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CHAPTER THREE: LITERATURE REVIEW

3.1 Introduction

Main (2001) and Lim and Huang (2005) highlighted the weak position of non-affiliated hotels vis-à-vis affiliated hotels in relation to their exploitation of EDC. This weakness will be exacerbated as the complexity of EDCs continues to increase if hoteliers do not develop effective EDC management strategies. An EDC management model designed to address the key issues relating to EDC management would be useful, a perspective supported by Hudson (2008). Furthermore, the different issues related to EDC management in hotels are to be discussed and investigated.

Chapter three is designed to explore EDCs and their relationships with hotels. A quick review of the distribution in the wider marketing context is presented in section 3.2. A brief discussion of these relationships is discussed in section 3.3. Different definitions of EDCs are presented in section 3.4. The different natures of affiliated and non-affiliated hotels are explained in section 3.5. The main issues related to EDC management in hotels are outlined in section 3.6. These issues have forced hoteliers to adopt different distribution strategies which are critically discussed and a scale of disintermediation strategies presented in section 3.7. To adopt disintermediation, a hotelier needs to have successful website (section 3.7.1) and a supreme position on different search engines (section 3.7.2). Future expectations in terms of EDC are presented in section 3.8. Different approaches to ED management are highlighted in section 3.9. The
chapter concludes by providing a theoretical framework for the development of an EDC management model.

### 3.2 Distribution in the Wider Marketing Context

Although the focus of this thesis is on distribution, it is important to see distribution as a critical aspect of an organisation’s wider marketing strategy. Hudson (2008: 8) cited Kotler’s (1984) definition of marketing which reflected the importance of distribution as a major aspect of the marketing process:

> The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchange that satisfy individual (customer) and organisational objectives.

Doyle and Stern (2006) emphasised ‘product’, ‘price’, ‘place’ (distribution) and ‘promotion’ as the four classical strategic elements of the marketing mix (4Ps). In considering the marketing of intangible services, rather than tangible products, these four elements were expanded by Wearne and Morrison (1998) in the light of their interest in hospitality marketing to include: ‘people’ and ‘positioning’. Smith and Chaffey also added ‘physical evidence’; ‘processes’; partnership (alliances) to the service product marketing mix. Doyle and Stern (2006) highlighted ‘staff’ and ‘service’ as elements in the service products’ marketing mix to the classical 4Ps. Actually, these two latter elements, which were added by Doyle and Stern (2006), were included in the previous elements - the ‘service’ element is the main component of the ‘product’ element in service products and the ‘staff’ element is reflected in the ‘people’ element. In this
study, the marketing mix will be considered as including: product, price, place, promotion, people, positioning; process; physical evidence; partnership.

Distribution was located by different authors under the ‘place’ element in an organisation’s marketing mix (e.g. Wearne and Morrison, 1998). Doyle and Stern (2006) went further and considered ‘distribution’ as synonymous with the term ‘place’ in the marketing mix. Smith and Chaffey (2005) supported this point of view and emphasised the critical importance of distribution in the marketing mix. Distribution has been a critical aspect in the international success of Coca Cola and Amazon. For instance, Amazon has achieved incredible success as an online bookseller. Hollensen (2007) clarified that the importance of ‘distribution’ as part of the marketing mix lies in an organisation’s need to get access to the international markets.

Generally, there are critical questions relating to an organisation’s marketing strategy: What is your market? How do you get there? What is the best channel? These questions will be answered in below.

### 3.2.1 The Segmentation, Targeting, Positioning (STP) Process

To answer the first question, the marketer needs to know the market segments, to determine which segment the organisation will target and to position the organisation in the market which are summarised in the Segmentation, Targeting, Positioning (STP) process. Various authors have pointed to this
process and highlighted its importance in marketing any product (e.g. Armstrong and Kotler, 2000; McCabe, 2009):

STP refers to the three activities that should be undertaken, usually sequentially, if segmentation is to be successful. These are: segmentation, targeting, and positioning

(Baines et al., 2008: 216)

These three activities will be discussed in below.

Market segmentation can be defined as:

The process of dividing up the total market into identifiable, measurable and discrete groups who share some common characteristics or needs and whose attitudes or reactions towards communications message about products or service might be similar.

(McCabe, 2009: 147)

Hudson (2008) summarised the criteria that used usually for segmenting hospitality and tourism markets as: demographic segmentation; psychographic segmentation; geographic segmentation; benefit segmentation; behaviour segmentation. Mintel (2002) went further to add another form of segmentation, i.e. criterion segmentation, and identified two main segments in the ‘e-travel market segmentation of customers’ - lookers and bookers. McCabe (2009) was more focused and pointed to three bases for marketing segmentation: demographic; behavioural; psychographic. The various segmentation criteria reflected the differences between customers and the need to select the right target market.

Armstrong and Kotler (2000) asserted the importance of targeting the right market to fit an organisation’s capabilities. Hudson (2008: 95) strongly
supported their point and stated: “there is no area in the market plan that surpasses the selection of target markets in importance”. Armstrong and Kotler (2000) pointed to the impossibility of an organisation targeting a large market if it suffers from lack of staff abilities to enable the company to serve this large population of customers.

There are various assessment criteria which result in successfully targeting a market. McCabe (2009) stated five characteristics which help marketers to designate the targeted market: attainable; measurable; large enough; defendable; sustainable. Baines et al. (2008) pointed to another approach to select the appropriate target market which builds on assessing the attractiveness of each of several factors, such as: market growth; segment profitability; segment size; competitive intensity within the segment; the cyclical nature of the industry (i.e. the seasonality of the industry). Hudson (2008) highlighted different key criteria for the target market: well defined; accessible; identifiable; homogeneous; networking; the same needs and reasons for purchasing the service or product. Thus, the previous criteria for the target market can be summarised as: identifiable; measurable; large enough; accessible; attainable; sustainable; defendable; homogeneous (common criteria including common needs to purchase the product); networking; profitable.

The decision for adopting the previous characteristics relied on the employed targeting approach in the organisation. Armstrong and Kotler (2000) and Baines et al. (2008) stated three main targeting approaches: undifferentiated marketing
(one marketing mix for the whole market); differentiated marketing (various marketing mixes for various market segments); concentrated marketing (one marketing mix for various targeted segments). The appropriateness of each of these approaches depends on the organisation’s size, financial resources and type of business.

Positioning is the third phase of the STP process (Baines et al., 2008). McCabe (2009) clarified how it should work. In this phase, the product will be adjusted according to the results of the marketing research results, followed by creating an image fitting the targeted segments’ values Hudson (2008). Furthermore, Hudson (2008) pointed to using this phase in achieving sustainable advantage over competitors. McCabe (2009) and Hudson’s (2008) understanding of positioning was clear in the Phoenix-based case in China which changed its original plan of building four and five-star hotels to building 100 three-star hotels (Hudson, 2008).

There are different ways to achieve a good position in the market. Tapp (2005) and Combe (2006) pointed to differentiation. Additionally, Baines et al. (2008) named two ways to position the brand: ‘functionally’ and ‘expressively’ (symbolically). By ‘functionally’ Baines et al. (2008) emphasised the features and benefits. ‘Expressively’ reflected various elements: ego, social and the hedonic satisfaction. Hudson (2008) was more specific and mentioned three steps to achieve a good position in the market: product differentiation; prioritising and selecting the competitive advantage; communicating and
delivering the position. Armstrong and Kotler (2000) reorder these steps in strongly recommending identifying the right competitive advantage to differentiate the product.

In brief, a complete STP process should help marketers to achieve better position in the market and attain the right target market.

3.2.2 Distribution
McCabe (2009) highlighted the necessity of understanding how to get access to the customer to deliver the marketing message and the organisation’s products and services. Hudson (2008) agreed with him and stressed the importance of designing a “distribution system” to work as a framework for making the organisation’s services available for customers. Armstrong and Kotler (2000) named five functions for the distribution channel: information; promotion; contact; matching; negotiation. Hudson (2008) added ‘financing’ to these functions which should help the organisation in bridging the gaps of time, place and possession between itself and the customers (Armstrong and Kotler, 2000).

3.2.3 Selecting Distribution Channels
Armstrong and Kotler (2000) named the selection of the distribution channel as having an influence on every other marketing decision. Various criteria were investigated to determine how to choose the distribution channel in the wider marketing context. Baines et al. (2008) emphasised seven key criteria in relation to determining the quality of the channel: dependability (consistency of
service); time in transit; market coverage; the ability to provide door to door service; flexibility (handling and meeting the special needs of shippers); loss and damage performance; the ability to provide more than basic product delivery service. Most of these criteria agreed with Armstrong and Kotler’s (2000) summary of the key successful criteria which have been adopted by the Caterpillar organisation which produces heavy plant vehicles for the construction industry.

In hospitality, there was shortage of research about distribution in non-affiliated (independent) hotels (Lim and Huang, 2005). The channel selection criteria in hotels will be investigated in this chapter under the EDC management model.

### 3.3 Electronic Distribution Channels (EDCs)

ED was developed to help customers find information about products and to make purchasing easy (Bowie and Buttle, 2004). O’Connor (1999) suggested that ED has evolved to be the most powerful marketing tool in the tourism sector. Mahmoud and Dimanche (2006) confirmed this and pointed out that four hotel booking channels out of five were web-based intermediaries. The fifth booking channel was the hotel’s own reservation desk contacted by phone.

O’Connor and Frew (2002) contributed to this debate and highlighted different distribution channels. They described a variety of different EDCs which hoteliers usually use, including: distributing through other properties within their chain; joining marketing consortia or other types of affiliation; outsourcing to a
representative or third party reservation companies. Most hotels also used traditional intermediaries, such as: travel agencies; tour operators; incentive houses. Increasingly, hotels use the growing range of EDCs.

Choi and Kimes (2002) were more precise and suggest that traditional business hotels could have three primary distribution channels: hotel direct, central reservation offices and travel agencies. They added to those channels EDCs (especially online travel agencies). Choi and Kimes (2002) differentiated between business to business (B2B) channels and business to consumer (B2C) channels. B2B channels include: GDSs; switch systems; central reservation systems (CRS); and property management systems (PMSs). Essawy (2004: 260) summarised hotel distribution channels in different words:

*hotels can sell their products via different distribution channels: hotel company own website; channels that draw their data from GDS (Expedia and Travelocity); channels based upon the databases/reservation engine of the Switch companies (TravelWeb); channels that require their inventory/reservations database to be maintained online (WorldRes). Accordingly, customers can easily compare online features (e.g.: convenience, security, privacy and prices) amongst different sites, since they are only a click away.*

3.4 Definitions of Different Electronic Distribution Channels

Different terms are used in the literature in relation to EDCs. ‘Global distribution network’ was one term used by Emmer et al. (1993) and O’Connor and Piccoli (2003), whilst the term ‘online marketing channels’ was used by Lim and Huang (2005). O’Connor and Frew (2001; 2002) used ‘EDCs’ and Gazzoli et al. (2008) pointed to other terms, such as: ‘online intermediaries’; ‘online third party’ and ‘online distribution’. According to O’Connor and Frew (2002) online companies
are those which present travel services online and do not include GDS-based websites and Switch company websites. ‘Electronic distribution channels’ (EDCs) is the term used in this study to represent all electronic channels - not just online channels or digital channels. Another reason was to avoid confusing the reader between Global Distribution Systems (GDSs) and other EDCs. O’Connor and Frew (2002:33) described ‘Channels of distribution’ as:

\[A \text{ mechanism that provides sufficient information to the right people at the right time and in the right place to allow a purchase decision to be made, and also allows the consumer to make a reservation and pay for the required product.}\]

Their definition identified five pillars to achieve the efficient distribution. These pillars were: sufficient information; right people; right time; right place; allowing consumer to make a reservation and pay. Buhalis (2003: 345) added another definition: “A set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or industrial user.” Buhalis’ (2003) definition did not afford details about the distribution process as O’Connor and Frew’s (2002) did. Zehrer and Moschi (2008) added ‘right quantities’ to O’Connor and Frew’s (2002) definition. Based on previous definitions and contributions, ED could be defined as: “the electronic mechanism to afford the sufficient information to the right people at the right time in the right quantities and in the right virtual place to allow the purchasing decision to be made”. This definition introduces the idea of ‘virtual’ reality to the marketplace and the term ‘purchasing decision’ to make the definition fit for any product.
O'Connor and Frew (2002) pointed to the nature and evolution of EDCs in hotels. In hotels, channels refer to the manner in which customers find information about a property and subsequently made reservations. Historically, hotels distributed information through paper-based media, such as brochures, travel planners or regional guides. Hotels used to receive reservations via mail, phone and subsequently by facsimile as technology developed. O'Connor and Frew (2002) added to this historical context the constraints which faced customers and hoteliers in this stage. These technologies were inefficient as customers experienced difficulties in finding and booking appropriate hotels. At the same time hotels encountered high clerical costs to attract and process customers’ bookings. These difficulties highlighted the need for EDCs which merged and developed very rapidly (Zehrer and Moschi, 2008). Different authors stated definitions for each channel. A sample of these definitions is presented below.

3.4.1 Global Distribution Systems (GDSs)

Emmer et al (1993: 82) defined GDSs as:

the computer systems that travel agents use to book airline seats, rental cars, hotel rooms, and other travel reservations and services. The U.S. systems are: Apolloo (COVIA), SABRE, System One, WORLDSPAN PARS, and WORLDSPAN Datas II. The Canadian system is Gimini; European systems are Amadeus and Galileo; and Asian systems include AXESS, Fantasia, and Abacus.

This definition focused on the services which this system afforded to travel agencies, while Vialle (1994:4) concentrated on the needs of professional and technological know-how, his definition is:
Global Distribution System is a combination of a service responding to the needs of a profession and technological know how in the area of real-time data processing and transmission.

Bowie and Buttle (2004:185) tried to go forward and asserted a definition that included who was connected with whom and what information was offered through this system. They asserted:

A Global Distribution Systems (GDS /GDSs) is a network of large-scale computer reservation systems, which link principals to intermediaries anywhere in the world. Global distribution systems (GDS) are described as ‘global travel supermarkets’, and provide travel agents with rapid search, booking and confirmation facilities for airline, hotel, and car –hire products. In hospitality, GDS are dependent upon modern hotel computer reservation systems (CRS), which provide full details of properties, locations, room types, availability, prices and booking conditions.

3.4.2 Websites based on GDSs and Websites based on Switch

In O’Connor and Frew’s (2002) model for distributing hospitality, these terms were mentioned in another way. They mentioned ‘GDS-based website’ and ‘Switch co. website’. They meant by these terms online travel agencies that were established by Switch companies or GDS companies. O’Connor and Piccoli (2003) stated the same meaning in their model and an online travel agency which is based on the GDS company connected between ‘Expedia’ as online travel agency which is based on the GDS company ‘Worldspan’, and ‘Travelocity’ as the online travel agency which is based on the GDS company ‘Sabre’ to illustrate this.

3.4.3 Switch Companies

Switch companies were defined by O’Connor and Frew (2002: 35) as:
Universal translators between CRSs and the GDSs, recently they had the potential and frequently the facility to communicate directly with the consumer over various consumer oriented websites.

Sigala (2002: 269) described them as:

_The communication devices that essentially translate, convert and exchange information between hotel devices that essentially translate, convert and exchange information between hotel systems (CRSs or PMSs and airline GDSs)._

Both of those definitions stated the translating nature of Switch systems between hotel systems and GDS or as stated by O’Connor and Frew (2002) between the hotel and the websites which deal directly with customers.

### 3.4.4 Central Reservation Systems (CRSs)

CRSs were defined by Vanhove (2001:137) as “a periodically updated central data base that is accessed by subscribers through computer terminals”. Emmer et al. (1993: 82) described central reservation offices (CROs) to include manual and electronic forms of work: “_chain hotels operate reservation offices, which process both toll-free telephone reservation and electronic reservations_”.

### 3.4.5 Representative Company

O’Connor and Frew (2002) used this term to represent hotel representative companies. Kotler et al. (1999) had pointed to ‘hotel representative company’ as it represents a hotel and sells hotel rooms and services on its behalf in distinctive areas with the hotel paying a commission, a salary or a mix of them. It takes time for representative companies to identify the hotel product.
3.4.6 Online Travel Agencies

Nassar (2001:43) used this term in his model which presented different options for distributing hotel products. He described them as: “the companies which offer online all their products and services as traditional travel agencies”. In his definition, he merged websites based on GDSs with online travel agencies and suggested that online travel agencies are an electronic overlay of GDS. This contradicted O'Connor and Frew’s (2002) model and their terms. In this study online travel agency as a term will represent these companies which offer their travel services online as normal travel agencies (see the new hotel distribution model in chapter four).

3.4.7 Web Intermediaries

In some literature the term ‘web intermediary’ was used to present EDCs generally or online travel agencies (O’Connor and Frew, 2002). This term in this study will present different types of EDCs (e.g. online auctions or e-auctions and name your own price companies) which were not included in other EDCs’ terms.

3.4.8 E-Auctions/ Online Auctions

Turban et al. (2006:55) defined auctions in detail and e-auctions, in brief. When they were mixed together a more informative definition for e-auctions was produced to be: “An electronic competitive process in which a seller solicits consecutive bids from buyers (forward auctions) or a buyer solicits bids from
sellers (backward auctions).” Fuchs et al. (2008) pointed to the increasing importance of e-auctions or online auctions in selling hotel rooms. Furthermore, he mentioned that on eBay in Germany, on average a hotel room voucher was sold every four minutes.

3.4.9 Name Your Own Price

Turban et al. (2006:22) defined it from the business perspective as a model: “in which a buyer sets the price he or she is willing to pay and invites sellers to supply the good or service at that price.” In hospitality, O’Connor and Piccoli (2003) cited priceline.com as an example of this type of channel. Priceline.com allows individuals to bid with his/her price on certain destinations and the service provider/intermediary will respond via e-mail to say if s/he will accept it or not.

3.4.10 Destination Management Systems (DMSs)

O’Connor (2002) defined ‘Destination Management Systems’ (DMSs) as:

*Systems using an increasing number of different communication and distribution channels to interact with the consumer. While traditionally these have concentrated on servicing visitor needs directly through walk-in Tourism Information Centres (TIC) and through telesales centres, increased emphasis is being placed on shifting such interactions to on-line interactions over the Internet.*

This definition provided detail about how DMSs worked and about using different distribution channels. Gupta et al (2004: 270) try to track the term DMS and provided a description of their functions:

*Destination management systems (DMSs) are known by a variety of names, such as: Destination Databases; Tourist Information Systems; Destination Information Systems and Destination*
Management Information Systems. However they all share a common philosophy that aims close the gap between the visitor and tourism businesses. Common function of a DMS include: a database of information about the area and all the tourism products available; an Internet application working from a database; a booking system; a customer database, or a link to a Customer Relation Marketing tool; a contact centre and a technical infrastructure to support all this activity. The introduction of the IT-based functionality in some or all these areas likes to have a major impact on the way any DMO (Destination Management Organizations) works, requiring a carefully strategically planned programme of change management.

Murphy and Kielgast (2008:96) presented an agreed definition for DMSs:

The IT infrastructure used by a destination organisation for collection, storage, manipulation and distribution of information in all its forms, and for the transaction of reservations and other commercial activities.

3.4.11 IDTV service providers

Leister et al. (2002: 7) said of digital TV that:

it can be placed between broadcasting, WWW, and multimedia techniques. The WWW as an interactive medium may melt together with the broadcast technique in the internet-enhanced analogue set-top boxes.

IDTV was one of the different types of TVs which digital TV opened it up. Buhalis and Licata (2002) pointed to the gradually increasing importance of IDTV.

3.4.12 Mobile Phone Service Companies

Little (2001) anticipated the growing role of mobile phones in travel. Yoo et al. (2008) also asserted this importance and described mobile devices as an indispensable part of our daily life which has transformed commerce. Turban et
al. (2006: 375) defined mobile commerce as: “any business activity conducted over a wireless telecommunications network.” They listed short messages services, enhanced message services; multimedia messaging services; micropayments; location-based services (GPS); ‘voice support services’, as mobile computing services. They pointed to WAP (Wireless Application Protocol) and the wireless application - e.g. Wi-Fi (Wireless Fidelity); Wi-Max (Wireless Interoperationality for Microwave Access); WMAN (Wireless Metropolitan area Network); WWAN (Wireless Wide Area Networks) - which enabled mobile devices to surf over the web or the WAP.

The new generation of mobile phones with WAP technology and Wi-Fi enabled mobile phone users to surf the internet and see web pages. Hazel (2007) confirmed this information and mentioned that 30% of cell phone users in the UK browsed on their mobile phones and downloaded mobile content. Marcussen (2003) pointed to ‘BookOnline.it’ as a leading Italian experiment in mobile booking. ‘BookOnline.it’ has offered a simple list of hotels with basic information on each hotel since March 2000. Marcussen (2003) expected the next step in this leading experiment to book online on WAP. Hartveldt (2006) asserted this role and pointed to Orbitz as the online travel agency which paved the way for using mobile phones in distribution.

3.4.13 Virtual Travel Community (VTC)

Different terms are used to describe VTC in the literature, e.g. social networks (e.g. Hitwise, 2007; Stroud, 2008) or online travel communities (e.g. Chung and
Buhalis, 2008). Examples of VTC websites include Second life and Tripadvisor (Stepchenkova et al., 2007; Waldhor and Rind, 2008). Stroud (2008) pointed to the numerous definitions which abound, whilst Hitwise (2007:1) described social networks as: “online communities of people who share interests and activities or who are interested in exploring the interests and activities of others.” Stepchenkova et al. (2007: 164) defined it as:

_A group of people who may or may not meet one another face to face, and who exchange words and ideas through the mediation of computer bulletin boards and networks_

Stepchenkova et al. (2007) highlight the emerging role of VTCs in the travel industry. Amadeus (2007) supported this finding as some of its study’s participants expected that branding will have less influence in the future on customers’ purchasing decisions as they will be more aware of each hotel through the VTCs.

### 3.5 Affiliation and EDCs

Whilst there are some benefits for not being affiliated, affiliation can have a significant impact on: cash flow for both operators and owners alike; expanded market share; financing terms (in some cases); additional revenue channels (Ernest and Young, 2008). Lim and Huang (2005) highlighted the channels of sales and marketing (EDCs and traditional distribution channels) which will be open to the independent hotels after joining an affiliation. Main (2001) agreed with them in relation to these channels and pointed to significant differences between affiliated (e.g. chain) hotels and non-affiliated (independent) hotels regarding the adoption of ICTs (Information and Communication Technologies,
including the use of EDCs) (Main, 2001; Gupta et al., 2004; Jones and Murphy, 2004). Most previous researchers (e.g. Main, 2001; Jones and Murphy, 2004) found that non-affiliated hotels, including SMHEs, were in the early stages of adoption of full e-commerce practices although travel agencies were expected not to search for accommodation establishments which are not represented electronically (Main, 2001; Essawy, 2004).

Different factors have been identified affecting the use of EDCs, including: geographic factors; customers; financial resources; managers (age, education, gender) and number of hotel rooms (Main, 2001). The number of hotel rooms as an element could explain the differences between affiliated and non-affiliated. In affiliated hotels, they have a large number of rooms to manage and need to communicate with headquarters to transfer information to and fro (Siguaw et al., 2000). Turban and King (2003) supported the importance of the size of the property considering it one of the main success criteria for consortia in e-commerce.

Ernest and Young (2008) pointed to the inherent advantages of being non-affiliated or independent. These advantages could be extracted from Kotler et al.’s (1999) advantages for franchising and alliances. Freedom in decision making was one of the critical advantages for non-affiliated or independent hoteliers. Furthermore, hoteliers do not have to pay franchise fees or any fixed marketing or managerial fees.
3.5.1 Non-affiliated Hotels

Lim and Huang (2005) noted that there was minimal research on the adoption of EDCs in non-affiliated (independent) hotels despite the proportion of chain hotels in the world (except USA) being only 25 percent (Johnson, 2002). Thus independent hotels represent a significant market segment. Main (2001) pointed to independent hotels’ predominance in the European hotel profile and mentioned Wales as a good example of this profile.

Independent hotels are a declining proportion of the world’s hotels. In the USA from 1987 to 1997, 900 independent hotels properties disappeared, while the total number of hotels increased by 22 percent. Closing of properties or their conversions into affiliated hotels were the main reasons for this decrease (Powers and Borrows, 1999). Lim and Huang (2005) confirmed the shrinkage of the non-affiliated hotel sector in the UK and the expansion of affiliated hotels (e.g. international and local hotel brands).

Despite this shrinkage, non-affiliated hotels were competing and performing well against the affiliated hotels in the market (Lim and Huang, 2005). Smith Travel Research annual lodging report (2006) supported Lim and Huang’s (2005) finding. Smith Travel Research annual lodging report (2006) mentioned independent or non-affiliated hotels revenue per available room (REV.PAR) increased between September 2005 and September 2006 in the USA. Lim and Huang (2005) pointed out that non-affiliated hotels were less likely to use EDCs in their marketing and to adopt IT than chain and franchising and consortium...
hotels. Most of independent hoteliers expected that they would use IT applications in future.

A real weakness in the independents’ performance may not be in cost control but in generating revenue. This poor sales performance results from the lack of a known brand name and low marketing expenses (Powers and Barrows, 1999). Slow adoption of technology was noted at non-affiliated hotels which were less likely to use the web for advertising, making booking and managing their own websites. Main (2001) identified the reasons for slow adoption as: lack of management skills and training; risk and cost involved; reliance on traditional paper-based methods. Independent hoteliers were also less likely to use EDCs. On the contrary, all affiliated hotels (i.e. management contract, franchising, and marketing consortium) in Wales managed their web presence while half of independent hotels were looking to the Wales Tourist Board (WTB (currently VisitWales as part of Welsh Assembly Government’s Tourism Marketing Department) or others to provide expertise. In the early days of IT adoption in booking hotels online, affiliated hotels, especially chain hotels, were the only hotels that adopted it in Wales. In consequence, seventy percent of non-affiliated hoteliers who were non-users of EDCs expected to use them in future (Main, 2001).

As previously stated, non-affiliated hoteliers relied on different sources to support their ED efforts. DMO was one of these sources of support. DMO/DMS emerged as a major promotion, distribution and operational tool for SMHEs
(Buhalis, 2003). O’Connor (2002) agreed with him and added that DMSs helped to reduce SMHEs’ problems regarding ED.

### 3.5.2 Affiliated Hotels

The growth of the industry has been increasingly associated with hotel groups (Medlik and Ingram, 2000). Amadeus (2007) stated that in the future social media affiliation or brand will be crucial for customers. The well-known affiliation bodies have a strong brand which represents consistent quality of services. Johnson (2002) supported this point of view and added that in 1998 three quarters of business travellers and two-thirds of leisure travellers were brand-conscious when choosing their hotels. On the other hand in the Amadeus (2007) study a minority of industry participants highlighted that affiliation will not be important in the future since customers will read what others have said about the hotel and will have seen its pictures and videos at different VTCs.

Litteljohn (2003) classified affiliation in hotels as including: consortium membership; franchising and management contracting and added as a final variant the situation where government or their agencies directly operated hotels. Additionally, Johnson (2002:14) classified chain hotels into:

- companies involved in constructing, developing and owning hotel buildings, e.g. Marriott;
- companies involved in managing hotels (with or without equity in the hotels under management, e.g. Hilton International;
- and franchising companies that develop hotel chains without being involved in either owning hotel building or managing hotels, e.g. Choice hotels. Another type of these corporations is that companies which operating with little outward presence to the public. These may be of significant size, but manage hotels under different brand names.
The diversity of types of hotel corporations and the lack of visibility of some management companies to the public made the typology of hotels confusing, especially where brand A hotel was owned by company X, marketed by company Y and managed by company Z (Johnson, 2002).

