MARYNA LISUNOVA

THE USE OF DISTRIBUTION CHANNELS BY THE ACCOMMODATION SECTOR IN THE ALGARVE

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Master in Management

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THE USE OF DISTRIBUTION CHANNELS BY THE ACCOMMODATION SECTOR IN THE ALGARVE

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I declare to be the author of this work, which is unique and unprecedented. Authors and works consulted are properly cited in the text and are in the listing of references included.

Maryna Lisunova

(signature)

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RESUMO

Neste trabalho estudamos o problema da dependência do setor do alojamento turístico face aos seus canais de distribuição, uma vez que é um problema relevante para vários países europeus. Uma das razões é o rápido crescimento da influência das principais OTA (Online Travel Agencies) no setor de alojamento turístico. Estas agências tendem a pressionar os fornecedores de alojamento a aceitar os seus termos e condições através da sua posição oligopólica no mercado. Após tomar medidas preventivas a Comissão Europeia e as entidades reguladoras a nível nacional sentem necessidade de continuar a monitorizar a situação do mercado de distribuição de alojamento turístico.

De dois em dois anos a HOTREC (Confederação Europeia das Associações de Hotelaria, Restauração, Cafetaria e Similares), efectua um estudo que tem como objectivo a identificação da quota de mercado dos diferentes canais de distribuição no setor hoteleiro europeu. Dado que os resultados deste estudo não incluem Portugal, decidimos realizar um estudo semelhante no Algarve, a região portuguesa que registou maior número de dormidas no setor, com o objectivo de avaliar a relação entre os fornecedores de alojamento no Algarve e os canais de distribuição que utilizam.

Com base na replicação do estudo da HOTREC sobre a distribuição de hotéis Europeu (Schegg, 2018) no Algarve (com algumas adaptações), os principais objetivos deste estudo são (1) determinar a quota de mercado dos canais de distribuição utilizados pelo setor de alojamento no Algarve; (2) identificar o canal de distribuição dominante; (3) avaliar a quota de mercado das principais agências de viagens *online*; (4) identificar a provável pressão exercida pela OTA sobre os fornecedores de alojamento, e por fim, (5) avaliar a quota de mercado dos principais canais de distribuição nos diferentes segmentos de alojamento.

A investigação empírica analiza dados fornecidos por 50 estabelecimentos de alojamento do Algarve, durante os meses de janeiro a março 2019. Os dados permitiram definir as quotas de mercado de cada canal de distribuição e identificadar os três principais canais utilizados pelo setor de alojamento no Algarve: canais directos (com quota de mercado de 35,2%), operadores turísticos/agentes de viagens (quota de mercado de 29,1%) e OTA (16,6%). Os resultados do estudo demonstram, ainda, que os fornecedores de alojamento no Algarve se apresentam bastante dependentes de operadores turísticos, embora tentem diversificar a sua carteira de distribuição de modo

a diminuir a pressão excessiva dos intermediários. Assim o nosso estudo permitiu demonstrar que, comparativamente com o estudo da HOTREC, não existe nenhum canal de distribuição particularmente dominante no Algarve.

A análise da quota de mercado das agências de viagens *online* revela que os líderes de mercado são a Booking.com (38,5% de reservas) e a Expedia (14,2%), que também lideram no mercado europeu. Contudo, e contrariamente à maioria dos países europeus, as agências de viagens *online* não são o canal de distribuição dominante no Algarve. Consequentemente,a maioria dos participantes do inquérito (67,4%) respondeu que não se sente pressionada pelas principais agências de viagens *online*. Além disso, a maioria dos participantes afirma não ter qualquer tipo de conflito com as agências de viagens *online* (54,7%) e outros 40,4% dos participantes consideram que existe um método justo e efetivo para resolver desentendimentos com agências de viagens *online* caso venham a ocorrer.

