

THE EXPANSION OF OTA's: BENEFITS AND RISKS

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Abstract: *The aim of this paper is to analyze the advantages and disadvantages of OTA's (Online Tourism Agencies). Many travelers today prefer OTA's to look for advantageous tour packages and especially to make their reservations. They can make these reservations not only for accommodation but also for flights, excursions and why not, for other trips. OTA's is an important component for a successful strategy, for all tour operators skilled in business. This way it helps them to reach more passengers and implicitly to make more reservations. But let's not forget that paying a commission for each booking, it should balance the pros and cons. Due to intense competition, OTA is trying to remain financially sustainable. For this, however, it needs to involve its customers more, of course offering them superior value propositions. For this, however, a thorough understanding of consumption values is needed. The role of OTA's is becoming more and more important due to the ease of customers to compose a trip from the comfort of their home where they can also compare hotel prices and booking the choice on the Internet. An OTA's agency organizes and sells accommodation, excursions and transportation to customers. It also organizes trips on an online platform for travelers. These OTAs are third parties that sell services on behalf of other companies. As a rule, these OTA's offer many benefits. They have more comfort and a more self-serving approach. They also include a built-in booking system with which you can make instant bookings. OTA's works in two models: Merchant model and Agency model. Merchant model is the model in which hotels sell rooms to OTA's at a reduced or wholesale price. OTA's then sells them to customers at a markup price. Agency model is the commission-based model in which OTA's acts as a distribution partner. OTA's receives full commission after the stay, and the hotel receives payment directly from the last customer and does not wait for the transfer of payment from third parties.*

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JEL classification: L83, L86, O33, Z19, Z30, Z32.

1. Introduction

The OTA's are travel aggregators that interface between travelers and potential travelers through the Internet, to sell different products, as flights, hotel rooms and cruises. (Rezgo. 2019).

At the moment, OTA's agencies are changing their business from web-based to smartphone applications because they are easy to download and operate (Dwikesumasari and Ervianty 2017).

Due to the growing popularity of OTA's and of course the competition it is intensifying in relation to consumer behavior, the studies highlighted issues such as:

- satisfaction (Jedin and Ranjini 2017, Kustiwi 2018)
- customer loyalty (Dwikesumasari and Ervianty 2017)

- innovation (Lee et al. 2017)

Purchasing intent is representative of consumer behavior. Also very important is the influence of socio-demographic factors, the attitude and intentions to book travel online (eg Amaro and Duarte 2013, 2015)

Another point of purchase is the value that consumers perceive after using a service or product (Carlson et al. 2015; Lu and Hsiao 2010). Instead, buyers are more critical when it comes to booking travel (Mohd - Any et. Al 2014).

Moreover, it is suggested that the price-quality-efficiency and comfort advantage should be offered to attract customers. (Ozturk et al. 2016; Jeden and Ranjini 2017). It is further argued that value represents the needs, desires and expectations of consumers (Sweeney and Soutar, 2001) that can be met more effectively through a better understanding of the consumer values that consumers derive from using OTA's.

2. OTA's

Barthel and Perret (2015) stated that the OTA segment is becoming a strong competitor to the individual booking sector and distribution channels; it has already taken a substantial share from traditional contracted booking channels, who are mainly wholesalers and tour operators.

Chubchuwong (2018) found that bookings from online travel agencies (OTAs) have a strong impact on hotel sales revenues.

Gazzoli et al. (2008) stated that one of the main reasons for the success of OTAs was their ability to offer cheaper rates than those offered by hotels and their reservation reservation offices.

In the 1990s, online travel intermediaries were established (Barthel & Perret, 2015; Gazzoli et al., 2008) and have later become the main global e-intermediaries. Microsoft launched the Expedia Travel Service in 1996 in the USA, followed by its European counterpart, Priceline, in 1997 (Barthel & Perret, 2015; Gazzoli et al., 2008).

Both platforms allowed customers to book their holidays online. Based on Barthel and Perret (2015), the two most important OTA players are Expedia and Priceline. Expedia gained first position in terms of worldwide gross bookings, whereas Priceline was the largest OTA by revenue.

Here are some of the main reasons why OTA's are preferred: reward programs offered by some OTAs for the next trip, special rates you won't find anywhere else, generous cancellation policies at some *OTA's*, at *OTA's* you can compare different rates.

The best online travel agents:

1) *Booking.com* one of the largest hosting sites, now extended to smaller markets such as: family-run guesthouses, holiday rentals, self-catering apartments.

Interesting statistics: 1.550.000 nights are reserved every day, 68% of booking nights came from families and couples, 42% of the booking nights came from houses and

apartments, 38% of reviews provided by guests, 75% of the guests came more than 5 times.

2) *Expediahotels.com* it is a popular brand, has a global audience and attracts many travelers. He gained more power by acquiring travelocity.