Based on Johnson’s (2002) classification of chain hotel companies, management contract and franchising hotels could be substituted with the term ‘chain’. The term affiliated hotels will be used in this study to indicate chain (franchising and management contract hotels) and marketing consortia. A third type of affiliation, i.e. government-owned, is not commonly used by authors to represent affiliated hotels.

3.5.2.1 Chain Hotels

The spread of affiliation highlighted the need to differentiate between hotel ownership and hotel branding. The situation was further complicated by the widespread use of franchising and marketing agreements to provide consumer brand and requires compliance with brand standards (Piccoli et al., 2003).

In 1994, only chain and other affiliated hotels accepted electronic bookings (Main, 2001). She reported in her study that all chain and consortium hotels managed their web presence while half of independents were looking for the WTB or other companies to provide expertise. The strong presence of chain hotels on EDCs made travel agencies deal with them and travel agencies preferred to deal with chain hotels represented internationally and had clear and
efficient procedures for commission payments (Main, 2001; Johnson, 2002; Amadeus, 2007).

Another aspect of EDCs is best price guarantee. Thompson and Failmezger (2005), Mahmoud and Dimanche (2006) and Gazzoli et al. (2008) stated that the affiliated hotels, particularly chain hotels, performed better in relation to their stated goal of best price guarantee on their websites, in comparison with EDC companies’ websites. Generally, chain hotels were pioneers in the EDC field and for this reason a lot of research in this area has focused on the various types of EDC or online marketing adopted by large chain hotels (Lim and Huang, 2005).

3.5.2.2 Marketing Consortia

Johnson (2002) highlighted the increasing number of marketing consortia hotels during 1970 to 1997. Turban and King (2003: 258) defined consortia as: “An exchange formed and operated by a group of major companies to provide industry wide transaction services.” Turban and King (2003) pointed to consortia as a form of B2B electronic exchange. Furthermore, Littlejohn (2003: 16 -17) defined hotel marketing consortia as:

This is a mechanism whereby hotels (or indeed a wider set of tourism organisation) agree to cooperate in order to corporate benefits, which raise revenue and/or cut costs in ways the business could not achieve on its own.

Kotler et al. (1999), Turban and King (2003) and Littlejohn (2003) listed various advantages and benefits of joining a marketing consortium:
Cost savings through procurement of discounted items generated from joint purchasing or marketing activities;

Being part of a marketing consortium complements other forms of affiliation (e.g. franchising and management contracts);

Brand recognition;

Access into niche and new markets;

Joint representation at international events (e.g. business exhibitions and travel markets);

Accessibility to CRS;

Some consortia gave hotels access to all GDSs;

Smoothing of supply chain;

Management of intensive information flow and elasticity.

Kotler et al. (1999) identified Utell, Supranational, Logis de France; Leading Hotels of the World and Golden Tulip as the five largest hotel marketing consortia in the world according to the number of rooms. Litteljohn (2002) pointed to the requirements that each consortia asks their hotels to meet, particularly that they require members to exceed a minimum threshold level of standards or style of operation.

3.6 Main Issues Related to EDC Management

Emmer et al. (1993), O’Connor and Frew (2001), O’Connor and Piccoli (2003) and Essawy (2004) mentioned different issues facing hoteliers in their dealings with EDCs. Some of these issues were critically important and need to be handled carefully otherwise they can cause real problems for hoteliers and
could result in a failure to deal with EDCs and to market their hotels. These issues were: complexity; quality of hotel information shown on EDCs; price transparency and building customer relationships. These issues were confirmed by Elsayed (2006a, 2006b) and Dabas and Manakotola (2007).

Brewer et al. (2006) identified issues which map onto these issues. Under ‘complexity’ they identified ‘staff education’ and ‘hotel-channel interface’. Under ‘price transparency’ they identified ‘control of rate’. Under ‘building customer relationship’ they identified ‘customer loyalty’. Under ‘quality of hotel information shown on EDCs’ they identified ‘control of hotel image’.

### 3.6.1 Complexity

“Complexity” as a term reflects the complicated nature of individual EDCs and the complexity of managing all these channels together. Hoteliers have to decide which channel(s) to use and why, how to use them, and the share of rooms for each channel. This problem is clear in O’Connor and Frew’s (2002) model (Figure 4.7). Main (2001), O’Connor and Frew (2002) and Zehrer and Moschi (2008) anticipate that e-distribution channels will increase in the future, and the nature of channels will continue to become more complex and increasingly influenced by web-based third parties.

Disintermediation was another trend expected to grow. Disintermediation would minimize the complexity issue and other problems related to EDCs (Zehrer and Moschi, 2008). Understanding how to distribute the hotel product over this
complex network of EDCs became a challenge for hoteliers. Main (2001) and O’Connor and Piccoli (2003) pointed to different reasons causing the failure of hoteliers to deal with the complexity, i.e. lack of training and lack of awareness about how to manage EDCs, although despite the complexity issue EDCs make up a considerable proportion of the hotel-sales mix. O’Connor and Piccoli (2003) gave an example of the critical importance of complexity where in the past, complexity has resulted in a situation where hotels collectively came close to losing control over the sale of their inventory in online environment.

O’Connor and Piccoli (2003) argued about the proposed solution strategy, as it has to be comprehensive and well designed. They assumed that implementing such strategies would help hoteliers regain control over their inventory and price and maximise potential of direct sales over the web. Lim and Huang (2005) agreed with them and stated:

*If a hotelier knows how many and what type of online marketing channels are used, the effectiveness (in terms of volume of sales generated or investment costs) of each channel category can then be measured*

Many hoteliers apply a broadcasting approach or hypermediation strategy instead of trying to decide where not to be and who not to serve (O’Connor and Piccoli, 2003; Turban *et al.*, 2006). These strategies need further investigation to create an effective management model which helps hoteliers to manage their relationship with hotels. Different management models will be presented in section 3.8.
3.6.2 Price Transparency Dilemma

In the literature, three different ideas were identified dealing with this point: the importance of this issue which revealed the nature of e-customer behaviour; the power of mega online agencies and their ability to start a price war; different solutions which hoteliers have adopted to deal with this issue.

Price was the key to successfully selling online and one of the key motivating factors which attracted consumers to purchase travel online (O’Connor, 2003). O’Connor and Piccoli (2003) and Gazzoli et al. (2008) mentioned there was evidence that customers search several EDCs before making a reservation. Such price transparency has placed downward pressure on room rates (O’Connor and Piccoli, 2003). O’Connor (2003) stated six out of ten leisure travellers actively seek the lowest price possible for travel services. Particularly, Oorni and Kleini (2003) asserted that online customers have become fully informed about the product and the price. O’Connor (2003) pointed to the perceptions among consumers that online prices are cheaper than those available in the “bricks and mortar” world. Another criteria distinguishing some online customers was revealed by O’Connor and Piccoli (2003) who observed some consumers who knew they can often find better prices by waiting until the last minute to make their booking. From this group of e-customers, some were booking far in advance, monitoring the online channels for cheaper prices, and when possible, cancelling their original reservation to rebook at a better rate closer to the arrival date. On the other hand, Mahmoud and Dimanche (2006) noted that as customers became more faithful to the brand price transparency becomes less of an issue.
E-commerce has put downward pressure on prices for several reasons. Firstly, many of the best-known internet retailers have competed with traditional outlets based, to a large extent, on price (O’Connor, 2003; Gazzoli et al., 2008). Secondly, O’Connor and Piccoli (2003) and O’Connor (2008a) pointed to the negotiating power of mega online travel agencies, which demanded net rates lower than those that the hotel will freely give to them. Those rates have enabled mega online travel agencies to offer highly competitive rates in the market which were cheaper than those on the hotel’s own website.

O’Connor’s (2003) study of online pricing confirmed this. He found that the mega-agencies frequently offer the cheapest prices for hotel rooms. O’Connor and Piccoli (2003) confirmed that hotels were always free to not participate, but, classically, no hotel wanted to be the first to leave the online agencies and risk losing large numbers of potential customers. However KPMG (2005) and O’Connor (2008a) cite the example of an affiliated hotel group, i.e. International Hotels Group (IHG) terminating its contracts with online travel agencies (Expedia and Hotels.com) with no adverse impact. IHG have the advantage of being a large international company and have a strong brand in the marketplace and thus were able to manage without being represented on Expedia and Hotels.com. Smaller and less well-known brands may not have this luxury.

O’Connor and Piccoli (2003) argue that failure to manage price over EDCs could potentially have a drastic effect on hotel profitability. Additionally, Gazzoli
et al. (2008) highlighted the positive impact of succeeding in managing price transparency and having a significant impact on online customers’ trust. The industry started to react to this threat – failure to manage price transparency - on both an individual and a collective basis. Many of the large chains begun to actively discourage their properties and franchisees from giving low rates to the online merchants, and started to promise customers the lowest price – best price guarantee - on their own branded website (O’Connor and Piccoli, 2003; Gazzoli et al., 2008). Additionally, O’Connor and Piccoli (2003) mentioned an initiative from affiliated hoteliers to deal with this issue. Affiliated hotels started acting together to resist the dominant power of the mega online travel agencies and adopting a similar strategy to Orbitz in the airline sector. Hilton, Hyatt, InterContinental, Marriot, and Starwood joined technology provider Pegasus to establish TravelWeb, in a bid to wrest control of online pricing and merchant model arrangements back from the online intermediaries. By facilitating direct connectivity to multiple small online channels at a reasonable cost, the chains hope to reduce the power of the large mega-agencies and help hotels achieve a wider distribution of their product.

