TOURISM DISTRIBUTION CHANNELS IN THE DIGITAL AGE
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ABSTRACT. This paper examines the evolution and transformation of tourism distribution channels, focusing on the role the Internet has played in such a process. This paper indicates that the advance of information and communication technology has not reduced the number of intermediaries in the distribution channel, but rather resulted in an increasingly complex array of intermediaries. Technological advances have resulted in growing competition in the online tourism industry and distribution channels and have an impact on company structures, as companies are being pushed towards disintermediation, re-intermediation and collaborations. In this digital context, this paper takes a perspective with the aim to analyse the changes brought about by the technological advances in the field of distribution channels.

KEYWORDS: distribution channel, information technology, intermediation.

JEL CLASSIFICATION: D39, M15, Z38.

Introduction

A tourism distribution channel is a system of intermediaries, or middlemen, that facilitates the sale and delivery of tourism services from suppliers to consumers (Buhalis & Laws, 2001). Tourism distribution channels have attracted a tremendous amount of attention in the last decade owing to the important role they play in the tourism industry (Pearce & Schott, 2005).

Specifically, distribution channels can serve as part of the marketing mix that makes the products available to consumers, as the link between the suppliers of tourism products and their end consumers, as well as the bridge between supply and demand (Gartner & Bachri, 1994).

The impact of information technology since the advent of the World Wide Web has significantly changed and even transformed the structure of tourism distribution (Buhalis & Laws, 2001; Wang & Qualls, 2007). This evolution and transformation of tourism distribution channels, particularly facilitated by information and communication technology, resulted in greater choice for the consumer, increased competition for distribution participants, and a more complex industry structure (Buhalis & O’Connor, 2005; Granados et al., 2008; Longhi, 2008; O’Connor & Frew, 2002).

Information and communication technology advances have introduced complexity to the tourism distribution system with various permutations: adding additional layers of intermediation, disintermediating certain players by bypassing the traditional intermediaries owing to the possible direct communication between suppliers and consumers provided by technology, and the emergence of reintermediation processes whereby existing players, by adapting to the changing market environment and embracing new technology, provide value added intermediation services (Buhalis & Law, 2008). While this technology-induced structural change offers more choices to consumers, it also fosters an environment of fiercer competition for channel participants (Pearce et al., 2004).

The relationship between tourism and information technology has a long history, and tourism has long been one of most important components of the online world, whose impact has profoundly changed the structure of the industry. Online usage lead the development of new market dynamics and consumer behaviors (Werthner & Klein, 1999).

The Intermediation Terminology

In order to have a clear picture of the structure of tourist distribution channels, it is imperative to define the terminologies associated with the intermediation phenomenon. There are
a multitude of derivations of the term "intermediary", but in principle, they all refer to acting as an intermediary.

However, we have multiple derivations of the term in various ways. An example is the term "disintermediation" often used when we replace an intermediary and the functions it has. The term “reintermediation” is used to refer to the process in which intermediaries that have been disintermediated first are reasserting their intermediary role (Bowden, 2007; Chircu & Kauffman, 2000b; Giaglis et al., 1999; Golden et al., 2003; Granados et al., 2008; Tse, 2003; Walden & Anckar, 2006).

Some researchers use reintermediation to describe only the entrance of new intermediaries into the travel distribution system (McCubbrey, 1999; McCubbrey & Taylor, 2005), whereas others use reintermediation to include both the re-entrance of disintermediated intermediaries and the entrance of new ones (Gharavi et al., 2007; Palmer & McCoile, 1999).

Sarkar et al. (1995, 1998) use the term “cybermediaries” to refer to those electronic intermediaries that are new to the industry; other authors have followed their lead by using the term cybermediaries in a similar manner (Giaglis et al., 1999; Granados et al., 2008; McCubbrey, 1999; McCubbrey & Taylor, 2005; Walden & Anckar, 2006; Weaver & Lawton, 2008). Some authors include other words in place of cybermediaries, such as “e-intermediaries” (Anckar, 2003; Anckar & Walden, 2000) and “emediaries” (Dale, 2003; Daniele & Frew, 2004; Ma et al., 2003).

