

The Impact of Online Travel Agencies.

Is it still relevant for hotels to have their own booking system?

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<p>The aim of this thesis is to research the impact of Online Travel Agencies(OTAs). Is it still relevant for hotels to have their own booking system? There are different opinions regarding the impact of OTAs. Some believe it is a great marketing tool that brings in a lot of money while others believe that it costs the hotel industry a lot of money. Hotels want to increase their direct bookings to become less dependent on OTAs. This thesis researches the relevancy of direct booking systems now OTAs are becoming increasingly popular and will provide the reader with a suggestion how to make the direct bookings more appealing to guests.</p> <p>The research method used in this thesis is the qualitative research method. During this research, four interviews have been conducted with several managers from the hospitality industry in Helsinki. All interviewees have fairly different positions which is important to gain opinions from different perspectives. The research is done in the Helsinki region which is representative for the general opinion of the hospitality industry globally.</p> <p>The thesis is structured in such a way that the reader first receives background information on OTAs in order to precisely understand the research. Researching OTAs is very relevant nowadays as there is almost no hotel not working together with an OTA. The thesis continues with the interviews that form the foundation for the discussion, where the relevancy of the hotels' own booking website is discussed and what could be done to increase the awareness of a hotels own website.</p> <p>At the moment, it is still profitable to have an own booking website since there are still a lot of direct bookings made. Having an own booking system should not cost a lot of money and does not have to be time consuming. On the other hand, completely stopping the cooperation with OTAs would not be feasible, as most of the bookings are made through it. At the end of the thesis, a suggestion is given how hotels can increase direct bookings to make their own booking system more appealing. The suggestion includes offering benefits, introducing a mobile website and study what the total marketing costs would with respect to the total commission that is paid towards the OTAs. The main goal is to attract more direct bookings in regards to indirect bookings.</p>	
Keywords Online Travel Agencies – Commissions – strategy – trends	

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1 Introduction

The importance of Online Travel Agencies (OTAs) have increased dramatically over the last couple of years. It is a convenient way of making a booking, either on the computer or via a mobile device. The possibilities are endless, and bookings could be made anywhere and at any given time. Since starting the study International Hotel Management, the author has always wondered why OTAs have become so popular and what hotels could do to improve their direct bookings, as hotels have to pay a fair amount on commissions. In Finland, where the author of this thesis is currently studying, most of the researched hotels are making use of OTAs and it seems to be a popular booking method. The author has visited a hotel in Helsinki and discussed this topic widely before starting this research product. With this discussion in mind, the topic for the thesis was an easy decision. This topic is also chosen as there are no previous studies on this exact topic and it may be a good start for further research. The topic and research is also relevant for the entire hotel industry, not only for hotels in Helsinki, and hopefully this study serves as an eye opener for other hotels in other countries.

OTAs are a great and convenient way for guests to compare hotels and various prices, all offers are placed on the same website and making a booking is a fast and easy process. Hotels that make use of OTAs reckon that their empty rooms can be sold more efficiently. Furthermore, it is a great marketing method to advertise the hotel and to increase brand awareness. As opposed to these positive aspects of embracing an OTA, there are also various disadvantages. One of the most important reason why hotels decide to operate without an OTA is the commission that has to be paid, which can be as high as 20% of the total room price. (Del Chiappa 2013, 57.)

This thesis is written to research the impact of OTAs on the hotel industry and if it is still profitable for hotels to have their own booking system. This research product will further focus on hotels embracing OTAs in Helsinki, the reason why hotels are willing to work together with an OTA and why guests decide to book via an OTA. This is researched in depth to gain a clear understanding of the working of OTAs. Furthermore, the research will suggest options to increase direct bookings and gives suggestions how hotels could be less dependent on OTAs. The research is done in Helsinki but could be globally used as the hotel industry most likely shares the same opinion. This research may be used as a base for further research. The thesis is written by using a qualitative research method approach including semi-structured interviews with managers working in the hospitality

industry.

Before starting the actual research for the thesis, the author conducted desk research to find out the actual problems regarding OTAs. Several questions regarding the thesis topic were developed during the desk research. The main research question that is developed during these sessions is: Is it still relevant for hotels having their own booking system? The sub-questions that structure the main research question and structure the whole process are:

- 1) What is the surplus-value of having an own booking system while there are many online travel agencies (OTAs) available?
- 2) What is the percentage difference in bookings made via an OTA and a hotel's own booking system?
- 3) Is there a trend seen in the booking behaviour of guests?
- 4) Is it relevant to have an own booking system?
- 5) Are there major differences in how a guest books between the researched hotels?
- 6) Why and how have OTAs become so popular?

The thesis is structured according these subquestions and all chapters in this research product work towards the end goal, which is answering the main question. Below a brief description can be found to make the structure of the thesis more clear to the reader.

The theoretical framework allows the reader to gain insight in the working process of OTAs. Also the reputation of OTAs is discussed, whether hotels see them as a threat or as an opportunity. Furthermore, the reaction of the hotel industry on OTAs is briefly explained in paragraph 2.4. The theoretical framework also elaborates on the advantages and disadvantages of embracing an OTA. Additionally, the booking behaviour trends are studied which are important to consider for the near future of the hotel industry. Finally, it is studied how hotels can effectively use their own website to increase the direct bookings in favour of OTAs.

The methodology chapter briefly describes the qualitative research method and why this method was chosen. An explanation is given on the interviews and question design to give the reader an understanding of the whole process step by step. Also, the coding system that is used for the interviews is explained in the methodology chapter. Furthermore, this chapter elaborates justification, validity and reliability of the research

and its sources.

Chapter four interprets the results collected during the research process needed to accomplish the research goal. This chapter includes the findings collected during the interview's and will describe the outcomes. It will also briefly describe the interviewees. Furthermore, this chapter combines the findings collected from the interviews with the findings from the theoretical framework. The most important aspects will be discussed in there, using relevant literature and research outcomes.

To conclude, a conclusion is presented to the reader where the research question and sub-questions are answered by referring back to the content of this thesis. A suggestion is given how hotels could optimize their own booking channel to become less dependent on OTAs. Finally possibilities for possible further research are given.

One of the limitations is that the research is done in the Helsinki region only with as argument that the global hotel industry will most likely share the same opinion. However, this is not researched and thus unknown. However, the hotel industry is very international minded, yet it is expected that the research is also of value outside Helsinki.

Another study limitation is the total sample size. In total, the author received four interviews while instead eleven hotels in Helsinki have been contacted. Conducting interviews with hundreds of hotel managers would also be un-feasible considering the time limit.

All in one, this research is a good basis for further research.

2 Theoretical framework

The theoretical framework will address what type of booking systems we know, the booking behaviour trends of guests and corporate businesses, what OTAs are, the problems and issues that OTAs arise and possible alternatives for the hotel industry. It will provide support for the rest of the research. The theoretical framework provides background information on the topic that supports the writer's research. It helps the reader to understand the thesis's perspective. The literature that will be used will be carefully chosen based on relevance and reliability. The paragraphs in this chapter are chosen based on the research questions and will elaborate on the problem. This chapter is important to conceptualize the research problem and will partly find an answer to the research questions, which is later underpinned with the findings from the interviews.

2.1 Booking styles and trends

The travel booking world has undergone a huge transformation over the last couple of years due to technology, digital tools and the internet. A market consists of many people, potential guests and people who all differ in their needs, interest and desires. They also vary in age, educational level, income and their taste. All these factors influence the booking behaviour of guests. Due to these factors, it is hard for hoteliers to satisfy every guest. Therefore, the guest's booking behaviour trends mentioned in this paragraph should carefully be observed. (Schieber 2014.)

Back in the days, it was easier to understand the guests' wishes due to the daily experience of selling to the guests. Today firms have grown tremendously and there is a distance between hoteliers and guests. To find out the guests' buying behaviour, the hotelier can ask six questions: what do they buy, where, when, why, how and who? (Schieber 2014.)

The world of online bookings is moving forward and OTAs are not the only online agencies to be considered. Metasearch is a good example of this. It shows different hotel availabilities and pricing information from various sources. Metasearch is basically a search engine such as Tripadvisor, Trivago or even Google where you will be getting results from a variety of search engines. OTAs and Metasearch have created some tension in the hospitality industry, as they have brought back many direct booking websites. The interests of the OTAs often collide with the interest of the hotels. (Schieber

2014.)

According to Vineeth Purushothaman (2016), there are several online booking trends that should be carefully watched in the near future. To start with auction websites where one is able to set their own price for a product or service. The website RoomAuction.com is different from normal OTAs as they show standard rates for hotels and bookers can place an offer starting by how much they are prepared to pay for their stay. Eventually, the hotel decides whether to accept or decline the bid.

Another trend regarding the booking behaviour of guests are the hotel rebooking websites. Bookers are often left with the question "Did I really get the best price?". Bookings are being forwarded to the rebooking websites such as *Dreamcheaper* and they will continuously compare the room prices, rebook and cancel your old reservation if something cheaper is found. (Purushothaman 2016.)

Most of the OTAs are only focused on offering guests a place to stay while there are other websites that offer a complete package. Many guests wish to book everything needed for the trip on one website, which is often not offered by OTAs. For instance, the website *Hello Gbye* is a new online travel booking tool that allows guests with end-to-end solutions within minutes. (Purushothaman 2016.)

According to Schieber (2014) there are several other trends that are considered important for the hotel industry. The online and mobile technology is on the rise and the introduction of smart phones a couple of years ago is seen as a significant technological development. Because of this technological development, the travel industry may offer guests a customized deal which leads to a more impulsive buying behaviour.