Emmer et al. (1993) tried to resolve this problem by suggesting hotels develop policies to ensure the rates in the GDSs were the lowest rate available for the hotel. Mahmoud and Dimand (2006) and Gazzoli et al. (2008) agreed with them and called this strategy ‘best price guarantee’. Lim and Hall (2008) highlighted this strategy as an effective method to reduce distribution cost by increasing direct selling. Mahmoud and Dimanche (2006) pointed to ‘best price guarantee’
as an effective marketing tool as well.

O’Connor and Piccoli (2003) suggested placing restrictions or creating packages to limit the comparability of the prices of hotel products. They recommended developing a comprehensive pricing strategy and identified two common approaches to applying such a comprehensive pricing strategy. One approach related the cost of using the channel to the rates shown there - with lower prices in low-cost channels and higher prices on high-cost ones (Tools such as TravelClick’s RateView allowed hoteliers to monitor multiple channels to ensure that the strategy was implemented effectively). The other approach focused on maintaining price consistency across different channels to make sure the customer always sees the same price (Emmar et al. 1993, Mahmoud and Dimanche, 2006; Gazzoli et al. 2008).

3.6.3 Quality of Hotel Information Shown on EDCs

‘Information is the lifeblood of the travel industry’ (Vanhove, 2001:137). The crucial importance of quality of information was asserted by Combe (2006:303). He pointed to its role in gaining and retaining website traffic in the e-business environment, he stating: “The quality and attractiveness of the website will determine how effective the business is in gaining and retaining website traffic”. Leung and Law (2008) pointed to this as the main reason for having a website.

Emmer et al. (1993) advocated the importance of quality of hotel information displayed over different EDCs which will determine how “good” the hotel looks
to the agent and the client. A wide range of advice was offered by Emmer et al. (1993), O'Connor and Frew (2002), O'Connor and Piccoli (2003), Lim and Huang (2005), Wong and Law (2005), and Combe (2006) to enhance the quality of information shown on EDCs:

- Ensure that rates and availability shown on the EDCs are complete, updated and accurate;
- Electronic brochures should be as clear and pleasing as possible;
- Know how EDCs were used by travel agencies, intermediaries, and customers;
- List all hotel facilities/attractions;
- Use availability options (status options) to maximize yield;
- Effectively list rate categories and room types;
- Use negotiated rates;
- Know the hotel's two letter GDS access code and include it on all promotional material;
- Get the hotel in the GDS systems news;
- Ensure that hotels’ online reservation forms are simple and easy to complete;
- Afford good virtual links and easy browsing facilities to attract travellers to purchase online;
- Identify the types of online channels in which the hotel appears to enable control of the hotel image in the marketplace.

These recommendations will be incorporated into the EDC evaluation performance toolkit developed in chapter seven.
3.6.4 Building Customer Relationships

Varini and Murphy (2006) pointed to customer relationships as a reason to increase the profit levels in hotels. Nassar (2002) agreed with them and highlighted the importance of building customer relationships which he put on the top of his hierarchy of considerations of website features that support brand development (Figure 3.1). Essawy (2004:260) justified this importance stating:

Due to fierce competition in the hotel industry and the transparency of virtual market, consistent and effective customer relationship strategies are highly required.

O'Connor and Piccoli (2003) supported Essawy’s (2004) words focusing on the competition between hotels and mega online travel agencies. O’Connor and Piccoli (2003:112-113) stated that:

The mega – agencies offer to customers a lot of choices, in contrast to hotel chains’ sites that may not have a property in the desired location or may be looked for the dates requested. Many of the online agencies are trying to enhance brand loyalty by developing customer – relationship-management solutions that recognize frequent and high-value customers and use electronic-marketing techniques to develop a closer relationship with those customers.

This competition increased the importance of customer relationships for hoteliers, particularly, for those hotels which applied a disintermediation strategy (Zehrer and Moschi, 2008).
This relationship may not be built effectively by hoteliers, if they apply a scattergun approach, as discussed by Hoffman et al.’s (1995) one-to-many marketing communication model for mass media (see Figure 3.2), in their distribution strategy. Hoteliers can build customer relationships effectively if they apply an interactive approach as presented in Hoffman et al.’s (1995) many-to-many marketing communications model (see Figure 3.3). McCabe (2009) pointed to its importance in personalising customer services which can lead to increase of customers. Hoffman et al.’s (1995) many-to-many model accommodated the new trends of VTCs which have become a reality with their
numbers increasing dramatically over the last 15 years (Stepchenkova et al., 2007; Schegg et al., 2008), particularly, after the appearance of Web2.0 (Figure 3.4). Amadeus (2007) have pointed to the potential future influence of VTCs on customers’ purchasing decisions which may become more important in the market place than brand.

In conclusion, the importance of building customer relationships has been highlighted by many authors (e.g. Varini and Murphy, 2006). A strong customer relationship can help hoteliers to compete with mega travel agencies over the web. To withstand this competition, distribution must be understood not only as broadcasting information to gain reservations but also to be about broadcasting of information and collecting customer data to build these relationships and improve hotel overall efficiency and profit levels. Web2.0 has helped to monitor customer feedback. Piccoli et al. (2003) specified successful customer relationship management factors in: collecting; analyzing; disseminating large amounts of timely and relevant information for customer-service operatives to act on to improve the experience of each point of customer contact.
Figure 3.2: Traditional one-to-Many Marketing Communication Model for Mass Media

Source: Hoffman et al. (1995)

Figure 3.3: Many-to-Many Marketing Communications Model for the Web

Source: Hoffman et al. (1995)
3.7 Distribution Strategies

3.7.1 Developing a Scale of Disintermediation

There is a lot of confusing terminology in relation to distribution strategies, e.g. disintermediation; re-intermediation; intermediation; intensive distribution; exclusive distribution; selective distribution; direct marketing channels; multi-channel marketing strategies; multi channel service delivery (Kotler et al., 1999; Mintel, 2001; Buhalis, 2003; O’Connor and Piccoli, 2003; Turban et al., 2004; Combe, 2006; Hudson, 2008). Using the various authors’ definitions of the terms, these can be simplified onto a scale of disintermediation (see Figure 3.5).

Source: Chone, 2005.
In the disintermediation scale, the terms were ordered in decreasing order of disintermediation as: ‘disintermediation’, ‘exclusive distribution’, ‘selective re-intermediation’, ‘re-intermediation’, ‘hypermediation’.

The terms’ definitions mentioned in the disintermediation scale were slightly modified to present a useful tool for hoteliers. Hoteliers can use it to know where they stand and to train their staff. ‘Disintermediation’ on the new scale reflects complete disintermediation, i.e. no intermediaries. ‘Exclusive distribution’ in the new scale (Figure 3.6) means to use a restricted number of distribution channels to distribute hotel products. ‘Selective re-intermediation’ represents the balance between disintermediation and re-intermediation which can be presented in using EDCs according to certain criteria. ‘Re-intermediation’ would describe using EDCs without any restrictions or selection.
criteria. ‘Hypermediation’ would mean massive usage of EDCs and non-electronic channels to distribute hotel products.

3.7.2 Hotel Website

Having a successful website is crucial for hoteliers, especially, those who adopt ‘disintermediation’, ‘exclusive distribution’ or ‘selective re-intermediation’ distribution strategies (Lim and Hall, 2008). Sabre Travel Network (2005) confirmed the growing share of hotel booking via their websites. Different authors contributed to website successful criteria. Selective studies and opinions will be presented in this section.

3.7.2.1 Website Successful Criteria

Hudson (2008) pointed to ten ways to achieve an improved webpage. They were: navigation; privacy policy; contract; logos and graphics; standards fonts; make it sticky; newsletter; browsers; screen and index page. Leung and Law (2008) supported his idea of making it sticky’ emphasising that the primary objective of having a website was to have visitors and to keep visitors on the website for as long as possible and to view as many pages as possible.

‘Navigation’ was Hudson’s (2008) first key area for success and Leung and Law (2008) agree with this, pointing to the necessity of offering the required information for customers within two or three clicks of the home page. Zwicky (2006) highlighted in descending order ‘price’; ‘location’ ‘and quality of services’ which composed the three main types of information which e-travellers used to
look for on the website. Law and Hsu (2005) unpacked these three in more detail in their research. These three types of information have to be kept in mind for any travel web designer to afford them to ‘e-travellers’ within two or three clicks from the home page.

‘Privacy policy’ is also included in Hudson’s (2008) key areas for better websites which is similar to Combe’s (2006) ‘trust factor’ in e-Commerce, which he suggests would encourage e-customers to deal with the hotel company and to give their details to the hotel website. Hudson (2008) advised hoteliers to include the contact details at the bottom of every web page and did not recommend asking the customer to fill in a form to contact the hotel/tourism organisation. This point was supported by Park and Gretzel (2008).