A análise por segmentos demonstra que os operadores turísticos dominam entre os hotéis que estão abertos todo o ano. A sua quota de mercado é mais elevada entre hotéis de 3 e 4 estrelas. Além disso, os números demonstram que a quota de mercado dos operadores turísticos aumenta de acordo com o tamanho de hotel. Por sua vez, a quota de reserva de operadores turísticos é maior para cadeias de hotéis do que hotéis independentes.

A relação entre as OTA e os fornecedores de alojamento turístico é inversamente proporcional às destes com os operadores turísticos, ou seja, os segmentos com menor utilização dos operadores turísticos dependem mais das OTA e vice-versa. Por exemplo, hotéis com negócios sazonais, hotéis de tamanho pequeno e médio, hotéis de duas estrelas e alojamentos sem classificação por estrela (hosteis e apartamentos turísticos), ou hotéis independentes (sem cadeia) têm maior dependência das OTA do que operadores turísticos.

O presente estudo também inclui um teste de hipóteses para identificar a dependência da quota de mercado dos três maiores canais de distribuição (canais diretos, operadores turísticos e OTA) de fatores como o tamanho do estabelecimento, tipo de gestão, e localização. Os resultados demonstram que existe uma diferença estatística relevante na quota de mercado de operadores turísticos em grupos com diferentes tamanhos. Por exemplo, entre hotéis pequenos, a quota de mercado média dos operadores turísticos é de 12,0%, entre hotéis de tamanho médio 26,6% e entre hotéis grandes 32,5%. A relação de dependência entrequota de mercado dos canais diretos e OTA e o tamanho do estabelecimento não foi confirmada.

Existe, também, dependência entre a quota das reservas dos operadores turísticos e o tipo de gestão hoteleira. Por exemplo, os hotéis independentes têm apenas 21,9% da quota de mercado dos operadores turísticos, enquanto que para as cadeias hoteleiras este indicador é, em média, 30,7%. A relação de dependência da quota de mercado dos canais diretos e das OTA e o tipo de gestão do estabelecimento não foi confirmada.

A análise da localização geográfica confirma que a quota de mercado das OTA entre os hotéis localizados junto à costa marítima é, em média, 27,4% enquanto que os estabelecimentos situados noutros locais apresenta uma quota das reservas através das agências de viagens mais baixa – 16,9%. A relação de dependência da quota de mercado dos canais diretos e dos operadores turísticos e a localização do estabelecimento não foi confirmada.

Concluímos que os estabelecimentos de alojamento no Algarve têm um diversificado portfólio de canais de distribuição. Estes resultados são encorajadores, porque isso significa que os fornecedores de alojamento no Algarve podem evitar a sobrepressão dos canais de distribuição. Isto pode também indicar que os hotéis têm um grau relativamente alto de liberdade para estabelecer e conduzir negociações com canais de distribuição, evitando conflitos e discriminação de preços.

Podemos ainda afirmar que para além do conhecimento que adquirimos sobre as relações de (in)dependência dos alojamentos turísticos do Algarve face aos seus canais de distribuição, até aqui inexistente este estudo contribui significativamente para a reflexão sobre a abordagem metodológica, nomeadamente apresenta procedimentos úteis sobre como melhorar o desenhodo questionário e o processo de recolha de dados, para a realização futura de estudos semelhantes a nível nacional.

Palavras-chave: canais de distribuição, setor de alojamento, operadores turísticos, OTA, canais diretos.

ABSTRACT

This work addresses the problem of the dependence of the tourism accommodation sector on its distribution channels. As some channels tend to dominate the market, they abuse their oligopoly position to force accommodation suppliers to accept their terms and conditions. This is why we aim to evaluate the situation related to the relationships between accommodation providers in the Algarve and the distribution channels they use.

Aiming to reproduce the European Hotel Distribution Study (Schegg, 2018) in the Algarve (with some adaptations) the main goals of this study are (1) to determine the market share of distribution channels used by the accommodation sector in the Algarve; (2) to identify the dominant distribution channel; (3) to assess the market share of major online travel agencies; (4) to uncover the probable pressure of online travel agencies on the accommodation suppliers; (5) to evaluate the market share of major distribution channels within different accommodation segments.