In agreement with Pantelidis (2014, 238) a variety of distribution channels are available to hotel managers, which does not only involve OTAs but many more. There is a variety of travel agents who are located on geographically diverse markets around the globe where hotels sell their rooms and services to. Also, hotels collaborate with tour operators and wholesalers that usually sell rooms as part of a travel package. These intermediaries from complex distribution systems are likely to work together. To give an idea, a guest may be in contact with a travel agent to purchase an end-to-end travel package that is provided by a tour operator. The tour operator may negotiate with the wholesaler or an inbound agency. Finally, the hotel received the payment and pays the commission fee to the intermediaries.

Figure one gives an overview of the various distribution channels in the hospitality industry.

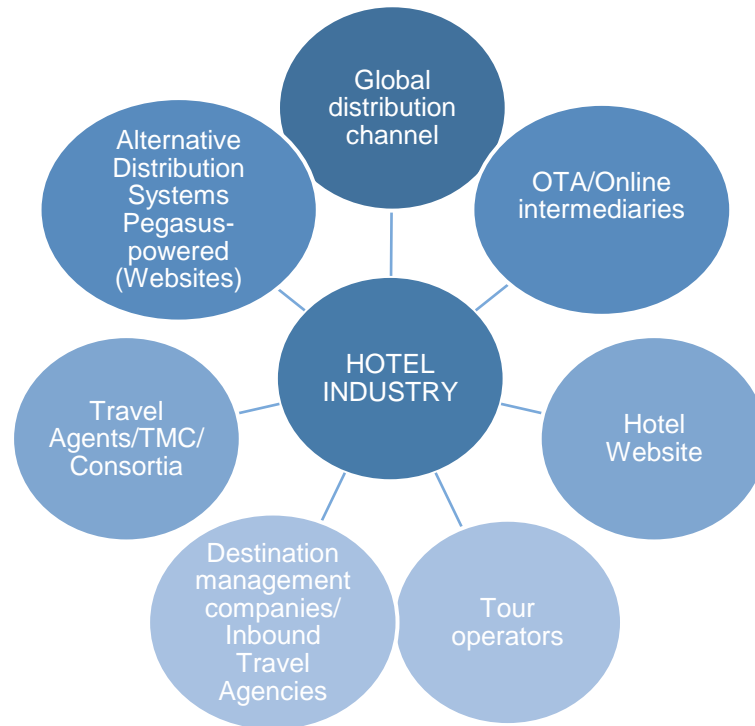


Figure 1 Distribution Channels in the Hospitality Industry (Pantelidis 2014, 238)

2.2 Online Travel Agencies

No hotel-related topic has been so widely discussed as the presence of OTAs. These websites provide guests with information on the hotel, prices, features, compare hotels and the possibility to book. In return, the hotel pays the intermediary a fee per booked room. In the past, many hotel reservations were booked by either telephoning the property or a face-to-face conversation. With the rapid development of information technology, the hospitality industry has quickly entered into using e-commerce, enabling hotels to conduct business over the internet. OTAs are the new face in the world of hotel distribution channels and according to the German hotel association IHA, the share of online bookings have increased from 33.4 % in 2007 to 57.6 % in only two years (Pantelidis 2014, 239). Hotels have heavily invested in their own website to stimulate guests to book directly instead of booking through an OTA. To support this, the hotel industry has promoted a best-rate policy, guaranteeing the rates to be the same on any website or intermediary. (Pantelidis 2014, 239.)

Most of the hotels work with the agent model, which guarantees a fixed commission per booking to the OTA. It is almost impossible for hotels not to work together with an OTA as most of the business comes from an OTA. The costs of commissions are generally lower

than when the hotel decides not to use any OTA anymore, even though commissions can rise up to 20 %. To picture this; when a guest makes a transaction of € 100 via an OTA, the hotel only gets € 80 euro due to the 20 % OTA commission. (Green & Lomanno 2012, 147 – 172.)

OTAs have a wide range and their marketing campaigns can reach more people than the marketing campaigns of independent hotels. On the other hand, the commissions may burden the hotel profit margins and some unique selling points. OTAs are often seen as a friend or as an enemy. (Barthel & Perret 2015, 2 – 7.) Therefore, it is important to have a well-managed relationship with one or several OTAs, but solely depending on them would not be considered a good thing. On the contrary, hotels have the ability to choose which OTA they would like to have as business partner, this is of mutual benefit only if the OTA addresses the same target group as the hotelier would like to reach (Wichmann 2014, 239).

Additionally, an OTA can be used to raise the brand awareness of hotels which will eventually lead to an increase in direct bookings. According to Verrall (2014), 52 % of the guests plan their journey via an OTA, but decide to book directly at the hotel. It is important to have an attractive website, so once they arrive at the website they stay there to book. (Verrall 2014.) This is also called the billboard effect. Being listed on an OTA may boost the direct reservations, a 2009 Cornell report showed that hotels who are listed on an OTA see an increase in the bookings made through their own booking channel. The study showed up to a 26 % increase in revenue coming from direct bookings, from just being listed. (Little Hotelier 2017, 7.)

Furthermore, hotels are forced to offer a consistent price to all distribution channels. This is called rate parity. Rate parity is an agreement between hotels and OTAs, providing the same rates for the same room on all distribution channels. Meaning that the hotels have to have the same price for a room, no matter where the guest books it and no matter how high the commission is that has to be paid to the OTA. The higher the commission, the less money the hotelier makes. (Forgacs 2010, 79.)

The basic idea of rate parity for OTAs is to make sure hotels do not give away any discounts to guests. Simply said, to 'steal' the bookings from hotels. It makes sure that hoteliers do not have any weapon to attract direct bookings. If the hotels would have the possibility to make their direct bookings cheaper, guests would sooner book directly. To guests, rate parity is a good thing as it has brought some structure in the hotel industry. If booking directly is more expensive than with an OTA, the hotel may lose the guests' trust.

(Ros 2016.)

Supplementary to this, rate parity is also due to the phenomenon of price transparency. Price transparency is defined as the ability to observe prices across various different channels. With of the internet, it has become an easy process to observe this online. The availability of prices have enabled hotels to observe the pricing strategy and levels of other hospitality organizations more easily. With this in mind, hotels can decide on the best pricing strategy. However, different prices across different channels for the same services and/or products may confuse guests. (Tranter, Stuart-Hill, & Parker.2008., 23.) With the introduction of rate parity, it is impossible for hotels to sell their rooms cheaper on their own website. (Freed 2012.)

Hotels can make direct booking a bit more appealing by introducing small benefits. Also, hotels may grant loyalty points to guests who book direct, but not necessarily for bookings booked through intermediaries. Eventually, this will learn that the best offers for guests come from direct bookings. (Verral 2014.)

It is important to understand why guests decide to book via an OTA. The impact of social media on your hotel should not be underestimated and hotels should work hard to make their direct bookings more appealing to guests. The reason why OTAs have become relatively large and popular is as it is convenient to book your complete travel on one website, hotel information is easily accessible, reviews from other guests are crucial and hotels and rates can be compared very easily. These intermediaries have advantages that a hotel's website cannot compete with. Guests are often looking for an end-to-end- or a packaged holiday which OTAs are more able to offer than an individual supplier. (Pantelidis 2014, 239.)

Also, several hotels have not adjusted their website to a mobile version yet, which is inconvenient for guests who like to book this way. OTAs have invested in applications and created an optimized experience, enabling guests to easily browse and book anywhere anytime. (Lulla 2016.)

2.3 OTAs reputation: a threat or an opportunity?

Guests are more likely to book with an OTA when it comes to mobile bookings, costing the hoteliers commission. This seems to be the preferred method for guests as it is very easy to use and guests can easily compare different hotel options via OTAs. (Del

Chiappa 2013, 57.)

Expedia and Priceline are two leading OTAs and appear to be the helping hand of the hotel industry. As mentioned earlier, the travel agencies make sure that empty rooms are filled and that hotels are almost fully occupied. In return, a commission is paid. While OTAs represent an important resource for hotels to generate revenue and to reach new markets, they also represent a challenge due to these commissions and online competition. The commission may be as high as 20 % of the total revenue generated per booked room. (Del Chiappa 2013, 57.)

It is understandable that many hotels hesitate to list their hotel on an OTA because of the commissions they have to pay. Although, as reported by Little Hotelier (2017, 8)

"Would you rather be earning 65 % of your room rate, or 0 % if your room sits empty?"

The main risk for hotels embracing an OTA is the convenience of using an OTA as booking method, meaning that price, location, photos and reviews become more important than brands for guests. According to Del Chiappa (2013, 57)

"the internet and travel agencies negatively influence hotels because it creates online price transparency, resulting in price competition and reduced guests' loyalty".

However, as reported by Toh, Raven & Dekay (2011, 181- 189) OTAs have risen in popularity; 78% of their total respondents use the internet for information search while 67% make the actual booking online, there is only a small number of respondents using traditional travel agencies. Figure two shows the difference in booking behaviour per country, where is shown that most of the guests decide to book with an OTA, concluding that direct bookings are less attractive. (Toh et al 2011, 181 – 189.)

China is the biggest player when it comes to making online bookings. Nine out of ten online shoppers use OTAs, but less than four out of ten use a hotel's website to make a booking making OTAs popular among bookers. (Lulla 2016.)