Hudson (2008) also cautioned against the use of large size ‘logos and graphics’ on the website which will consume the time of the e-customer to watch them; in addition he suggests that the screen should be 800X600 resolution. These two topics could be equated to the issue of ‘visual appearance’ mentioned in the Park and Gretzel (2008) study. Park and Gretzel (2008) added to them ‘attract attention’, ‘aesthetics’ and ‘convey image’. Mills and Law (2008) supported Park Gretzel (2008) and highlighted ‘visual appearance’ as it could increase the company share, particularly with visually impaired customers. Hudson (2008) also suggested using standard ‘Fonts’, e.g. ‘Time New Roman’; ‘Arial’; ‘Verdana’, whilst Curran et al. (2007) suggest that the fonts should not be below 10pt to facilitate communication with those who have certain disabilities.
‘Newsletter’ was an aspect connected to permission marketing and building customer relationships (Hashim et al. 2007). Hudson (2008) asserted its importance as it will inform e-customers with the site update and with new promotions. Hudson also pointed to the large percentage of ‘internet explorer’ users (with 80% of the market share) and highlighted in ‘Browser’ the need to design a website which can be uploaded at Netscape as browsing software. The last advice – in ‘index page’- from Hudson (2008) was to tell the surfers who you are, what you are offering as they were known as impatient group; and to keep the website updated.

Source: Scharl et al. (2004)

Other success criteria have been highlighted by different authors. Scharl et al (2004) pointed to different attributes and drew them in their model (see Figure 3.6).
3.6). They mentioned three main factors which affect the website; ‘personal factors’; ‘system factors’ and ‘media factors’. They added ‘speed’; ‘language’; ‘reliability’ and ‘expectations’ to Hudson’s (2008) criteria.

Vrana et al. (2004) added to this debate ‘surrounding area information’ as critical information for the traveller. Zwicky (2006) agreed with Varan et al. (2004) as he ranked location information as the second important information for the travellers. Razi et al. (2004) pointed to different successful tactics in the website design, e.g. ensure there are keyword search and security facilities and avoid pop ups. Their model for successful DotComs is presented in Figure 3.7. Razi et al. (2004) contributed to the debate the importance of keyword search and its important role in website success.

Hashim et al (2007) presented a comprehensive list of hotel website success criteria and classified success factors into dimensions, sub-dimensions and attributes. They based their results on different studies and came out with an assessment platform which included key success factors (Table 3.1). Hashim et al.’s (2007) model could be modified to be better and more applicable for non-affiliated and affiliated hotels. Especially, other attributes that were mentioned earlier were not included in their model (e.g. surrounding area information; languages). This modification will be discussed in chapter 7.
Figure 3.7: Causes of DotCom Success

Causes for DotCom Successes

Controllable Causes

Strategic

- Niche Market
  - Promotion
  - Product/Service Differentiation

- Products for specialized market
- Promotion of Domain, Website and Products/Services
- Proper Web Indexing, easy navigation
- Expert Advice on Products/Services
- Careful selection of less expensive but effective media for promotion
- Exploitation of demand side Economies of scale by Product/Service differentiation

Operational

- Technical
  - Website Design
    - Less graphics
    - Avoid pop-up messages
    - Easy navigation
    - Fast loading
    - Keyword search
    - Personal Greetings
    - Legible Privacy Policy
    - Fast and easy checkout
    - on-site as well as e-mail confirmation of orders
  - Server
    - Fast Maintenance, upgrade
    - Secured environment
    - Capable of handling high volume Internet Traffic

- Behavioral
  - Improvement in
    - Security
    - Dial-up connections
    - ISP services

Uncontrollable Causes

Technical

Proactive measures to control customer behavior:
- Provide
  - Accurate product and delivery cost
  - Exact Delivery schedule
  - Online tracking
  - Personal greeting for repeat customers
  - Secured environment
  - Outstanding Customer Service

Source: Razi et al. (2004)
Table 3.1: Hashim et al.’s (2007) Model for Successful Hospitality Website Dimension, sub Dimension and Feature Frequency Counts

<table>
<thead>
<tr>
<th>Information and Process</th>
<th>Value Added</th>
<th>Design and Usability</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sales or Reservation</td>
<td>• Travel Information</td>
<td>• Navigation</td>
</tr>
<tr>
<td>- Search Capabilities</td>
<td>- External links</td>
<td>- Multilingual site</td>
</tr>
<tr>
<td>- Online reservations</td>
<td>- Events calendar</td>
<td>- Sitemap</td>
</tr>
<tr>
<td>- Secure payment</td>
<td>- Transportation</td>
<td>- FAQs</td>
</tr>
<tr>
<td>- Online cancellation</td>
<td>- Local sites</td>
<td>- Consistent Theme</td>
</tr>
<tr>
<td>- Booking confirmation</td>
<td>- News</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Climate/weather</td>
<td>• Technical</td>
</tr>
<tr>
<td></td>
<td>- Exchange rate</td>
<td>- Website or Web page Size</td>
</tr>
<tr>
<td></td>
<td>- Interactive map</td>
<td>- Browser compatibility</td>
</tr>
<tr>
<td>• Contact information</td>
<td>• Entertainment</td>
<td>- Option of browser versions</td>
</tr>
<tr>
<td>- Email</td>
<td>- Video or animation</td>
<td></td>
</tr>
<tr>
<td>- Physical address</td>
<td>- Contest</td>
<td>• Success Metrix</td>
</tr>
<tr>
<td>- Phone</td>
<td>- Send an E-Card</td>
<td>- Popularity ranking</td>
</tr>
<tr>
<td>- Map</td>
<td>- Viral Marketing</td>
<td>- Number of incoming links</td>
</tr>
<tr>
<td>• Sales promotions</td>
<td>• Loyalty/CRM</td>
<td>• Trust</td>
</tr>
<tr>
<td>- Special promotions</td>
<td>- Guestbook</td>
<td>• Copyright and Security</td>
</tr>
<tr>
<td>- Groups</td>
<td>- Newsletter subscription</td>
<td>- Privacy statement</td>
</tr>
<tr>
<td>- Family/kids</td>
<td>- Permission Marketing</td>
<td>- Copyright</td>
</tr>
<tr>
<td>- Business travel</td>
<td>- Membership/club</td>
<td>- Corporate identity</td>
</tr>
<tr>
<td>- Gift Certificate</td>
<td>- Restricted area for loyal guest/ personal login</td>
<td>- Site usage term</td>
</tr>
<tr>
<td>- Bonus/ coupons</td>
<td>- Frequent visitor program</td>
<td>• Timeliness</td>
</tr>
<tr>
<td>• Goods and Services</td>
<td>- Data Collection for Profiling</td>
<td>- Date last update</td>
</tr>
<tr>
<td>- Download and printables</td>
<td>- Cookies</td>
<td>- Current and timely info</td>
</tr>
<tr>
<td>- Room classifications</td>
<td>• Personal Interest</td>
<td>• Branding</td>
</tr>
<tr>
<td>- Facilities information</td>
<td>- Comments/ feedback</td>
<td>- Branded URL</td>
</tr>
<tr>
<td>- In-room photo</td>
<td>- Online chat</td>
<td>- Branded email</td>
</tr>
<tr>
<td>- Technical information</td>
<td>- Brochure request</td>
<td>- Trademark</td>
</tr>
<tr>
<td>- Room infrastructure</td>
<td>- Customised packages</td>
<td></td>
</tr>
<tr>
<td>- View out of the room</td>
<td>- Survey</td>
<td></td>
</tr>
</tbody>
</table>

Source: Hashim et al. (2007)
3.7.3 Search Engine Optimisation (SEO)

Malaga (2007: 70) defined a SEO as:

*The process of improving a website position so that the webpage comes up higher in the search results of major search engines.*

The importance of SEO increases as the competition between the websites increases in the e-marketplace. Schibrowsky *et al.* (2007) mentioned that the number of websites grew from 23,000 in 1995 to more than 55 million in 2005. This growing number of websites highlighted the need for a SEO strategy to find the hotel website. Additionally, Chaffey (2002) asserted that 80% of web users use search engines to find information. According to this result, any organisation’s website not registered on the search engine, will have a lower traffic volume towards it. Hitwise (2008a; 2008b) confirmed the search engines’ importance in the travel industry since they revealed the USA travel industry received 33.17% of its traffic from search engines between October 2007 and April 2008.

In hotels, Sabre Travel Network (2005) pointed to lodging as the most searched topic by online travellers in 2004. These results were supported by Chan and Low (2006) and Doring and Preisinger (2008) who discussed the crucial importance of hotel SEO in online marketing. Furthermore iProspect (2006) revealed that 62% of search engine users click on the first page of results and 90% click on the first three pages of results on search engines.
Chapter Three: Literature Review

In early 2008, Xing and Fesenmaier (2008) identified the three most important search engines as: Google, Yahoo and MSN, although they jockey for position (Hitwise, 2008a; 2008b). Additionally, Xing and Fesenmaier (2008) pointed to the increasing importance of Google in people’s daily life (Google is now used as a verb, ‘to Google’, to reflect searching over the internet).

3.7.3.1 Search Engine Optimisation Strategies

Murphy and Kilegast (2008: 90) pointed to two SEO strategies: ‘organic’ and ‘pay per performance’. They defined organic search engine optimisation (SEO) as:

where the website is technically optimised using keywords, linkage and meta-tags to be found by SEs [Search Engines] when indexing web pages for retrieval.