The Evolution and Transformation of the Intermediation

With the advent of the web, the tourist distribution system is experiencing a progressive evolution. Progress and change come with the commercial application of the Internet since 1993, when the web browser is what makes communication between consumers and suppliers become real.

Before 1993, the traditional tourism distribution system consisted of consumers, traditional retail travel agents, traditional corporate travel agents, traditional tour operators, global distribution systems (GDS’s), incoming travel agents, switches, destination marketing organizations (DMO’s), and suppliers. GDS’s, which started as airline computer reservation systems (CRS’s), are technically electronic intermediaries (Buhalis, 1998; Buhalis & Licata, 2002). In the airline sector, traditional travel agents enjoyed the benefits of intermediation as a result of their relationships with the GDS’s (Malone et al., as cited in McCubbrey, 1999).

The launch of the first GDS, Sabre, by American Airlines in the 1960's (Sabre Holdings, 2009) resulted in major competition in this area from other players: Amadeus, Galileo, Abacus, and Worldspan. Later, hotel CRS’s were connected to the GDS’s, which was facilitated by switches (Choi & Kimes, 2002; Palmer & McCoile, 1999; Sheldon, 1997).

Granados et al. (2008) explain that the major GDS’s had enjoyed significant power in an oligopolistic distribution environment, until technological advances reduced barriers to entry for substitutes. The major technological advance in that regard was the Internet, which had begun operating in 1969, mainly for military and research purposes (Werthner & Klein, 1999). The commercial usage of the Internet became significant in the 1990’s, as companies began leveraging the benefits of the communication protocol of the World Wide Web, which was made freely available to the public in 1993 (CERN, 2003).

After the public debut of the Web, suppliers began establishing websites to connect directly with customers, thereby beginning the disintermediation of traditional retail travel agents.

At about the same time that suppliers started disintermediating travel agents, another layer of intermediation began to grow. The first automated search engines, also called robots or spiders, appeared in 1993, and the first to index the entire content of web pages, instead of just titles and Uniform Resource Locators (URL’s) (i.e., web page addresses), appeared in April of 1994 (Farrelly, 1999a; Farrelly, 1999b; Pinkerton, 1994; Pinkerton, 2000), which led to the intermediating role and search services of Google in 1998. By facilitating the inception of this category of intermediaries, Web technology set in motion a structural change that has shifted power to a new center: the search engines.
Online travel agents joined the fray in 1995, when the Internet Travel Network (ITN) became the first such online agent to attempt to disintermediate traditional travel agents (Chircu & Kauffman, 1999; Chircu & Kauffman, 2000a; Chircu & Kauffman, 2000b). In 1996, Sabre, a GDS owner, debuted Travelocity (Sabre Holdings, 2009). Also in 1996, Microsoft launched the online travel agent Expedia (Chircu & Kauffman, 1999). Priceline was launched in 1998; it began by selling airline tickets using a “demand collection system” in which demand is collected from consumers and communicated to suppliers (Priceline.com, 1998; Priceline.com, 2009). Currently, Priceline offers that system, as well as offering the traditional retail method of disclosing prices (Priceline.com, 2009). ITN was eventually rebranded as GetThere, which was later acquired by Sabre in 2000 (Chircu & Kauffman, 2000a).

The online travel agent lastminute.com was founded in 1998 with the purpose of selling airline seats and hotel rooms that were otherwise likely to go unsold (Anderson & Earl, 2000; Buhalis & Licata, 2002).

Lastminute.com was in turn purchased by Travelocity in 2005 (Salzburg Research Forschungsgesellschaft, 2006).

Regarding the Web, Tour operators became Web-able by selling to consumers directly via their own websites (Anckar & Walden, 2002; Barnett & Standing, 2001; Buhalis & Law, 2008; Harris & Duckworth, 2005).

Buhalis and Law (2008) note that traditional travel agents, in turn, try to disintermediate tour operators by selling tour packages. Dégriftour became involved in such an aggregating activity, dealing with airlines and hotels directly (Alzon, 2000).