The empirical investigation analyzes data provided by 50 accommodation establishments of the Algarve, during the months of January-March 2019, through which we defined the market share of each distribution channel. As a result, three main distribution channels used by the Algarve accommodation sector were identified: direct channels, tour operators/travel agents and online travel agencies. The analysis of the market share of leading online travel agencies revealed as market leaders, Booking.com and Expedia, which are also the market leaders across Europe.

The results allowed to characterize the distribution channels' market share within different accommodation segments, classified by seasonality, stars, size, location, main customer segment, and type of management. The research indicates that accommodation suppliers in the Algarve are still significantly dependent on tour operators. However, they try to diversify their distribution portfolio to avoid overpressure from intermediaries.

This study concludes by presenting a portfolio of distribution channels used by the accommodation suppliers in the Algarve and the definition of main factors influencing channels' market share.

Keywords: distribution channels, accommodation market, tour operators, online travel agencies, distribution portfolio.

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LIST OF ABBREVIATIONS

AHETA	Association of Hotels and Tourism Enterprises in the Algarve
ATA	Associação Turismo do Algarve
CPC	Cost-per-click
CRM	Customer relationship management
CRS	Central reservation system
DMO	Destination marketing organization
ECO	Event and congress organizers
EU	European Union
FCA	French Competition Authority
GDP	Gross Domestic Product
GDS	Global distribution system
HOTREC	Umbrella association of Hotels, Restaurants, and Cafés in Europe
IBE	Internet Booking Engine
ICA	Italian Competition Authority
ICT	Information and communication technologies
ITIC	Irish Tourism Industry Confederation
MICE	Meetings, Incentives, Conferences, Exhibitions
NTO	National tourism organization
OTA	Online travel agency
PMS	Property management system
ROI	Return on Investment
SCA	Swedish Competition Authority
SEA	Search Engine Advertising
SEM	Search Engine Marketing
SEO	Search Engine Optimization
TMC	Travel management company
UK	United Kingdom
USA	United States of America
WTTC	World Travel & Tourism Council

CHAPTER 1. INTRODUCTION

Travel and Tourism represents one of the world's largest economic sector, supporting 319 million jobs worldwide and generating 10.4% (US$8.8) of world GDP in 2018 (WTTC, 2019). The role of tourism in the development of destinations is immense. The tourism industry is a catalyst for changes, it has a multifarious influence on economic benefits at the macro-level (foreign exchange earnings, infrastructure development), and regional level (jobs creation) (Holland & Leslie, 2017).

Tourism is a key industry in the economic structure of Portugal. It generates 19.1% of GDP (EUR 38.4 BN) and provides 1,047.4 thousand jobs (21.8% of total employment) (WTTC, 2019). The hospitality industry, in particular, is a driver of regional development in this country, propelling job creation, growth of local entrepreneurs, and infrastructure development. One of the key issues, which will always be relevant for tourism destinations, concerns the constant influx of tourists. To ensure the attraction of tourists worldwide local accommodation suppliers, in particular, employ different distribution channels. The effective functioning of distribution channels determines the success of the accommodation sector at the destination. This is why the issue of using distribution channels by tourism accommodation suppliers has attracted the attention of our study.

The problem of the relationships between accommodation suppliers and various distribution channels is relevant to many European countries. For instance, one of the reasons is related to the fast-growing influence of leading online travel agencies on the accommodation sector. Using their dominant position in the market, online travel agencies create pressure on accommodation suppliers in order to force them to accept their rules and conditions. After taking preventive actions, the European Commission and national regulatory bodies continue to monitor the situation of the market of tourist accommodation distribution.

Every two years, HOTREC, the umbrella association of Hotels, Restaurants, and Cafés in Europe, conducts a study, which aims to identify the market share of various distribution channels in the hotel sector within different European countries. However, the results of this research do no cover the Portuguese hotel market, in spite of Portugal being one of the leading tourism destinations in Europe. The probable reason is the low response rate of Portuguese hotels (less than 20 responses) that is not sufficient for the analysis. This fact prompted us to conduct a similar study to understand the actual situation in Portugal. Considering the complexity and dimension of the study, if applied to the whole country, we decided to limit the initial research to the Algarve region.