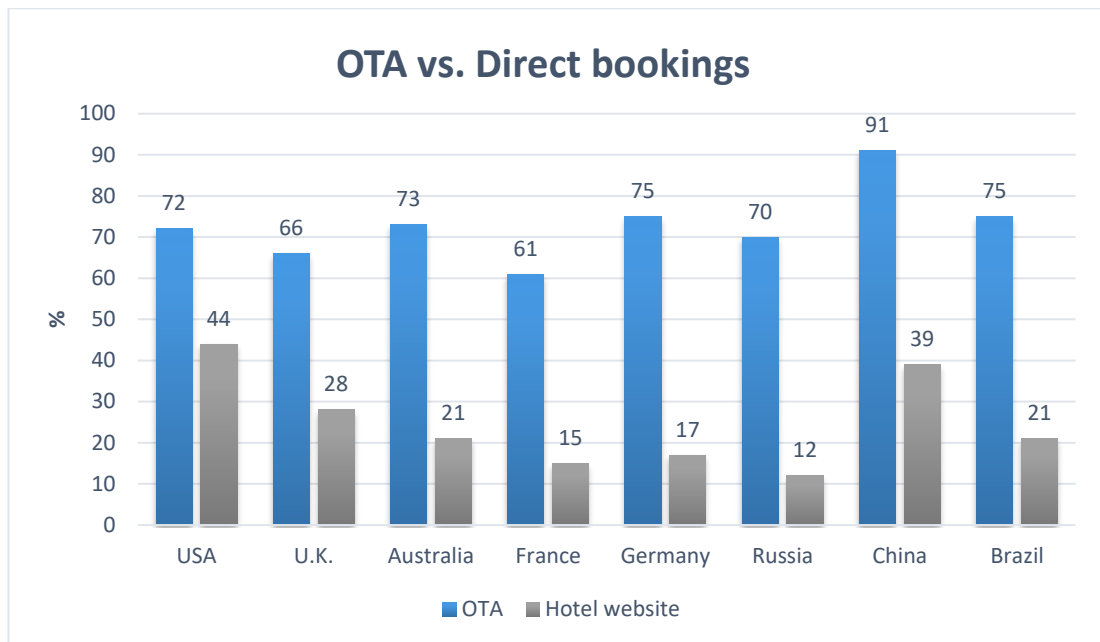


Figure 2 Hotel Shopping - OTAs vs Hotel Websites (Lulla 2016)

According to previous research, it is hard to say whether an online travel agency is seen as a threat for the hotel industry or as an opportunity. OTAs have good aspects, as it brings more business to the hotel industry and it can also be seen as a way of promoting the property. On the other hand, price transparency, rate parity, high commissions and competition are various factors describing negative aspects for a hotel of working together with an OTA. Hoteliers would rather sell their rooms via a direct channel, however often choose to work together with an OTA to get more out of it. Selling rooms via the hotel website is the most cost effective distribution channel. It is important that the hotels dominate the internet again with their own marketing message, or otherwise OTAs and competitors will take the lead. (Starkov 2011, 25 – 28.)

Independent hotels are often dependent on an OTA as their brand awareness has not reached many people yet. With the help of an OTA, the hotels are able to increase their brand awareness and attract more guests. Nowadays, more than 76 % of the independent hotel bookings are made through OTAs. (Starkov 2013.)

2.4 The reaction on OTAs

Hotel chains are getting smarter in their way of distributing hotel rooms. As a reaction on the high commissions from OTAs, several hotels have founded the website <https://www.roomkey.com/>. The core strategy of Room Key is to persuade guests to compare hotels via Room Key, instead of via an OTA or Metasearch. Room key gives

guests access to low loyalty member rates of thousands of hotels across the world. The website also transfers guests to the original website of the hotel, making it a direct booking. The website has added about 20,000 to 30,000 hotels in the past two years, resulting in a total of over 70,000 properties worldwide. The website is founded by Choice Hotels International, Hilton Worldwide, Hyatt Hotels Corporation, Intercontinental Hotels Group, Marriott International and Wyndham Hotel group. (Room key 2017.)

Like an OTA, Room Key makes money from commissions which is rather problematic and complex as the whole idea behind Room Key is to let hotels pay a low amount on commissions. The commission, however, is lower than what OTAs collect. To attract more guests, Room Key introduces a loyalty program. This program ensures guests with a more convenient way of booking. The guests' preferences are immediately shown and search results are updated regularly. An additional element is a personal dashboard, where guests can see how many points they have in each program. Loyal guests are important to the hotel business as they repurchase from the same service again, they continue to recommend the hotel and maintain positive towards the service they receive (Kandampully & Suhartanto 2000, pp. 346 – 347).

Room Key is an effective reaction on the OTAs, but not everyone is quite familiar with the website. (Room Key 2017.)

2.5 Advantages and disadvantages of booking online and offline

This paragraph will describe the advantages and disadvantages of online and offline bookings to gain a clear understanding why OTAs have become so popular among guests. This section provides valuable information regarding sub-question six.

As reported by Law, Leung & Wong (2004, 100-107) traditional travel agencies have personal service as advantage. The human touch and personal service is essential for traditional travel agencies and certain target groups prefer that over a booking via an OTAs. Being physically at a travel agency also gives some sort of security or certainty, due to the personal contact with the service agent.

People choosing to book via an OTA often have the reason that traditional travel agencies do not have as many options as the OTAs and that they are less flexible. OTAs constantly update their prices and offers, which is hardly the case with traditional travel agencies. According to Bennet (1993, 259 – 266) traditional agencies should strengthen their role as travel advisors, otherwise it is very well possible that they will cease to exist in the near future.

As traditional travel agencies have specific retail hours and are located at a particular location, OTAs are 'open' at any time and globally. Meaning that guests are able to book anytime, anywhere in the world. OTAs have become very popular as it is an effective way of booking, organizing a trip and sharing information. As stated by Engvall, Fritz, & Kindh (2012, 23) one of the main advantages of OTAs is the direct access for availability and comfortability. Moreover, another advantage is time savings, it is easy to compare prices, there are cost savings and the ability to easily request informatio. Figure three shows the increase in revenue made by OTAs over the last couple of years, showing the increased demand for an OTA.

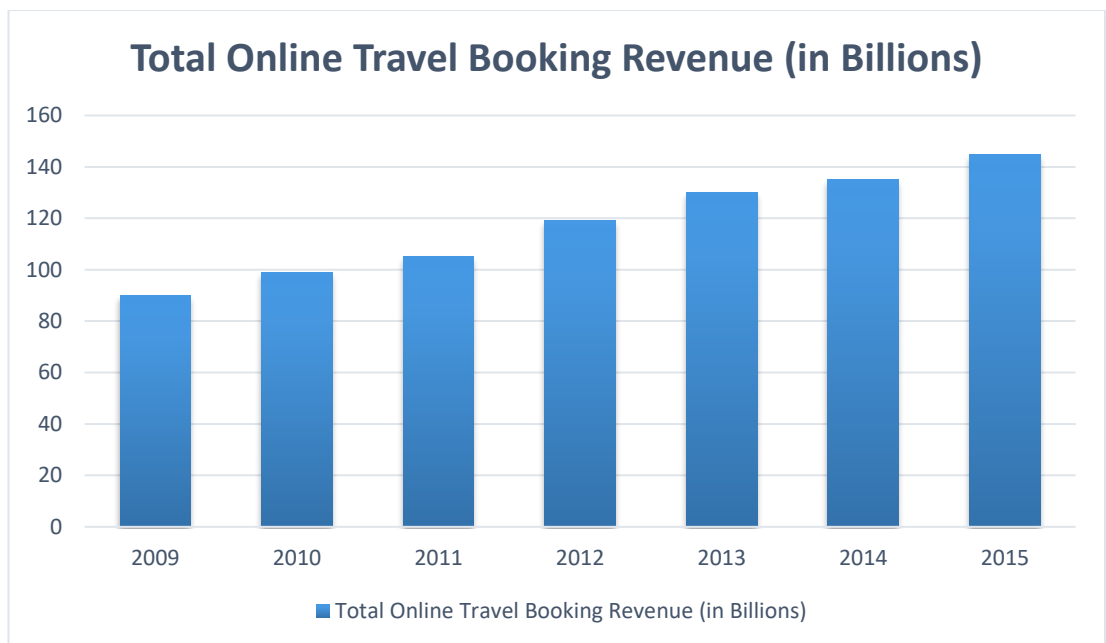


Figure 3 Revenue OTAs (Laudon & Traver 2012, 770)

As the technology is evolving rather quickly, guests are able to write online reviews of their experiences. This could be a reason for guests not to book a particular hotel, as of their bad reviews. On the other hand, positive experiences lead to more bookings. The main reason for not booking online, according to the research done by Engvall et al. (2012, 24) is because of credit card security. It is often still tricky to fill in credit card details online and guests are not sure whether the website is reliable or not. Data security is very important when dealing with personal and sensitive information (Ainscough & Lockett 1996, 36 - 47). This is certified by PWC (2010, 1 – 10) by explaining that hotels should look for a strategy to gain insight in the hotels' risks and vulnerabilities and to protect important data.

What is an advantage for traditional travel agencies, may be a disadvantage for OTAs. OTAs offers few to no personal service, which is seen as a disadvantage for guests who would like to know experiences through word-of-mouth. Also, the older generation tends to like a personal touch better and often decide to book via a traditional travel agency. (Canzoniere 2014.)

2.6 How to increase direct booking?

OTAs such as Booking.com or Expedia can be a hotel's most effective marketing tool, but are also their biggest competition. OTAs make sure that empty rooms get booked that otherwise may have stayed vacant, while on the other hand, it takes away business of direct bookings costing the hotel industry huge OTA fees. (Starkov, 2013.)

However, hotels have a few tricky ways to make direct bookings more appealing. Toh et al. (2011, 241) proposes hotels to exclude upgraded hotel rooms from the OTA and only sell selected rooms on OTAs. This would leave product and distribution sovereignty with the hotelier. Moreover, hotels have the ability to offer guests discounts while still following the rate parity agreements. The price may still be the same as on OTAs, but the extra amenities make the stay more worthwhile. Some hotels use the amenities such as free Wi-Fi, parking, breakfast or local event tickets to make direct bookings more appealing. (Mayer, 2015.)

Guests may be searching for a room on an OTA site and eventually navigate to the hotel's website to learn more about the hotel and the amenities. This is the hotel's chance to grab their attention and to make sure they book directly via the hotel's website. The website should be compelled with visible signs and should be user friendly to keep visitors on the page. Having high quality photos taken by a professional is a clear advantage. Some guests have the idea that if they book via an OTA, they get less desirable rooms. So if a hotel's website has high quality photos of the best rooms, they might go for quality and book directly. (Clerk Hotel 2017.)