In 2000, an additional layer of intermediation arrived in the form of a new category of cybermediaries, “meta-search engines,” when SideStep launched its meta-search web-browser toolbar plug-in product; SideStep later launched its meta-search website in 2005 (SideStep, 2000; SideStep, 2005). Meta-search engines search the online travel agency sites, as well as supplier sites, thereby adding the additional level of intermediary function (Granados et al., 2008). One of them, Kayak, was conceived by founders of the online travel agencies Expedia, Orbitz, and Travelocity (Kayak.com, 2009). Kayak now owns SideStep (Kayak.com, 2007).

In travel distribution, power is shifting to search engines. When a consumer does not know a precise website URL, does not have a particular website in mind, or does not know how to use a URL to go directly to a website, that consumer is likely to use a search engine. The Google web browser, named Chrome, which was launched in September of 2008, has a feature that reflects an understanding about such web-surfing behavior. The text box that is normally used for typing a URL can be used both for that purpose and also for typing search keywords (Google, 2009).

Google’s introduction of the Chrome web browser could serve to disintermediate other search engines by guiding search traffic to the Google website. It could also disintermediate the developers of other web browser products, depriving them of revenues generated by searches initiated from their browsers (Dignan, 2007).

While the Worldwide Web makes the simple, direct link of a consumer to a supplier website possible, the Web has also facilitated a multitude of other channel configurations (Buhalis & O’Connor, 2005; Granados et al., 2008; O’Connor & Frew, 2002). It is interesting that this complex web of channel networks is a result of the complex web of networks that is the Internet. As the pendulum of influence swings back and forth, the participants struggle for relevance, sometimes competing, and sometimes cooperating (Buhalis, 2004; Buhalis & Licata, 2002; Dale, 2003; O’Connor & Frew, 2002).

The resultant push and pull manifests itself with efforts at intermediation, disintermediation, and reintermediation. Even while disintermediation has occurred, the entrance of new cybermediaries and the reintermediation of traditional intermediaries have resulted in more layers of tourism intermediation since the debut of the Web.

**Online distribution**
Tourism is the largest e-commerce market, and the digital transformation has changed the way in which travel suppliers compete (Berne et al., 2012; Mariani & Baggio, 2012) and requiring them to make huge investments in both technology and advertising.

The market space continues to evolve, because customer are “moving” from desktop, to tablet, and to mobile.

When we talk about the technological revolution, we are referring to the fact that distributors are the ones who deal with intermediation and disintermediation, and hotels are becoming easier to book.

But the ultimate goal is to maximize revenues regardless of the distribution channel. If we want a perfect service, we need two components. One of the components is the technology that has become increasingly easy to provide, but remains difficult to develop, which is why massive investments are made in research and development in this industry.

Another aspect to take into account is that a business needs infrastructure, and this requires close collaboration between public and private entities.

Today, distribution refers especially to electronic distribution, so therefore it is imperative to understand the role of information technologies in this process. Tourist services and information and communication technology go hand in hand and thus create the possibility of a statistical analysis of the data. We can thus better understand the customer by collecting and analyzing the data provided by customers when using the online application.

Online travel agencies make constant efforts to understand how they can increase revenues, adapting as best as possible to the needs of customers. Both traditional and online travel agencies strive to find miraculous solutions to customize their services according to the wishes of their customers, without losing any of their market share.

Technologies are the ones that make the major difference in tourism, an advanced industry in terms of establishing good relationships with customers, having to use personalized information all the time.

Conclusions

With the advent of the World Wide Web, tourism distribution experienced major changes, but the basic functions remained the same. New categories of intermediaries appeared, and this led to a greater complexity of the acquisition process.

A new category of intermediaries became more and more powerful, search engines began to play an essential role, and revenues began to increase, especially due to advertising. Although there have been changes in recent years, the interaction between people, the trust of consumers in well-known brands are as important as in the past.

Actors on the distribution market take into account the changes that have appeared in the web era. Although technology brings changes in the distribution of tourism, other changes could appear in the future. Participants in this industry should expect new forms of intermediation in the future.

REFERENCES:


