# Chapter 10
# Strengths of Online Travel Agencies From the Perspective of the Digital Tourist

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## ABSTRACT

*Recent tourism literature reviews the movement of the current distribution landscape toward disintermediation as the Internet and mobile technologies provide consumers with more and more tools for researching suppliers/providers and purchasing products and services directly. This calls into question the necessity and role of retailers in the industry. Focusing on online travel agencies (OTAs), this chapter is aimed at solving three main research questions: What is the current position of online tourism retailers as indirect channels in the online tourism distribution system? What are the strengths of OTAs as seen by their customers? and How should OTAs face the future? A database drawn from a survey of Spanish digital tourists is used to illustrate the initial theoretical discussion and concluding remarks.*

## INTRODUCTION

The global financial crisis, which broke in 2008, created a complex and challenging economic scenario across many sectors. In this context, advances in Information and Communication Technologies (ICTs) represent an opportunity rather than a threat to sectors such as tourism, a key sector in many countries. The strong performance shown by European travel and tourism companies in 2017 reflects a positive

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economic trend and strong confidence in the sector (ITB World Travel Trends Report 2017). Tourism agents have invested in ICT to develop more efficient production and distribution processes. The Internet has significantly transformed the travel industry over the last 20 years (Webb, 2016), as traditional suppliers and intermediaries extend into the online environment. Since the onset of the Internet in the 1990s, most new entrants to the sector have approached it through electronic means (online travel agencies, OTAs) (Berné et al., 2015a). The growing group of "OTAs only" has contributed substantially to the observed changing structure of the tourism sector (Stangl et al., 2016). OTAs are acknowledged as key agents in travel distribution because they provide a reliable and effective platform for consumers to purchase trips and share information about their experiences (PhoCusWright, 2014).

A highly changing environment has forced all tourism agents into a continuous process of adaptation requiring agility in order to survive and thrive. Remaining competitive in the e-business era means adapting technologically (Law et al., 2015). Increasing rivalry within the sector has led to successive power shifts among the main players.

Attempts to explain changes in the tourist distribution system have focused on comparing power positions between direct and indirect channels (Berné et al., 2012). One analysis describes the transition from the pre-ICT situation of domination by intermediaries, to disintermediation as direct channels improved their power positions, and a final return to intermediation (re-intermediation).

A recent report by Beritelli & Schegg (2016) suggests that the growing complexity of the online tourism distribution environment is testing managers across the entire industry. Nevertheless, this is a highly dynamic sector, capable of reacting to the challenges posed by the behaviour, wishes and needs of consumers, technological developments, and competitive pressures. Hence we find that, by 2010, PhoCusWright reported faster growth in the online travel market than in the market as a whole. OTAs have been increasing their dominance since the very onset of online distribution services (Runfola et al., 2013), in part by offering more product choice (Beritelli & Schegg, 2016).

Meanwhile, overall demand for travel is strong and rising (Floater and Mackie, 2016), with a particularly significant increase in online purchases of tourist products and the creation of efficiencies for digital tourists, seen as operant resources from the Service-Dominant Logic perspective (Vargo & Lusch, 2008), since they create an impact as co-producers (Shaw et al., 2011). Single-exchange transactions are transforming into relationships wherein value is created through the interaction process itself (Gronroos, 1990; Etgar, 2008). Lusch et al. (2007) stress the difference between value delivery (Goods Dominant Logic) and value creation.

Thus, co-production is evolving into co-creation, especially in terms of product innovation; and firms can obtain competitive advantage by bringing their customers and value network partners on board (Shaw et al., 2011). This business-consumer relationship, which benefits both parties, is difficult to manage because it involves integrating the resources, interests and expectations of service providers and users (Chathoth et al., 2013).

The trend towards growing numbers of proactive consumers, driven by the online distribution channels, has been identified by tourism companies as one of the main influences on their strategies and operations. Therefore, distributors who use ICTs to tailor their products to customer needs will be able to increase their market power (Berné et al., 2012).

Recent literature reviews the movement of the current distribution landscape toward disintermediation as the Internet and mobile technologies provide consumers with more and more tools for researching suppliers/providers and purchasing products and services directly. This calls into question the necessity

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