Social Media is not a distribution channel, but a customer engagement tool (Starkov 2011). The findings show that Social Media can give a general sense of what guests want and how they feel about the hotel.

However, the finding cannot confirm that the Social Media is becoming an important tool which can lead customers to the hotels’ websites and stimulate bookings (Noone et al. 2011; Starkov 2011). Majority of participants were not confident if going forward, the Social Media most likely will move from the brand marketing to sales (PhoCusWright 2013).

In summary, it is possible to consider Social Media as a distribution channel. From the short term perspective, Social Media content may stimulate an increase short-term demand from existing or new customers during low season. From the long term perspective, considering that RM is moving from the demand control to demand creation (Noone et al., 2011), Social Media can be located to support the progress of RM strategies by engaging customers.
All participants confirmed having a mobile friendly website and agreed with the need of mobile friendly platform. A poor mobile experience can discourage guests to discover hotel and book a room. In average, the revenue coming from the mobile channel is lower than 10% of total bookings as participants have indicated. The mobile channel is rather considered as a searching tool than a distribution channel. Eight hoteliers strongly believe that guests who book rooms on the mobile device will be increasing rapidly, while the rest participants were more conservative in relation to the mobile bookings with no high expectations of high growth in the near future. Which agrees with the suggestion of Xiang & Tussyadiah (2014) that higher standards and luxury hotels and resorts usually offer more developed mobile applications, whereas independent hotels appear to be weak in mobile presence. The participants agree that mobile platform is no longer an innovation or a nice accessory for any hotel engaging bookings from global travellers (Verma et al. 2012). However, checking the mobile website of participants, it has not been identified a lack of mobile elements. All mobile hotel website apps included not only the basics such as general information about the property, pictures, a booking system, but have shown the reviews, offers, maps and more. If hoteliers continue to embrace the mobile apps, they will capture increasing mobile bookings volume.

5. Conclusions

The electronic distribution channels have been rapidly developing and providing enormous possibilities for hospitality industry. Social media and mobile platform became the most powerful tools for hotels which can drive a significant amount of bookings via the brand website.

All hospitality industry experiences increased dependence on OTA’s, hence hotels face potential increase in distribution costs which leads to the lower profitability. Distribution in hospitality became very complex and high cost area. Organizations are forced to develop efficiency distribution strategies and administrate, and manage channels, hence creating a new position – channel manager. The main focus and primary concern should be to sell as much as inventory as possible through the most cost-effective distribution channels that can possibly create the most bookings, while maintain rate parity and price destruction.

Technology makes it manageable – being able to navigate distribution channels, but the cost of distribution has increased meaning that industry has to focus not only on gross revenue but on optimal mix of channels. The following challenges have been indicated in revenue management: updating various systems such as PMS, CRS, Channel Manager with current availability, rates
and inventory; some systems require manual entries of reservation information into PMS and CRS; lack of synchronized data Central Reservation Office and the property itself particularly related to the last minute bookings; PMS and CRS failures, no indicating reservations; lack of information on source channel. To deal with these challenges and to be able to manage without any interruption special systems have to be integrated with the domestic, such as PMS and CRS in order to increase systems capabilities.

The findings show that managing closely the channels cost and building the best possible mix of distribution channels can remove unnecessary elements from a distribution strategy in order to deliver desirable results. The study reveals that each hotel has quite well managed channels mix due to the very improved channel management systems. It also shows that responds intend to adopt Social Media, SEO and analytics, but they do not have the prepared strategy for it.

The research identifies the lack of clarity where distribution strategy has to be incorporated in, whether this is a part of marketing strategy or revenue management. Many hoteliers feel lost due to not understanding a clear distinguish.

The need of intermediaries in business and drawing customers to the hotels, particularly it was emphasized by independent hotels. Considering improving economic and growing inbound tourism, the hoteliers feel less dependent on the third parties within an electronic distribution area, they can now focus on improving their direct distribution channels. The hoteliers agree with the importance of having a branded website and emerging mobile technologies. Hence, keeping effective and managing their own branded websites becomes a priority, but considering a vast impact of intermediaries, the hoteliers did not neglect other EDCs. Overall, the wide net of distribution channels is not accepted, the hoteliers evaluate each channel and apply certain criteria based on the channels’ efficiency.

However, it has been noted the difficulties in relation to identifying an approach: strategic or tactical. The representatives of independent hotels struggled with defying the approach due to the complex structure of EDCs’ platform and dynamic changes in market. The hoteliers who have represented the international or national chains have an advanced understanding of strategic approach, therefore they were able to identify tactical and strategic elements of distribution management.

Adopting marketing and new information technology applications, innovative approach to the EDCs management and developing the online distribution strategy can definitely help to succeed in this competitive
environment and reach the targets.

References