3.7.3.1.1 Organic SEO Strategy

An organic search engine strategy relies on keywords, linkage and meta-tags where linkage means to cite their link on other websites to increase online traffic toward the website (Murphy and Kilegast, 2008). This strategy was adopted successfully by different e-companies to elevate their rank at search engines (e.g. Silly jokes.co.uk). O’Connor (2007) provides more information about how search engines works and he points to usage of specialised software, known as spiders to crawl the web. Based in this crawling they classify each page they encounter and add it to their databases. As a result of this, it will consequently appear in search results. In organic search engine optimisation, marketers constantly adjust their HTML by modifying title tag, meta-tags, headings or links and page
contents to convince the crawlers to give their web pages a higher rank (O’Connor, 2007).

3.7.3.1.2 Pay Per Performance (PFP) SEO Strategy

Murphy and Kielgast (2008: 90) described ‘pay per performance’ (PFP) search engine optimisation as: “Where the web site pays for visibility (through links, buying ‘words’, sponsored links, advertising banners)”. Malaga (2007) notes that payment was normally made per click and that some keywords cost up to 50 US Dollars per click, sometimes hoteliers have to bid for placement in the paid listing search results (McCabe, 2009), whilst O’Connor (2007) notes the hotel trademark abuse in pay per click search advertising, a practice which altered many hoteliers to check their position on the search engines and to ascertain if any website abused their hotel trademark. He gave an example of normal keyword bidding which could diverted to be bidding on a company trademark e.g. Hilton. He suggested that hoteliers should to keep checking to inform the search engine about any trademark abuse as in some cases the search engine did not know there was a trade mark with such name. Other authors (e.g. Eric, 2000) advised hoteliers to ignore this strategy if they can adopt organic search engine optimisation, or they can use free software to use different tactics of SEO strategies.
3.7.3.2 Hoteliers and SEO

Hitwize (2008b) mentioned the top travel website in their report of June 2008. It can be noticed from their list that only one hotel group was included, i.e. Intercontinental Hotels Group (www.ichotelsgroup.com). This finding justifies this group’s strong reaction to Expedia and Hotels.com which was mentioned earlier in this chapter.

In contrast, O’Connor (2007) found that there was a lack of knowledge or attention on the part of hotel online marketers. O’Connor’s study (2007) highlighted the necessity of checking the search engines to monitor and prevent any trademark abuse, which supported the need for a management tool to manage EDCs (including checking the effectiveness of SEO strategies or at least the hotel’s ranking on different search engines). This new assessment tool or the whole management model must reflect current knowledge on ED to help hoteliers effectively manage their electronic presence.

3.8 Future of EDCs

Scholars have differing expectations about the future of EDCs and future trends. O’Connor and Frew (2002) argue that EDCs would continue to grow as the number of accommodation online bookings accelerates (Messe Berlin GmbH, 2008). Herteveldt (2006) supported this prediction and gave more details about the future online consumers, noting that 71% of all Americans were online in 2006, a number which will reach 81% by 2011. He also highlighted an increasing number of e-travellers between 2001 and 2006 in all
generations and the internet growth rate during 2000-2006 in developed countries as more come online.

Different researchers presented their expectations about the future in different ways. Some of them monitored the growing trend in the ED environment (e.g. Hertveldt, 2006; Amadeus, 2007; Buhalis and Law, 2008) whilst others put forward different potential strategies and future expectations for some EDCs (e.g. Zehrer and Moschi, 2008). O’Connor (2001) and O’Connor and Frew (2002) grouped EDCs and presented their expectations for each route of distribution that hoteliers use to distribute their products. Buhalis and Licata (2001) and Buhlais (2003) pointed to the expected future for each channel individually. In the following statements, the distribution channels and future trends will be highlighted and their expected future evaluated, this focus will discuss the importance of some channels and help hoteliers in planning their future strategies and tactics.

O’Connor (2001) and O’Connor and Frew (2002) presented the expectations of the participants of expert and industry panels in their study. They asked participants to predict the growth routes of distribution for hotels and the most repeated channels in these routes were CRS and hotel websites whilst the panellists also expected that GDS and travel agents would continue to have a critical role in hospitality distribution. In addition, they pointed to disintermediation as a growing trend which was supported by Sabre Travel Network (2005). Sabre Travel Network (2005) pointed to the increasing share of
hotel websites from the electronic booking. On the other hand, Zehrer and Moschi (2008) disagreed with them and asserted the increasing role of ‘multi distribution channels’ approach (re-intermediation and hypermediation). These two contradictory trends will need to be investigated to identify which one will be leading the distribution network.

Buhalis (2003) and Buhalis and Licata (2002) pointed to the prospective role of mobile phone and IDTV in distributing tourism products in the future. After five years Zehrer and Moschi (2008) studied the expected importance of each channel (see table 3.2). The future importance of distribution channels were listed in a descending order as: ‘internet distribution’; ‘location based distribution’; ‘distribution via online communities’; ‘call centres’; ‘interactive digital TV’; ‘self service and ‘internet auctions’. They pointed to the ‘travel agencies’ or ‘location based distribution’ as they will remain important despite a decline in significance in comparison with today’s distribution picture.

Table 3.2: Current and Future Importance of EDCs

<table>
<thead>
<tr>
<th>Order of Importance</th>
<th>Current</th>
<th>Future</th>
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<tbody>
<tr>
<td>1</td>
<td>Location based distribution (e.g. travel agencies)</td>
<td>Internet distribution</td>
</tr>
<tr>
<td>2</td>
<td>Internet distribution</td>
<td>Location based distribution</td>
</tr>
<tr>
<td>3</td>
<td>Distribution via supermarket</td>
<td>Distribution via online communities</td>
</tr>
<tr>
<td>4</td>
<td>Call centres</td>
<td>Mobile distribution</td>
</tr>
<tr>
<td>5</td>
<td>Mobile Distribution</td>
<td>Distribution via supermarket</td>
</tr>
<tr>
<td>6</td>
<td>Interactive digital TV (IDTV)</td>
<td>Self service</td>
</tr>
<tr>
<td>7</td>
<td>Internet auctions</td>
<td>Internet auctions</td>
</tr>
<tr>
<td>8</td>
<td>Distribution via online communities</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Self service</td>
<td></td>
</tr>
</tbody>
</table>

Adopted from Zehrer and Moschi (2008)
Some confusion could be caused here as Zehrer and Moschi (2008:367) did not mean ‘mobile phone’ by ‘mobile distribution’, they meant: “consultant and agents who directly distribute the products at the customers’ house”. In their discussions of IDTV they meant advertising through it, although it should be noted that it is rated as ‘rather unimportant’ by their research participants and rather important for the future, since technology may be advanced – in the future - to enable customers to book through it. Zehrer and Moschi (2008) support Buhalis and Licata (2001) and Buhalis (2003) in emphasising the increasing importance of IDTV. In addition, they pointed to the mounting importance of ‘internet distribution’; ‘distribution via online communities’ and self service i.e. location based distribution (e.g. high street travel agents); ‘distribution via supermarkets’ and ‘call centres’.

Distribution via ‘Online social communities’ or ‘virtual travel communities’ is highlighted as growing future trend by Levine (2007); HEDNA (2007) and Cetron (2008). This new channel has rapidly evolved in the last 15 years (Stepkenkova et al., 2007), aided by the growing technology of the web (Figure 3.4) especially Web2.0 and social networking 2.5 (Levin, 2007). As was outlined above, this may have an impact on brand loyalty in the future as some experts at Pegasus (2007) suggest that customers will have a good knowledge about the hotel through social networks and will be able to see other customers’ videos.
‘Mobile phones’ will also play a role in the future, as highlighted by Buhalis and Licata (2001), Little (2001), Buhalis (2003), Felton (2005) and Amadeus (2007). Warner et al. (2007). Some of these describe it as an emerging e-platform (e.g. Buhalis, 2003). Others expected it to become an effective distribution channel (Little, 2001 and Harteveldt 2006). Harteveldt (2006) went further and asserted that the mobile phone will be the sixth generation of distribution (see Figure 3.8). Warner et al. (2007) share this prediction and pointed to the necessity of implementing channels using electronic mobile (eMobile) technology for hotels in future.

These writers’ predictions about the future also included more general trends and for example, Levine (2007) highlighted the following: ‘personalisation and localisation’, the ‘upscale of everything’ and ‘control consumer transparency’. Personalisation or localisation will be enhanced as companies who hold information about their customers will be able to personalise or localise their websites according to customer needs using new technologies (Certon 2008; Zehrer and Moschi 2008).
Amadeus (2007) also confirms this view and noted the new versions of CRS software which will enable staff to offer personal offers to customers fitting their needs. In addition, Amadeus (2007) also defined the ‘upscalling of everything’ to mean differentiating your product and services and elevate it, whilst Combe (2006) considers ‘differentiation’ as one of the competitive strategies for e-business. Larvin (2007) points to ‘control consumer transparency’ in relation to ‘virtual travel communities’ (VTCs) or ‘social travel networks’ and there are suggestions (Waldhor et al. 2008) that VTCs will allow companies to identify their image in the market and use them as a marketing tool to influence purchasing decision through the positive feedback. To deal with negative feedback, Welsh (2006) suggested preparing a team of ‘bloggers’ to create
positive feedback about the product, although this strategy has been discredited by O’Connor (2008b) who argues that it would damage the credibility of the VTC’s website. Instead, he advised hoteliers to be proactive with VTCs and to monitor and manage how they were represented on VTCs, pointing to the ‘right to reply’ that is offered by some VTC websites (e.g. tripadvisor.com) and the fact that it is mandatory for hoteliers to use this right to deal with negative feedback.