Another strategy to improve direct bookings is to make your customer loyalty program exciting. As reported by Verrill (2017), one best way to eliminate the OTA is to take advantage of your previous stays. Anyone who stayed at the hotel before should be added to a mailing list for discounts and other exclusive deals as a 'thank you for your previous booking'. Consider offering promotions such as upgrades or services such as free airport transportation. Verrill also mentions that hotels should take advantage of guests when they are at the front desk, meaning that the front office employee can face-

to-face offer discounts for their next stay if they book directly from your website. Moreover, a clear and visible sign at the front desk guaranteeing that the hotel's website offers the cheapest rate is also a way to evolve trust.

Moreover, guests are more likely to book when other guests were enthusiastic about their stay and have written a positive review with recommendations. Online reviews are an important source of information for guests. Even if they decide to book offline, they often read reviews before making a booking decision. Online reviews have become very popular in the hotel selection process. Reviews are seen as a trustworthy source of information and guests get a better picture of the hotel than by looking at the official website. If the hotel's online reviews are positive and hotels respond rapidly and honestly, it will not only attract more guests but also improves the guests' journey. Figure four shows the review response cycle (Mayer 2015). The cycle starts with guest expectations, meaning entering a hotel with a certain expectation in mind. This expectation is generated through previous experiences, reviews or via word-of-mouth. The second aspect of the cycle is the service experience, representing the actual stay. The guest will continuously check whether the expectations meet their experience. If the experience was negative, the guests will want to share their bad experiences on review web pages. In order to make people return to the hotel even though they have had a bad experience is to make things great again by commenting on the review and fixing the problem. (Mayer 2015, 7.)

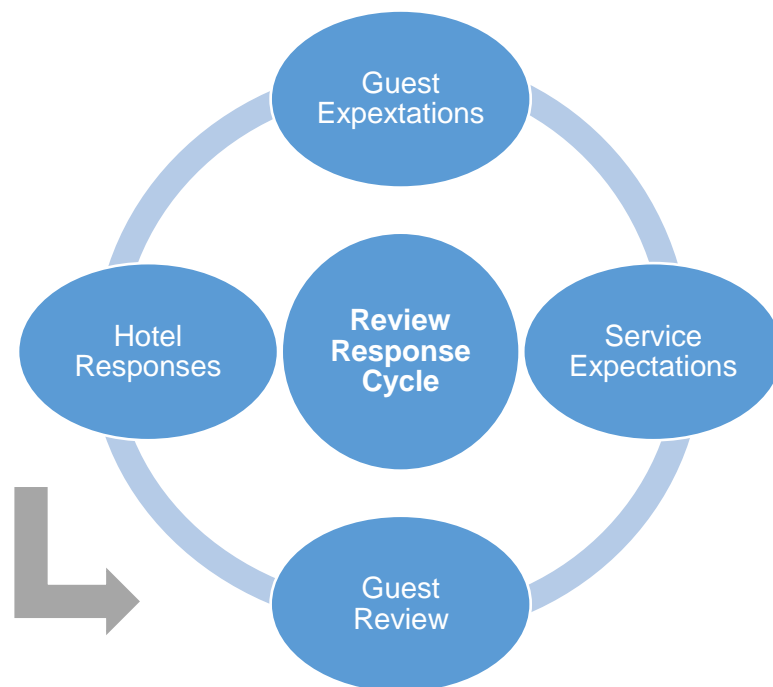


Figure 4 Review Response Cycle (Mayer 2015, 7)

2.7 Framework summary

The theoretical framework is summarized in figure five. The figure shows the six most important elements that were covered during the theoretical framework. The main issue, which is 'the impact of OTAs' is written in the middle of the figure. This figure is used to quickly understand the main issues and subjects discovered during the literature research.

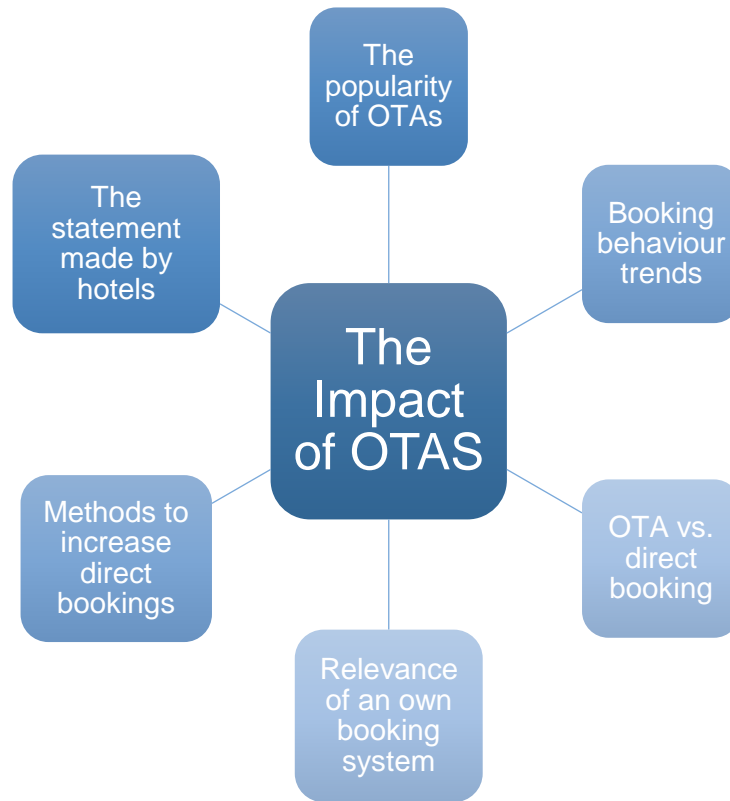


Figure 5 Summary Theoretical Framework

3 Methodology

The research will follow a theoretical framework in order to answer the research question and the sub-questions. This chapter will elaborate on why this specific approach is chosen and some background information on how the research will be conducted.

3.1 Choice of method

Qualitative research is defined as a type of scientific research that consists of an investigation. It seeks answers to a particular question or situation and it collects evidence to proof. The three most common methods are participant observation, in-depth interviews and focus groups. (College of Computer and Information Science 2017.) The reason that this thesis uses the qualitative research method is to look for trends in data (Madrigal & McClain 2012). These trends can be used to come up with a final suggestion concerning the thesis topic. When it comes to identifying trends in a research analysis, researchers are looking for identical answers between the interviewees. Also, the research questions could generally only be answered by interviewing professionals. This is due to the fact that it requires some study and work experience to fully understand the issue with OTAs. It is, furthermore, a flexible method that allows spontaneity between the researcher and the study participant. Spontaneity is necessary for this research as it could yield additional information which may not be captured by strictly following the interview agenda. Participants have the opportunity to respond in greater detail than they would have with a quantitative method, such as a survey. This is due to the fact that the interviewees are carefully chosen based on their career and survey respondents might not have a similar position yet. Meaning that purposive sampling is used, they comply with the preselected criteria of the thesis author: working in a hotel in Helsinki with adequate knowledge on OTAs (Mack, Woodsong, Macqueen, Guest, & Namey 2005, 5).

The used interview method used in this research study is a semi-structured approach. An interview schedule is made including all relevant questions, but the interviewer is also free to explore a different theme or direction if the conversation allows. These un-planned questions may be a relevant focal point in the research. The interview schedule is advantageous as it gives the interviewer a clear direction before starting the interview and it also includes all the main questions. Secondly, consistent information is collected from all interviewees. The interview schedule is used with flexibility in order to obtain more useful data. (Silverman 2013.)

3.2 Question design

In order to gain a clear and transparent understanding on the opinions regarding online travel agencies and the effectiveness of an own booking system, the same questions will be presented to all interviewees. All interviews will be taken place in Helsinki.

The open ended questions on how the interviewee perceives the situation regarding online travel agencies and what possibilities they could think of give in depth information and research possibilities to make a suggestion where all hotels in Finland can benefit from.

The hotels are all connected to an OTA and the questions are based upon their experience with it. The questions will acquire a deeper understanding into the research topic and are linked to the research- and sub-questions. The questions are designed in such a way that all hotels, that are connected to an OTA, are able to answer the questions. It will provide an understanding into the underlying question why hotels keep using OTAs. A final suggestion for hotels regarding this issue should become clear after the interviews.

The interview questions are divided over four subjects and are related to the sub-research questions mentioned in the introduction. The interview questions are connected to the theoretical framework as they cover most of the information found in literature, Also, the theoretical framework made clear that OTAs have become increasingly popular and many guests decide to book via an OTA instead of another booking system. Several questions are based on this phenomenon and how the interviewed hotels cope with this.

OTAs in general

1. What is your opinion on the Online Travel Agencies?
2. What are in your opinion the biggest drawbacks of OTA?
3. Do you believe there are positive aspects of working together with an OTA?
4. Why and how do you think that OTAs have become so popular?

Booking behaviour trends

5. Are there more bookings done via an OTA or via direct bookings at [company]?
Why?
6. How did the booking behaviour of guests change over the last couple of years?
7. What could [Company] do to make direct bookings more attractive and to increase the direct bookings?

Relevance of an own booking system

8. How would it be possible for a company such as [Company] to work without an OTA?
9. Do you believe that OTAs have more or less taken over from hotels concerning bookings?
10. Is it still profitable enough for [Company] to have a website with an own reservation booking system?
11. How important are OTAs for your business?

The future

12. What do you think will be an important action that [Company] should take into consideration to attract more direct bookers in the future?
13. What advice would you give other hoteliers that are also facing the high commission fees of OTAs?