Interesting statistics: receives 675 million monthly site visits, operates in over 70 countries and over 40 languages, attracts 75 million customers per month for flights.

3) *Airbnb* introduces - the shared home - by revolutionizing the hosting industry.

The website gives you the opportunity to know the identity of the guests, thus creating a sense of security for travelers.

Interesting statistics: 2.9 million Airbnb hosts, about 800,000 stays every night, 14,000 new hosts join each month.

In addition to these major OTA's, there are many other smaller OTAs. We mention One Travel, Tripsta, Travelmerry, Fareboom and the examples are flowing. We conclude that these accommodation companies will not give up OTA's even if there is a cost involved, their market will continue to grow.

3. The benefits of online travel agencies (OTA's)

a) Accessible 24/7. This means that the system works autonomously, customers can access the system by simply pressing a button, thus reserving their activities in their own program.

b) Reduce workload. Manually processing all reservations means a lot of work and you can make mistakes that cost you money. A good online booking system will take care of all your booking in any way.

This system shows you if:

- Availability (so no overbooking)
- It automatically sends you the guarantee of obtaining the services
- You have everything in one place (promotions, reservations, customer information, payments and analysis.
- Invoices, fees, terms and loyalty programs are easily managed from a central position.

All the above statements lead to an increase in productivity.

c) Allows you to provide supplements. This is a must-have feature for online booking systems. Adding these additional benefits makes it easy to increase your business revenue.

d) It gives you important analysis and perspectives.

An online booking system with automatic analysis helps you find out what works and what doesn't work for your travel business.

- the most requested time intervals are determined
- the most popular tours
- which partnerships bring you more profit

Following the analysis dashboard is the best way to grow your business. You will also save time and money with offers that are not profitable enough.

e) Do not pay abusive commissions.

- no commission means moving reservations from OTA to your own sales channel.
 - there are OTAs that charge commissions of up to 30% per booking!
 - by implementing an online booking system, you get rid of the intermediary
- f) Receive online payments. In this case, guests can pay in advance for your tours or activities. That way, the money comes straight to your account without delay. The risk of credit card fraud or scams is extremely low.

1. Risks of OTA's

- 1) We need a lot of internet access.
- 2) You do not have direct contact with your customers
 - You can't get valuable feedback to improve the quality of your products
 - You can't build trust or answer some customer questions.
 - some customers prefer direct, real to virtual contact in the online booking process.
- 3) You may experience technical issues
- 4) Rapid growth can be a challenge.
It can happen when you have a small avarice, few employees or few resources and then too many new customers could be a problem.
But this is a challenge you are willing to face.
- 5) Not every online booking software could be the right one.
You need to find out which online booking system works best for your business. It is frustrating not to have a reservation service that does not meet your needs.

2. My point of view

In my opinion, in recent years, tourism has undergone major changes, in terms of the reservation system and the distribution of the tourist product. We find that Romania is also in line with international trends, in terms of increasing online bookings. If 15 years ago, most of them turned to specialized travel agencies, now the vast majority of tourists make reservations online. Online bookings can have both advantages and disadvantages. A major advantage of online booking is that you have quick access to the information we are provided with in terms of location, rate or availability.

Another major benefit that online bookings offer is that payment can be made on the spot, instantly receiving the voucher, tax invoice, plane ticket, etc. If we talk about all these advantages, it is very important not to neglect the risks we face using the online system. Unfortunately, there are situations where the information on the internet is not real or incorrect, which can lead to sad experiences for tourists. Another risk we face when using the online system may be the confusion that arises between destinations or hotels with similar names.

Regarding the booking in the travel agency, we also face advantages and disadvantages. Customers who come face to face with travel agents can benefit from valuable advice on the tourist destinations they choose, advice on behavior in certain states, information on access to tourist attractions or information on public transport.

The agency concludes a contract with the tourist, a contract which specifies both the services purchased and the clauses that must be observed by both the client and the travel agency. Regarding the disadvantages of booking in the travel agency, an important factor is the time which is higher than the time of online booking.

We can conclude that there are advantages and disadvantages to both agency booking and online booking depending on each individual tourist, which option he wants to choose.

3. Conclusions

We can conclude that due to progress and continuous development, the world is constantly evolving and we must adapt to this evolution that is taking place in all areas. Any online booking tool has advantages and disadvantages. But we can overcome all obstacles by planning and establishing a good business strategy. If not having direct contact with customers may seem like a disadvantage, it can be overcome by setting up a chatbot to respond to your customers. Knowing the advantages and disadvantages of online booking is not enough to make a decision sometimes. For this reason we can clarify some uncertainties by consulting the statistics. The numbers are the ones that don't lie and can give us a clear picture, so we can see that 90% of customers do research online to plan a vacation, while only 80% of them book online. In recent years there has been an increase in the use of mobile devices. For the tourism industry and for the suppliers in the field, there is an increasing need for mobile websites and the possibility to take online reservations with the help of mobile devices.

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