Amadeus (2007) added to these trends the fact that modern travellers are increasingly ‘educated’ and ‘demanding’ and the advancement of ‘globalisation’ especially in relation to ‘affiliation expansion’ or ‘brand extension’. This expansion requires hoteliers to: keep their eyes on the ‘brand integrity’; control EDCs; have multilingual contents (internal operating systems and customer interface); multi currency; offer e-learning resources to help staff elevate their knowledge. In summary, therefore, expert predictions have all focused on the increasing role of hotel websites and CRS, mobile phones, VTCs and IDTV in distributing hospitality products. It seems as though GDS will remain important. Disintermediation was expected to develop but multi distribution channels were expected to grow as well, which will be investigated in the following chapters. Key words seem to be: ‘personalisation’; ‘up scaling products’; ‘control of customer parity’; ‘improving customer relationship management’; ‘globalisation’, and more educated and demanding travellers. These expected growing channels and trends were natural expectations according to the rapid evolution of technology applications in travel and hospitality ED.
3.9 ED Management Model

Hudson (2008) highlighted the importance of managing distribution channels for the tourism industry. He classified management processes to include three main stages: selecting channel members; motivating channel members; evaluating channel members over the time. Kotler et al. (1999: 483) added a fourth step to this, namely ‘modifying channel arrangements’ by which they meant modifying the strategy when customer-buying patterns change or there are any other changes which impact on the strategy. This step could be accommodated under evaluation, if the evaluation were to be undertaken at regular intervals. In that case the hotelier would be able to distinguish any change and react to it through changing channel arrangements or removing underperforming channels. This change and other changes were accommodated in Figure 3.11 which represents a modified management model based on critically reviewing different authors’ work in this area. Each stage is presented and discussed in the following sub-sections.

3.9.1 EDC Selection Criteria

O’Connor (2001) investigated EDC selection criteria and listed the following criteria: operation ease of use; transaction speed; update speed; traffic levels; integration and security; and initial capital cost. Hudson pointed to other aspects: history of distribution channel (operational and financial history); level of cooperativeness; its reputation and image. Kotler et al. (1999) added profit. They highlighted keeping records of profit to monitor the profit growth for each distribution channels. In summary the following criteria - geographical, profit,
operational, reputation and technical aspects were main areas that different authors listed EDC selection criteria underneath. These criteria and others are listed in Figure 3.9

<table>
<thead>
<tr>
<th>EDC Selection Criteria</th>
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<tbody>
<tr>
<td>Geography and accessibility to consumers</td>
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<tr>
<td>-Ease of using</td>
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<tr>
<td>-Transaction Speed</td>
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<tr>
<td>-Update Speed</td>
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<tr>
<td>-Traffic Levels</td>
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<tr>
<td>-Integration</td>
</tr>
<tr>
<td>-Security</td>
</tr>
<tr>
<td>-Initial Capital cost</td>
</tr>
<tr>
<td>-History of distribution (operational and financial History)</td>
</tr>
<tr>
<td>-Level of Cooperativeness</td>
</tr>
<tr>
<td>-The EDC reputation and image</td>
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<tr>
<td>-The rate level of profit growth</td>
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</table>

3.9.2 Motivating Channel Members vs. Main Issues Related to EDC Management

Kotler et al. (1999) asserted the importance of motivating distribution channels members continuously. Similarly, Hudson (2008) lists three motivators for the channels: financial which included commissions and bonuses; educational trips; reduced price holidays. The last two are more appropriate for tourism destinations and are not acceptable for non-affiliated hotels. The key obstacle against adopting ICT technologies in independent or non-affiliated hotels was financial resources (Main, 2001). With their poor financial resources, it will be not logical to provide them an EDC management model includes these expensive motivators.
Furthermore, as previously stated, there are four main issues related to EDCs and hotels. These issues should be more valuable to hoteliers if included in the management model instead of the EDC motivation. The future issues and expectations will be added to the proposed model for EDC management to reflect future trends. The four main issues and future trends were added as the management tool is supposed to assist hoteliers to exploit EDCs. Understanding these different aspects and the future trends should achieve this goal. The future and the main issues boxes in the model will be filled in with the results of the first and second phase of research (Figure 3.10).

### 3.9.3 Evaluating EDC Performance

Not many authors illustrate how to evaluate EDCs in hotels (O’Connor 2001) and none of these studies included independent hotels. Some of them talked about tourism and hospitality distribution channel in general (i.e. Kotler et al. 1999) and Hudson (2008) or EDCs in tourism. Connolly (1999) and O’Connor (2001) presented their models or tool to evaluate hospitality EDCs but in both cases they dealt with chain hotels and did not include non-affiliated (independent) hotels in their samples.
Connolly (1999) focused on the key issues that hoteliers consider when they assessed the success of their investments in the hotels’ GDSs. He listed the following criteria: incremental revenue, REVPAR, rate lift, number of bookings, occupancy, market share, customer loyalty, overhead costs, conversion rates, overall ROI, speed, efficiency, flexibility, and strategic alignment. Taking a different approach, Kotler et al. (1999) divided evaluation criteria into economic and control. Under economic they highlighted: level of sales and level of cost. Under control they considered control over their inventory and quality of product, giving an example of franchisees and the difficulty of meeting the quality standards sometimes. Another aspect of this control relates to the
lengths of agreements and the problems that could ensue if under-performing channels could not be terminated.

O’Connor (2001) presented a computerised model to assess different EDC performance in hotels. It included the following aspects: initial capital cost; integration with existing channels from a data maintenance; operational ease of use from the hotel’s perspective; potential of the channel to address current market segments; potential of the channel to open up new market segments; reputation of the system provider; security, speed at which information/ rates can be updated; speed at which transaction can be transferred; traffic levels.

Seven years after O’Connor (2001) put forward his computerised model, Hudson (2008) advised having a ‘quality assurance process’ to measure the EDC performance. Furthermore, he pointed to the need for doing it on regular intervals (e.g. annually). His assessment included: sales, customer delivery time, and/or the success of combined promotional efforts among intermediaries. He neglected the quality of hotel information shown on EDCs and the revenue generated. He concentrated on sales, although sales sometimes can undermine hoteliers’ efforts to achieve their yield or ROI, particularly if the EDC has sold hotel rooms for low prices.

Connolly (1999) and O’Connor (2001) focused their studies on large international chain hotels. As a result, some elements mentioned in their models may be hard to measure in small or independent hotels (e.g. initial capital cost;
rate lift, incremental revenue). They also neglected to include the hotel website 
evaluation and assessment of the SEO strategy in their models even though 
Hilary and Kilegast (2008) have pointed to benefits that large chains gain from 
SEO. One of these benefits was clear in the IHG’s decision to terminate its 
relationships with Expedia and hotels.com (KPMG, 2005; O’Connor, 2008a). 
Additionally, search engine optimisation - some authors term it search engine 
marketing e.g. Hilary and Kielgast (2008) – is crucial if hoteliers decide to 
pursue ‘disintermediation’ and rely purely on their websites, a tactic which is on 
the increase and is one of the current tourism marketing trends (Marvel, 2006; 
Zehrer and Moschi, 2008).

In brief, a new evaluation toolkit is required to help hoteliers to identify their 
underperforming EDCs and to assess their websites, their position on different 
search engine and to enable hoteliers (particularly, independent hoteliers) to 
understand the complicated nature of ED. The proposed theoretical model 
which summarises the opinions of the many authors in this field regarding these 
steps is presented in Figure 3.11. The main change made to the theoretical 
model was replacing the ‘motivating channel’ (Kotler et al., 1999; Hudson, 2008) 
with ‘main issues related to EDC management’
Chapter Three: Literature Review

Quality of Hotel Information shown on EDCs

EDC Selection Criteria
- Geography and accessibility to consumers
- Ease of using
- Transaction Speed
- Update Speed
- Traffic Levels
- Integration
- Security
- Initial Capital cost
- History of distribution (operational and financial History)
- Level of Cooperativeness
- The EDC reputation and image
- The rate level of profit growth

EDC Evaluation Criteria
- Revenue
- Number of Bookings
- Level of cost
- Customer loyalty
- Overhead costs
- Efficiency
- Flexibility
- Market share
- Strategic alignment
- Speed
- Ability to control the quality and inventory
- Channel ability to address the current market segment
- Data maintenance
- Channel reputation
- Security
- Traffic levels

Hotelier should evaluate EDCs on regular intervals

Figure 3.11: Theoretical EDC Management Model
3.10 Summary

The importance of EDCs has increased dramatically and in the recent years number of reservations made online has expanded. This growing importance and the evolution of the channels increased the complicated nature of EDCs and created several issues related to the relationship between hotels and EDCs. Price transparency; building customer relationship; complexity and hotel quality of information shown on EDCs were four main issues encountered in the literature. These issues need to be investigated against the current practices in order to develop an EDC management model, an area where there are few academic contributions. This new tool needs to accommodate non-affiliated hotels’ special requirements, as once again very few studies have focused on their needs.