3.3 Implementation of the research

The interviews that will be used to support the theoretical framework will be conducted by the author of the thesis. The interviews will be with several managers working in hotels in the Helsinki region. The interviewees were chosen because of the insight they could give regarding the OTAs and hotel's direct bookings. Also, they are chosen based on their knowledge and current position within the hotel industry. The reason to use expert opinions from only Helsinki is to keep the research rather small. The interviews will be held in Finland, as the research is focused on hotels in the Helsinki region.

The interviewed hotels vary from large chain hotels to small independent hotels to boutique hotels that are all working together with an OTA. This method is chosen to gain different points of view and to have an interesting outcome and can be used as an example for further studies.

This research and the approach is chosen to find out a hotel's perspective on the online travel agencies and whether having an own booking system is still relevant and effective. Previous studies regarding online travel agencies have never adequately addressed this.

This research study could be interesting for other hotels, also for hotels outside Helsinki. The research is underpinned with information retrieved from interviews and literature sources, while seeing the opinions from the interviewees as shared opinions in the hotel industry in Finland. The opinions are seen as shared opinions for the hotel industry as

purposive sampling is used, meaning the interviewees were selected based on specific criteria. This makes the research representative to also whole Finland.

3.4 Analysis strategy

To break down the interviews and observe the data, a coding system is developed. A coding system helps the writer to easily summarize data. The complete transcripts are not included in this thesis due to the privacy of the interviewees, however a summary is included in Appendix 3.

The coding system is divided in six categories, each having their own colour. The negative aspects are coloured red in the transcripts and include the negative side of embracing OTAs mentioned by the interviewees. The guests' booking trends, which are made blue, include the reason why people decide to book a certain way as well as the change in their booking behaviour style. The relevance of having an own booking system is marked green and includes answers on the profitability of having an own booking system, how hotels should differentiate themselves from OTAs to increase direct bookings and whether or not OTAs have taken over from direct bookings. This code should give an answer to the question if having an own booking system is still relevant for the hotel industry. Possible actions for the future are marked purple and include all the necessary actions for hotels to undertake to increase the direct bookings. The next code is the popularity marked in pink, describing all the aspects why OTAs have become so popular outlined by the interviewees. The last code are the positive aspects which are underlined with a yellow colour. These aspects encompasses the reasons why hotels decide to work together with an OTA, whether or not it is possible for the questioned hotels to work without an OTA and the importance of OTAs for the hotels. The coding scheme could be found in appendix two.

3.5 Reliability and validity

This paragraph elaborates on the reliability and the validity of this research product. Reliability basically means the extent to which this research would provide the same answer, if someone else would execute it. The results should be consistent and an accurate representation of the actual situation. On the contrary, validity means the extent to which the research gives the correct answer to the research question. It measures how truthful the results are and if the research truly measured what it was intended to measure. (Golafshani 2003 ,598 – 599.)

The opinion of several (hotel) managers are collected to research the topic from various angles. The research study is focused on Helsinki only and may be a great product for other hotels in Finland.

The sources used for this research is information that addresses the research topic properly. Data is collected using systematic procedures, using various databases and metasearch machines that are connected to a well-known library or university.

Would this research be done a second time using the same research methods, it is not said that researchers obtain the same answers. The author has only interviewed four persons so it could not be said with complete certainty that other interviewees share the same opinion.

Lastly, the author made use of an appropriate time frame for the study, appropriate methodology is used, the sample method is satisfactory and nobody has been pressed in any way to participate in this research. Making this thesis a reliable and semi valid research for hotels that are working together with an OTA in Helsinki region.

4 Results

This chapter will present the results received from four semi structured interviews conducted with a hotel manager, a duty manager, a revenue manager and a revenue executive. The findings retrieved from the interviews overlap with the literature research from chapter two. This chapter will also discuss the main findings by using relevant literature concerning the topic.

First, the interviewees will be shortly described to highlight their position in the hotel industry. Second, the most important information coming from the interviews are explained by following the coding structure. Additionally, the findings are being discussed with relevant literature to find similarities and contradictions. A coding structure is created to break down the interviews and was further elaborated in paragraph 3.3: analysis strategy. This chapter elaborates on the most important findings coming from the interviews using this coding system.

No names will be mentioned because it is promised that all information will be kept anonymously. All interviewees are given a number in this research to make clear who mentioned what.

All interviews lasted around 30 minutes and covered the following topics: OTAs in general, the booking behaviour trends, the relevance of having an own booking system and the future.

4.1 Respondents

Firstly, this short introduction of the interviewees is created to develop an understanding why these persons were chosen to participate in this research product. Important criteria were a good understanding of hospitality process, connected to an OTA as well as the position. At the end of this paragraph, a table is presented with a small summary of the basic information on the hotels.

Interviewee one is the revenue management executive of a big hotel chain in Helsinki, responsible for three hotels. He is in charge of the room pricing and the availability of their hotel properties. The interviewee is working in a team with seven persons, of which four are actual revenue managers in the hotels. (Interviewee one, 2017.)

Interviewee two is the hotel manager of a small family hotel in Helsinki. He is responsible for everything, there is no particular department for revenue management or marketing. He and the receptionist work closely together to run the hotel. (Interviewee two, 2017.)

Interviewee three is the revenue manager of a hotel chain in Helsinki. Before being in this position, he worked in the revenue department of another big hotel chains. The hotel he is currently working for is part of a bigger hotel chain and has various hotels in the Helsinki region. The hotel is an international conference, event and business hotel chain and situated on strategically chosen locations. (Interviewee two, 2017.)

Interviewee four is the duty manager at a small boutique hotel in Helsinki, since June 2016. Her main tasks are basically running the whole hotel. There is no particular marketing or sales department, so as a duty manager she takes care of this as well. (Interviewee three, 2017.)

Hotel	Location	Segment	Position interviewee	Sex M/F
Hotel 1	City Centre	Luxury hotel	Revenue Management Executive	M
Hotel 2	City Centre	Independent family hotel	Hotel Manager	M
Hotel 3	Central location	Chain hotel	Revenue Manager	M
Hotel 4	City Centre	Boutique hotel	Duty Manager	F

4.2 General opinion of OTAs

The respondents all have a different view on working together with an OTA. Several negative as well as positive aspects were mentioned, providing different perspectives. When focussing on the negative aspects, all interviewees mention rate parity clauses. As reported by interviewee three

“It blocks the real competition, it is not a real competition anymore”

“Not to mention the high commission that is paid per sold room. OTAs are a cost channel for the hotel industry and they go often together with high commissions” (Interviewee one)

Rate parity clauses force hotels to offer a consistent price on all distribution channels (For-gacs 2010, 79) and as stated by Ros (2016)

“It makes sure that hoteliers do not have any weapon to attract direct bookings”

This is in contrary to what is mentioned by the interviewees. Rate parity clauses make it, indeed, harder to attract direct bookings. Nonetheless, hotels have special tools to obviate this. As mentioned before, guests may be given small discounts and better service. This leaves guests with greater benefits for their booking.

Interviewee one also mentions that hotel room descriptions are very generic on OTAs which affects the hotels identity. The hotels own website provides more accurate and in depth information on all services offered by the hotel.

An interesting outcome is mentioned by interviewee three. He explained that if hotels want to be in the top ten of the search engine of an OTA, they often have to buy this place. He reported:

“It is not healthy that you have to buy a position that will give your hotel more business” (Interviewee four)

Furthermore, the lack of personal service is an important aspect reported by interviewee three as well as by interviewee four. As cited by interviewee four

“I can not highlight the impotancy of personalized service that you will never receive via OTAs compared to the hotels”

Personal service is an important discussion point also reported by Verrall (2014). He mentioned that some guests make a direct booking purely because of the personal service they receive. The personal service that a guests receives by making a direct booking can not be beaten by any OTA. (Verrall, 2014.) This is completely in agreement with the opinion of all four interviewees; they mention the lack of personal service to be one of the greatest negativities of OTAs.

Canzoniere (2014) reported that OTAs offer few to no personal service, which is seen as a disadvantage for gueste who like receiving personal service. This is also in line with the opinion of the interviewees. They reported that guests will get more value and better service if they make a direct booking. Canzoniere also supports the thought that OTAs are not as good as hotels in offering personal services.

The interviewees agree to Canzoniere by saying that direct bookings are more personal as guests speak directly to the hotel instead of to OTAs. Interviewee four also says that it is very hard to change the booking behaviour from OTAs towards a direct booking behaviour, which is often due to interesting loyalty programs offered by OTAs.

"The loyalty program of an OTA is more interesting than our own loyalty program" (Interviewee four)

The interviewees acknowledge that an international loyalty program of an OTA is more appealing than private loyalty programs. International guests who travel a lot may receive more benefit from the OTAs loyalty program. If guests are visiting the same hotel over and over again, then the loyalty program of the hotel is more appealing. However, if guests are travelling the world visiting a variety of hotels every month, the loyalty program of an OTA can be much more beneficial.

Verrill (2017) indicates the importance of the customer loyalty program perfectly, however this is not completely in accordance with the opinion of the interviewees as can be read above.

"One best way to cut out the OTA is to make advantage of your previous stays"

Hotels are often more flexible than OTAs when it comes to cancelling or modifying a booking. According to interviewee two and four, OTAs are absolutely not flexible towards guests. Terms of agreement might be different than what hotels actually offer. This may mislead guests, as reported by interviewee two.

Most of the interviewees were not negative neither positive about working together with an OTA, they had a mixed opinion. The most positive aspect of having an OTA partner is the marketing they do for hotels:

"It makes foreign people aware of our hotel, that would not have heard about us without an OTA" (Interviewee two)

"The biggest positive aspect is the huge marketing value of OTAs"
(Interviewee one)

It is in accordance with Pantelidis that marketing is a great positive aspect concerning the cooperating with OTAs. Hotels have a hard time competing with OTAs as OTAs are able to reach people from all over the world. (Pantelidis 2014, 239.)

