

CREATING STRATEGIC RELATIONSHIPS WITH ONLINE TRAVEL AGENTS TO DRIVE REVENUE: AN EXPLORATORY STUDY

Orie Berezan, College of Business Administration and Public Policy, California State University Dominguez Hills, 1000 E. Victoria Street, Carson, CA

90747, 702-742-7269, oberezan@csudh.edu

Carola Raab and Stowe Shoemaker, College of Hotel Administration, University of Nevada Las Vegas, 4505 South Maryland Pkwy, Las Vegas, NV, 89154 carola.raab@unlv.edu stowe.shoemaker@unlv.edu

INTRODUCTION AND LITERATURE REVIEW

The hotel industry widely uses online travel agents (OTAs) for distribution. However, managers from branded hotels tend to have skeptical attitudes about OTAs [3]. They feel that OTAs are more expensive relative to other channels and produce the lowest ADRs. Given these attitudes, hoteliers are often hesitant to develop relationships with OTAs. On the other hand, there are several compelling reasons why hotels should pursue such relationships. First, billions of dollars in room revenues are generated by OTAs annually [4] and second, it seems logical that OTAs can assist hotels in driving revenue more efficiently. In addition, hotels can utilize OTAs to enhance marketing efforts and sales revenues. The reviewed literature on distribution channels and hotel revenue management engages in active discussions about hotel managers' concerns with the impact of online channels on room rates [1]. Toh, Raven and DeKay [5] conclude that hotels should expand the use of their own websites and rely less on "expensive OTAs". Carroll and Siguaw [2] point to a gap in the literature discussing the reasons for problematic OTA-hotel relationships. The purpose of this research is to identify how hotel revenue managers can create successful strategic relationships with OTAs.

METHODOLOGY

Qualitative methods are applied in this study. Six focus group sessions with a total of 50 participants and fifteen interviews of OTA managers were conducted. Content analysis was performed using ATLAS.ti 5 to discover emerging themes and categories from the interview transcripts.

FINDINGS AND DISCUSSION

The following five main themes emerged: relationships (partnerships/collaboration); communication; engagement; marketing; and technology.

Relationships

OTA market managers stressed their passion to make the relationships between OTAs and hotels work: "It's really about getting to know someone," "at the end of the day " "I am a person and I genuinely want to help you." This suggests that no matter how powerful an OTA's technology is, humanizing the experience between OTAs and hotel revenue managers is vital to developing a partnership and commitment to a shared vision.

Communication

Without communication the information hotel revenue managers and OTAs have is not shared and utilized, and misunderstandings result. One OTA market manager stressed the importance of

“someone there (OTA) that knows their hotel and understands what they are going through day-to-day.” Face to face communication between OTAs and hoteliers is vital in “reducing tension and increasing collaboration.”

Engagement

According to market managers, “engagement depends on the savviness of the partner.” Some partners would like to be engaged but do not have the time to be engaged with their OTAs. ” They love the data, they sometimes do not have time to process it so they are more engaged with the OTA....on the other hand of the spectrum there is the mom and pops who are do not have the time to engage with us because they are busy changing the sheets.”

Technology

Whereas OTAs stress the value of interpersonal relationships, most revenue managers perceive them solely as technology companies. Despite the importance technology plays to the success of the relationship, part of the value of OTAs is lost when hotels only perceive them as technology firms and feel there is no need to engage with OTAs. “Not everyone feels or knows or understands the level of support we provide and the data and everything that comes with that.”

Marketing

OTAs are more than supply channels. OTAs view themselves as marketing channels “allowing hotels to capture many segments they may not have even thought about.” The ability to reach worldwide market segments cannot be matched by individual hotels. “We spend over a billion dollars in marketing per year.” The cost that many hoteliers are complaining about is offset by the marketing power of the OTAs. Furthermore, many market managers mentioned the “billboard effect”, which is the value hoteliers receive from marketing exposure provided by the OTAs.

IMPLICATIONS AND CONCLUSIONS

This study addressed the gap in the literature by adding to the discussion about the OTA-hotel relationships as suggested by Carroll and Siguaw [2]. A main implication that emerged from the study is that hotel revenue managers should improve communication with OTAs and seek to form strategic relationships to maximize profits. Furthermore, it is of utmost importance for revenue managers to communicate more effectively with their OTAs and to maximize OTAs for marketing power. Suggested future research on this topic should include interviewing revenue managers on the topic.

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