Green & Lomanno (2012, 147 – 172) report that it is almost impossible for hotels to stop working together with an OTA as most of the business comes from there. This is acknowledged by all four interviewees. It is only possible if hotels accept the loss of revenue, which none of the interviewees want to accept. Hotels are often dependent on OTAs as their own brand awareness has not reached many people yet (Starkov, 2013). Even though, interviewee three mentions that the hotel only receives 30 % of their total bookings via OTA's. In contrast to that, he reports:

"I do not think that it is possible to work without an OTA considering the amount of revenue they bring in. People will still book this hotel but I do not think it will be the total 30 %, maybe only 10 % of it" (Interviewee three)

Interviewee two reports to be fully booked every week, which would not be possible without an OTA. They bring in a lot of revenue and guests. (Interviewee two)

Another important aspect mentioned only by interviewee two is the multicultural aspect of OTAs. If hotels are unable to help guests as of a language barrier, OTAs can always help. It may be that the hotels website can only be visited in English or Finnish, while the language settings on OTAs can be adjusted to any other language. He reports:

"If you do not speak the same language as the hotel, you can still book the hotel easily" (Interviewee two)

Interviewee three is most negative about working together with an OTA and says that

"it is a wolf that will bite you in the end"

He also agrees that it is impossible to work without an OTA considering the amount of revenue they bring in. On the contrary, interviewee four is extremely enthusiastic about OTAs and does not see an existence them:

"Without OTAs, our hotel would not be occupied so nicely" (Interviewee four)

Barthel et al (2015, 2 – 7) mention that OTAs are either seen as a friend or as the enemy on which all interviewees have a different opinion. Interviewee four reports that OTAs are a hotels business partner and as long as they bring in money and guests, they are seen as a friend.

On the contrary, Barthel et al (2015, 2 – 7) report that commissions may burden the hotels profit margins and unique selling points. Interviewee four does not understand why hotels can be negative about OTAs, she can understand that the commissions are high but hotels knew that before they started working together. Commissions are not the major problem according to interviewee four, they are a cost channel for the hotel industry but there are worst aspects of working together with an OTA.

”No matter what, if they are your partners, be friendly with them so you can get the best service from them and vice versa.” (Interviewee four)

Nonetheless, all interviewees acknowledges that they should continue working with an OTA: meaning that they are more seen as a friend than as the enemy.

4.3 Booking behaviour trends

Regarding the booking behaviour trends, Pantelidis (2014, 239) confirms that the hospitality industry has entered into using e-commerce, enabling hotels to conduct business over the internet. More hotel bookings are made via internet enabling guests to book anywhere anytime. Internet has made it easy to compare hotels and prices, it made the whole booking process more convenient. The interviewees agree that the booking behaviour is shifting towards internet. They argue that more bookings are done via an OTA nowadays.

“They have made the booking process very easy for guests” (Interviewee one)

“It is just a way how people book a hotel these days, more is done via an OTA” (Interviewee two)

Another aspect regarding this topic is discussed by interviewee one

“Guests like to shop through Metasearch engines such as Trivago, just to check where they get the best possible rate”.

“It is a really nice thing to have everything at the same place” (Interviewee two, 2017).

Also according to interviewee one, there is a clear increase in last minute bookings. Guests have much more tools available now than before to do research and to shop for the best available price. This is also the reason why the lead time of a booking has gotten shorter.

“OTAs can be easily used on a mobile device from anywhere” (Interviewee four)

OTAs also have a special mobile app. This mobile app has made OTAs even more popular, as most of the hotels do not even have a mobile website.

An interesting answer comes from interviewee four, she mentions that people do not need a lot of help anymore when booking.

“The booking behaviour has become more independent and everything should be faster and faster. They do not need our help anymore.” (Interviewee four)

People have learned to book via an OTA because it is convenient and easy to do so, so why should they stop doing that? Was asked by interviewee four. She believes that in the internet world, OTAs definitely rule. However, the real world, the hotels rule. Meaning that OTAs are a great tool to make a booking with, however personalized contact with the guest has disappeared.

Interviewee two supports OTAs throughout. He sees OTAs as a guarantee for any booking made. The interviewee indicates that if the hotel is overbooked and you have booked through an OTA, the OTA guarantees the guest another hotel for the same price.

According to the interviewees, OTAs have not taken over from direct bookings. Even one interviewee reports to, still, receive more bookings coming from other channels instead of OTAs.

“We are not getting less direct bookings now than we got two years ago. It is about the same amount” (Interviewee two)

4.4 Actions for the future

Even though not all respondents were as enthusiastic as others about OTAs, they all acknowledge that they should keep working with OTAs in the future. However, they need to find an approach to increase direct bookings. Crucial actions reported by interviewee one and three is to make hotel promotions more visible by being active on social media. Also, the website should be reachable with a mobile device mentioned by all interviewees.

“A good marketing team is essential these days” (Interviewee one)

Guests may be searching for a room on an OTA site and eventually navigate to the hotels website to learn more about the hotel and the amenities. This is the hotels chance to grab their attention and to make sure they book direct via the hotel's website. (Clerk Hotel 2017.)

All hotels have different ways of attracting more direct bookings. Interviewee one mentions to send follow up mails to guests who have already visited the hotel. In this mail they inform guests about special discounts. On the other hand, interviewee three discusses the importance to enrol guests for the hotels own loyalty program and to inform them about the benefits received from that. However, as read above, the hotels loyalty program is not always an effective method to increase the direct bookings.

Interviewee four states the urgency to inform people about the better service and small discounts direct bookers will receive if they make a direct booking.

“Let guests know how flexible we are and that we have the same rates as OTAs, but with better service” (Interviewee four)

“We can increase direct bookings by spreading the knowledge of our services. Guests just have to know about us. We can give small discounts to guests who book directly with us.” (Interviewee four)

These actions are in agreement with research done by Mayer. Mayer (2015) reports that hotels use the amenities such as Free Wi-Fi, parking, breakfast or local event tickets to make a direct booking more appealing. The price may still be the same as on OTAs, but the extra amenities make the stay more worthwhile.

Interviewee three has a more radical action in mind, he suggest to drop rate parity clauses stated in every contract with OTAs. He believes that in the next five years, Europe will have dropped the rate parity clauses and suggests hotels to do the following after that:

“When there is no rate parity anymore, it is important that we have different rates at different channels, but the hotel's own website should always be the cheapest.” (Interviewee three)

4.5 Relevancy of having an own booking system

The interviewees acknowledge that having an own booking system is very important nowadays. Having an own reservation system is highly effective and still profitable enough as

of the low costs. Having an own booking system is crucial for all interviewed hotels and they are putting a lot of effort in attracting as many guests as possible via the direct channel.

“The challenge is to reach new guests through OTAs, but then getting them to book from a direct channel” (Interviewee one)

This is in accordance with Verrall (2014) as he reported that it is important to have an attractive website. Meaning, if guests arrive at the hotels’ website, they stay there to book.

Direct bookings are very important to the hotel business as they increase RevPAR and according to interviewee one:

“Direct bookings via hotels own website are always the best business for hotels due to high commissions on other booking channels.”

As mentioned before, most of the interviewees strive to offer extra benefit to guests whom make a direct booking as it is impossible to compete on price due to rate parity. Interviewee two discusses a promotional code they offer to their guests. This promotional code gives them a better rate for their next stay, if they book directly.

“The direct bookings still offer the best rate and brings in the most revenue” (Interviewee two)

Furthermore, all interviewees agree that having an own website does not cost much. Interviewee two and four do not have a separate department taking care of this, meaning that the costs are already low.

A fascinating answer comes from interviewee two. The interviewee explains that people often decide to book directly at the hotel if they do not want their money to end up in a different country. They want to support the local community and the hotel, instead of sending their money to huge OTAs. (Interviewee two)

Most of the bookings from interviewee one, two and four come from OTAs.

“We have a lot of direct bookings coming from groups and business, so our own website is actually working very well and a lot of bookings are made via there” (Interviewee three)

“It is also easier if they would directly contact us for a booking. This would make the service more personal and it is easier for us to add extra offers to the booking. We can also offer better room types.” (Interviewee three)

Interviewee four discusses to still get a lot of bookings via their own booking engine, which makes it definitely worth having it. She also has a great saying regarding this phenomenon:

“We always tell guests if they find a good rate via an OTA, we can beat that offer. OTAs will never beat us with our personal service and in our hotel, that is what matters the most.” (Interviewee four)

Correspondingly to the interviewees, Starkov (2011, 25 – 28) also reports that hoteliers rather sell their rooms via a direct channel because selling the rooms via the hotel website is the most cost effective distribution channel.

To conclude, completely stopping the cooperation with an OTA seems to be challenging based on the content that is explained in this chapter. The general opinion on OTAs is rather positive by either the literature as the interviewees. Continuing the cooperation with OTAs would be rational. Also, the direct booking channels are still profitable enough and highly relevant for the hotel industry. In the next chapter the writer will provide a clarification how hotels could attract even more direct bookings by taking the content of this chapter into consideration.

5 Conclusion

The purpose of this research was to investigate whether or not it is still relevant for hotels to have their own booking website and to suggest what hotels could do to increase their direct bookings.

The main research question was: **“Is it still relevant for hotels having their own booking system?”**

The answer to this question is yes. This research have made it clear that an own booking system should not be underestimated. Hotels put a lot of energy in it even though they have partnerships with OTAs, which are successful partnerships. Direct bookings via a hotels own website are always the best business for hotels.

The costs of having an own booking system are relatively low, especially compared to the costs payed on commission. According to this research, it would be difficult to work without an OTA concerning the amount of bookings and revenue they bring in. However, the own booking engines are still profitable as they also still bring in a lot of guests. Especially loyal guests who already know about the benefits they receive when booking directly. However, the booking systems need some attention. Think about advertisement, an appealing website and a mobile webpage.

The main research question was divided into six sub questions. The sub questions and the answers to it are explained below.

- 1) What is the surplus value of having an own booking system while there are many online travel agencies (OTAs)?
- 2) What is the percentage difference in bookings made via an OTA and a hotel's own booking system?
- 3) Is there a trend seen in the booking behaviour of guests?
- 4) Is it relevant to have an own booking system?
- 5) Are there major differences in how a guest books between the researched hotels?
- 6) Why and how have OTAs become so popular?

Focussing on the first question, the outcome is as follows. The surplus value of having an own booking system is the amount of bookings it still brings in nowadays. There are a lot

of bookings done via OTAs, however, the direct booking channel is still an effective booking system. Especially, loyal guests often use a direct booking channel to make a hotel booking. Nonetheless, hotels have started looking for alternatives to make their own booking channel more appealing. Think about promotional codes, special benefits and advertisements.

OTAs are valuable for the hotel industry based upon the amount of bookings they bring in. Most of the bookings nowadays are booked via an OTA as guests see it as an easy tool to make a booking with. Furthermore, OTAs are greatly used as a marketing tool to attract people from all over the world.

The percentage difference in bookings made via an OTA and a hotels own booking system are hard to name as most of the hotels do not want to reveal specific numbers regarding their bookings. One of the researched hotels reported to receive 30 % of their total bookings via an OTA and 70 % via a direct channel, which is often seen by a large chain hotel with brand awareness all over the world.

The booking behaviour of guests have changed over the last couple of years. There are more last minute bookings and most of the bookings are made with the help of a mobile device, on which OTAs are often very good adapted to. Guests are independent bookers now and do not need a lot of help during the booking process. Their favour goes out to a website where hotels, locations, reviews are easily being compared. Guests would like to book everything on one website as that is easy, convenient and not time consuming.

Hotels are able to offer personalized services when a guest makes a direct booking, increasing the service quality. For most hotels, personal services are very important as this is what the guest remembers. It is more difficult to offer a personalized service if everything is completely arranged via an OTA.

The researched hotels are all very different from each other, except for the fact that they are all located in the Helsinki region. Most of the hotels acknowledge to receive most of their bookings via an OTA, especially the smaller hotels that are being interviewed are very much dependent on OTAs. The bigger hotel chains reported to be less dependent on OTAs, however, are not able to work without one.

The popularity of OTAs is thanks to the fact that it is easy to use and guests may book an end-to-end holiday directly from one website. OTAs make it easy to compare hotels and

locations and check the written reviews. From the moment that mobile devices became part of our daily life, people have just learned to book this way and often think 'why do I have to change my booking style?'. People believe that making a booking via an OTA is the cheapest approach, while instead it is actually the opposite.

5.1 Suggestions

The suggestion that can be derived from this research should be both beneficial for the hotel industry as well as for the guests that makes a booking. The main goal is to attract more guests via the hotels own website.

As hotels pay about 20 % commission per sold room, it is important to come up with an idea to increase the direct bookings that will not cost the hotel more than the commissions would do. As mentioned in this research, it is often unknown among guests that better and cheaper service is offered via direct channels. Therefore, it is suggested to study what the total marketing costs would be in regards to the total commission paid, only if hotels want to change their indirect bookings into direct bookings. If the total marketing costs would be lower than the total amount of commissions paid to the OTAs, it would be worth trying. It will take a lot of marketing effort to increase the awareness of a hotels own booking channel, hence it is better to study this first.

Furthermore, there are several small things hotels can do to increase the direct bookings which are also already mentioned in previous chapters.

The hotels website is an important marketing tool. Guests often find the hotel via an OTA and when they are in the booking stage, they would like to check the hotel website to be sure about their decision. It is suggested to have a website that is also available on mobile devices. It is costing the hotels valuable business if the website is not mobile optimized. The websites should be inspiring and easy in use. It is important not to overwhelm your guests so a simple layout will do.

Additionally, hotels are able to offer great benefits to their direct booking channel to attract guests. These benefits should be made visible before they start the booking process. A lot of guests are just having a look at the website to check the hotel and the location but often do not know about extra benefits. Making these benefits clear and visible to the outside world will increase direct bookings. It may be that this is not allowed due to rate parity clauses, but hotels can promote their website and address the benefits on social media.

5.2 Further research

The study on the total marketing costs in comparison to the total commission costs should be further researched, as mentioned in the previous paragraph. In order to research this, hotels and experienced marketing companies should form a tight unit to study this together.

Moreover, additional studies on the booking behaviour of guests in the future should also be included. This could include interviews with hotel managers and other industry managers to develop additional elements that support this research. Also, other suggestions to increase direct bookings should be investigated as well.

The study is done from only one angle, which are the hotels in this case. To make the research more extensive, the research could also highlight the angle of the bookers. For example, a quantitative study could be done to study the actual customer booking behaviour with real life examples. It would give the research more body and demonstrate the research from two interesting angles.

Finally, this study could also be taken to a more global level to investigate if other parts of the world share the same opinion as hotels in Helsinki. It would be interesting to research if hotels globally differ in opinion and thoughts in regards to this research topic.

5.3 The authors learning and development

The thesis subject has been an interesting topic and a good learning experience. During this process, the author has learned a lot about online travel agencies and the way they work. Also, the interviews have given concrete insight in how hotels try to save their direct bookings and what the (dis)advantages of an OTA contract are. It was fascinating to speak with various managers and hear about their experiences and opinions. They are truly passionate about their job.

Furthermore, the authors time management skills have improved greatly. The author had set deadlines for herself every week to ensure to be finished on time. Also, writing skills have been improved as well as getting familiar with the HAAGA-HELIA writing guidelines. They are different from what the author was used to, therefore, it was quite a challenge.

Another challenge during the thesis process was arranging interviews. A lot of hotels have been emailed, but most of them did not respond. It was a busy period for the hotel industry but luckily four hotels were able to help.

All in all, the process was interesting and valuable for further research. This research will be beneficial not only for hotels in Finland, but also for the author herself, especially when a career in revenue management is pursued.

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Appendices

Appendix 1. Interview guide

Introduction.

I am an international Hotel Management student at the HAAGA-HELIA University of Applied Sciences, and currently writing my Bachelor thesis. I am a student from The Netherlands, completing the last year of my study in Helsinki. The thesis has as main purpose to research the impact of online travel agencies (OTAs) on the hotel industry, which will be research by interviewing several hotel managers about their experience with OTAs. It furthermore focusses on whether it is still relevant for hotels in Helsinki to have an own booking system, such as the hotel website. This interview will help me in my research as it gives valuable insight from a professional's point of view.

OTAs offer multiple offers on one website, making the booking process a fast and easy process. The possibilities are endless, and bookings could be made anywhere and at any given time. For the hotel industry, it could also be seen as a marketing tool and an engine where empty rooms are easily being sold. As a result of embracing an OTA, the hotel pays a commission per sold room. From the start of my studies, I have been fascinated by the way of working of OTAs and how it impacts the hotel industry and their direct bookings. Therefore, I decided to start a research product on the phenomena of OTAs. The research and sub questions can be found below this introduction after which the interview questions are written. I would like to thank you for your kind cooperation!

Thesis research questions.

Research question: Is it still relevant for hotels having their own booking system?

sub-questions:

- 1) What is the surplus value of having an own booking system while there are many online travel agencies (OTAs)?
- 2) What is the percentage difference in bookings made via an OTA and a hotel's own booking system?
- 3) Is there are a trend seen in the booking behaviour of guests?
- 4) Is it relevant to have an own booking system?
- 5) Are there major differences in how a guest books between the researched hotels?
- 6) Why and how have online travel agencies become so popular?

General Information:

Name Hotel:

Name Interviewee:

Position of Interviewee:

Main tasks/duties:

Date of interview:

Interview questions:**OTAs in general**

1. What is your opinion on the Online Travel Agencies?
2. What are in your opinion the biggest drawbacks of OTA?
3. Do you believe there are positive aspects of working together with an OTA?
4. Why and how do you think that OTAs have become so popular?

Booking behaviour trends

5. Are there more bookings done via an OTA or via direct bookings at [company]?
Why?
6. How did the booking behaviour of guests change over the last couple of years?
7. What could [Company] do to make direct bookings more attractive and to increase the direct bookings?

Relevance of an own booking system

8. How would it be possible for a company such as [Company] to work without an OTA?
9. Do you believe that OTAs have more or less taken over from hotels concerning bookings?
10. Is it still profitable enough for [Company] to have a website with an own reservation booking system?
11. How important are OTAs for your business?

The future

12. What do you think will be an important action that [Company] should take into consideration to attract more direct bookers in the future?
13. What advice would you give other hoteliers that are also facing the high commission fees of OTAs?

Appendix 2. Coding system

Codes	Includes also:
<u>Negative aspects</u>	<ul style="list-style-type: none"> - Drawbacks of OTAs
<u>Customer booking trends</u>	<ul style="list-style-type: none"> - The reason why people book via an OTA/directly/metasearch engine/traditional travel agency. - The change in booking behaviour
<u>The relevance of an own booking system</u>	<ul style="list-style-type: none"> - The profitability of an own booking system - How the hotel can differentiate from OTAs - Whether or not OTAs have taken over from the direct bookings.
<u>Actions for the future</u>	<ul style="list-style-type: none"> - The necessary actions for the hotels to undertake - Future advice
<u>The popularity</u>	<ul style="list-style-type: none"> - What makes OTAs popular
<u>Positive aspects</u>	<ul style="list-style-type: none"> - The reasons why hotels embrace an OTA - Whether it is possible to work without an OTA or not - The importance of OTAs for hotels

Appendix 3. Summary interviews

Codes	Summary
<p><u>Negative aspects</u></p>	<ul style="list-style-type: none"> - "They are a cost channel for the hotel industry and they go often together with high commissions" (Interviewee one, 2017). - "Very generic hotel and room descriptions, this affects the hotel's identity" (Interviewee one, 2017). - "Rate parity clauses" (All Interviewees, 2017). - "No flexibility" (Interviewee two and four, 2017). - "Different terms of agreement than hotel" (Interviewee two, 2017). - "OTAs are very dominant" (Interviewee three, 2017). - "It is not healthy that you have to buy a position that will give your hotel more business" (Interviewee three, 2017). - "It blocks the real competition. It is not a real competition anymore" (Interviewee three, 2017.) - "No personalized service" (Interviewee three and four, 2017). - "It is a wolf that will bite you in the hand in the end" (Interviewee three, 2017). - "An international OTA is more interesting than our own loyalty program" (Interviewee four, 2017).
<p><u>Customer booking trends</u></p>	<ul style="list-style-type: none"> - "We can see a clear increase in last minute bookings" (Interviewee one, 2017). - "Guests have much more tools available than before to do research and shop for the best available price and most suitable hotel" (Interviewee one, 2017). - "The lead time of booking a hotel is getting shorter" (Interviewee one, 2017). - "Guests like to shop through metasearch engines such as Trivago, just to check where they get the best possible rate" (Interviewee one, 2017). - "More bookings are done via a mobile device" (Interviewee one, 2017).

	<ul style="list-style-type: none"> - "It is just a way how people book a hotel these days, more is done via an OTA" (Interviewee two, 2017). - "We got much less phone calls" (Interviewee two, 2017). - "It is more OTA driven. Also E-Commerce driven, more bookings are done via mobile devices" (Interviewee three, 2017). - "People do not need a lot of help anymore when making a booking. They know what to do and do not want to talk to someone on the phone" (Interviewee four, 2017). - "More bookings done via OTAs" (Interviewee four, 2017). - "Why people book via OTAs so much is definitely because they have learned to do so, so why not do it again?" (Interviewee four, 2017). - "The booking behaviour has become more independent and everything should be faster and faster. They do not need our help anymore" (Interviewee four, 2017).
<p><u>The relevance of an own booking system</u></p>	<ul style="list-style-type: none"> - "The challenge is to reach new guests through OTAs, but then getting them to book from a direct channel" (Interviewee one, 2017). - Direct bookings increase the RevPAR. "Direct bookings via hotels own website are always the best business for hotels due to high commissions on other booking channels. (Interviewee one, 2017.) - "We offer benefit to guests who book directly" (Interviewee one, 2017). - "We have more bookings coming from other channels than OTAs, think about our own website and the GDS" Interviewee one, 2017). - "We strive to offer the best booking experience at our own website by offering extra value. This leads to a better profit and net RevPAR" (Interviewee one, 2017). - "Also offering the extra benefit for guests are needed as hotel's might not be able to compete on price" (Interviewee one, 2017). - "Our own reservation system is essential for our profit" (Interviewee one, 2017).

	<ul style="list-style-type: none"> - "We can give guests a promotional code to get a room for a lower price the next time they book directly at our website. The people who get here more often get these better hotel prices and then they often book directly at the hotel's website". (Interviewee two, 2017.) - "We are not getting less direct bookings now then we got two years ago. It is about the same amount. (Interviewee two, 2017.) - "It is not a lot of work to have our own website" (Interviewee two, 2017). - "It does not cost us much to have our own booking website (Interviewee two, 2017). - It is allowed to offer a lower rate on via a direct booking channel if not shown publicly, we use promotional codes that we give to guests. (Interviewee two, 2017.) - "The direct booking still offers the best rate and brings in the most revenue" (Interviewee two, 2017). - People do not want their money to go to a foreign country or they want to support the locals. Then they decide to book directly with us. (Interviewee two, 2017.) - "From all of our bookings, only 30 % comes from OTAs. We have a lot of direct bookings coming from groups and business. So our own website is actually working very well and a lot of bookings are made via that." (Interviewee three, 2017.) - "It is easier if they would directly contact us for a booking. This would make the service more personal and it is easier for us to add extra offers to their booking. We can also offer better room types if they book directly." (Interviewee three, 2017.) - "We have a loyalty program for frequently returning guests. Guests only get these points if they book via our own website or other direct channel." (Interviewee three, 2017.) - "There is more value and more service if you book directly at the hotel" (Interviewee three, 2017).
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	<ul style="list-style-type: none"> - "Most of our suites are booked directly via the hotel for which we do not need an OTA at all" (Interviewee three, 2017). - It is still profitable enough to have a website with an own reservation system as the costs are very low (All interviewees, 2017). - "If guests have made a booking via us directly, we are very flexible with cancellation fees and modifications". (Interviewee four, 2017). - "It is important for guests to receive benefits from their direct booking" (Interviewee four, 2017). - "We always tell guests if they find a good rate via an OTA, we can beat that offer. We also use some personalized tricks." (Interviewee four, 2017.) - "OTAs will never beat us with the personalized service, and in our hotel that is what matters the most" (Interviewee four, 2017). - We get a lot of bookings from our own booking engine, so it is definitely worth having it. We also do not have a separate marketing or sales department, so there is only one person handling this. (Interviewee four, 2017.)
<p><u>Actions for the future</u></p>	<ul style="list-style-type: none"> - "Personally I think we should keep working together with an OTA" (Interviewee one, 2017). - "Hotels in general need to be flexible and able to act quickly if possible. A good marketing team is essential these days" (Interviewee one, 2017). - "The hotel should be active on social media and have a website that is also reachable with a mobile device" (Interviewee one, 2017). - "Hoteliers need to find ways to increase the amount of direct bookings to lower the OTA share. If they take that into consideration, their profit per booking increases." (Interviewee one, 2017.) - "Try to get to the people who already have been to the hotel" (Interviewee two, 2017.)

	<ul style="list-style-type: none"> - "We send follow up mails to guests who already have been here. In this same mail we also inform them about our promotional code to get a better oom rate the next time." (Interviewee two, 2017.) - "It is important to have the option to book a room directly" (Interviewee two, 2017). - Dropping the rate parity clauses (Interviewee three, 2017). - "We can make our promotions a bit more visible on the website. We are also working on a mobile app." (Interviewee three, 2017.) - "We need to enrol people for the loyalty program. We should inform people that they get the best benefit from that." (Interviewee three, 2017.) - "When there is no rate parity anymore, it is important that we have different rates at different channels, but the hotel's own website should always be the cheapest" (Interviewee three, 2017). - "Work closely together with OTAs. Keep your friends close and your enemies closer." (Interviewee three, 2017.) - "We can increase direct bookings by spreading the knowledge of our services. People just have to know about us. We can give small discounts to guests who book direct with us." (Interviewee four, 2017.) - "Let guests know how flexible we are and that we have the same rates as OTAs but maybe with better service" (Interviewee four, 2017). - "Be positive about OTAs. I would advice to value your partners, they also value you." (Interviewee four, 2017.) - "Also know your guests behaviours, which is booking via the internet and independency" (Interviewee four, 2017).
<p><u>The popularity</u></p>	<ul style="list-style-type: none"> - "OTAs have worldwide information available. With only a few clicks, guests can see all the hotels available. They just have made the booking process very easy for guests." (Interviewee one, 2017.) - "It is a really nice thing to have everything at the same place" (Interviewee two, 2017).

	<ul style="list-style-type: none"> - "It is easy, you can compare hotels easily and check our all other places" (Interviewee two, 2017). - "It is a guarantee" (Interviewee two, 2017). - Easy to use (All interviewees, 2017). - OTAs can be used on a mobile device from anywhere (Interviewee three and four, 2017). - "Phone call costs are a bad thing" (Interviewee four, 2017). - "In the internet world they rule but in the real world, the people to people world, the hotels rule" (Interviewee four, 2017).
<p><u>Positive aspects</u></p>	<ul style="list-style-type: none"> - Marketing tool (All interviewees, 2017). - "The biggest positive aspect is the huge marketing value of OTAs" (Interviewee one, 2017). - "I believe that OTAs are here to stay and we should keep on working together with one as they bring business to the hotel" (Interviewee one, 2017). - "OTAs have not taken over but they are very powerful with managing bookings for hotels" (Interviewee one, 2017). - "This hotel is usually fully booked and it would not be possible without those OTAs." (Interviewee two, 2017). - "We get a lot of revenue out of it" (All interviewees, 2017). - "They bring in a lot of guests here and it is free advertisement" (Interviewee two, 2017). - "If you do not speak the same language as the hotel, you can still book the hotel easily" (Interviewee two, 2017). - "It makes foreign people aware of our hotel, that would not have heard about us without an OTA" (Interviewee two, 2017). - "I do not think it is possible to work without an OTA considering the amount of revenue they bring in. People will still book this hotel but I do not think it will be the total 30 %, maybe only 10 % of it." (Interviewee three, 2017.) - Regular meetings (Interviewee three, 2017). - "If you bring in a lot of revenue to the OTAs, they will understand your value and they may negotiate with you to lower the commission" (Interviewee three, 2017).

	<ul style="list-style-type: none">- "Without OTAs, our hotel would not be occupied so nicely" (Interviewee four, 2017).- "We get very independent guests through OTAs" (Interviewee four, 2017.)- "OTAs are our friends and they help us a lot" (Interviewee four, 2017).- "No matter what, if they are your partners, be friendly with them so you can get the best service from them and vice versa" (Interviewee four, 2017).- "OTAs are very important, marketing wise, money wise and guest wise. OTAs have really nice services, we can always reach them and they are always on our side. If you want good revenue, you need the OTA marketing and you need the bookings." (Interviewee four, 2017.)- "You would not have such good revenue without an OTA" (Interviewee four, 2017).
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