In order to make our results comparable with the results from the European Hotel Distribution Study, we have adapted the methodology of HOTREC according to the objectives of our study. According to the Portuguese national classification, hotels represent only one type of tourist accommodation establishments, therefore we have decided to extend the framework of our study and cover all types of tourist accommodation establishments.

Our research aims to:

1) reproduce the European Hotel Distribution Study in the Algarve;

2) evaluate the market share of distribution channels used by the accommodation sector in the Algarve;

3) define dominant distribution channels;

4) determine the market share of leading online travel agencies;

5) determine the level of pressure on accommodation establishments in the Algarve from leading online travel agencies;

6) assess the market share of major distribution channels within different accommodation segments.

Also, during this study, we are going to test whether the market share of the major distribution channels depends on the size of establishment, its location or type of management (independent hotel or part of the hotel chain).

This work consists of three main parts. The literature review contains a description of the main types of distribution channels, their development, functions, and influence on the accommodation sector. This part aims to provide a correct classification of distribution channels, which will be assessed during the study. The methodology part describes the questionnaire design and process of data collection. In this part, we will also highlight the main difficulties we encountered during data collection. The third part is dedicated to data analysis and hypotheses testing. This part contains all the results of our research as well as recommendations for future studies.

CHAPTER 2. LITERATURE REVIEW

In this Chapter, we are going to get an understanding of the distribution channels' concept and the role of distribution in the marketing mix of any company. Then we will explore specific characteristics of distribution channels in the accommodation sector, their main types, and functions, as well as the challenges coming up from different types of distribution channels.

2.1 General conceptualization of distribution channels

We must have a clear understanding of the distribution channels' concept. This is a relevant issue for the tourism market, where the distribution channels and other market players (for example, different facilitators such as metasearch engines) possess some common features.

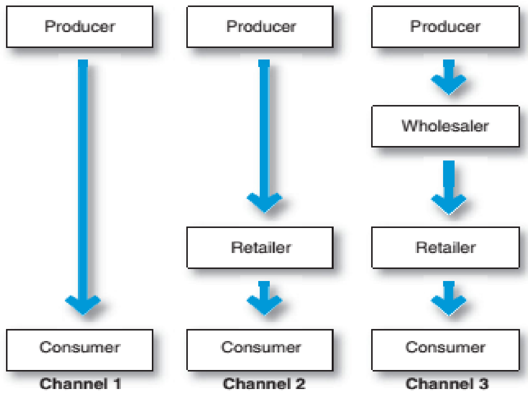
According to Kotler and Keller (2012: 415) distribution channels are defined as "sets of interdependent organizations participating in the process of making a product or service available for use or consumption". The role of distribution channels is described as the bridge between supply and demand, which connects producers and their end consumers and makes products available to consumers (Kracht & Wang, 2010).

The nature of distribution channels is more than the cooperation of companies linked by various flows. Distribution channels form complex behavioral systems whose participants are accomplishing individual, company and channel goals (Bengtsson, 2007). In this respect, Kotler and Armstrong (2011) underline that the main goal of the distribution is to deliver value to the consumer and build profitable mutual relationships.

For instance, from the economic system's point of view, the role of marketing intermediaries can be described as a transformation of the products' assortments made by producers into the product mix wanted by consumers. Suppliers produce a narrow range of products in large quantities; meanwhile, consumers require a diverse assortment of products in small quantities. In this case, the main role of the marketing channel members is to divide products bought in bulks from many producers and to rearrange them into assortments desired by consumers (Kotler & Armstrong, 2011).

Based on the number of intermediary levels, there are two main types of distribution channels: direct channels (marketing channels that have no intermediary levels) and indirect channels (channels with one or more intermediary levels) (Kotler & Armstrong, 2011). Figure 2.1 shows the distribution channels structure according to intermediary's levels between producers and consumers.

Figure 2.1: Distribution channels structure

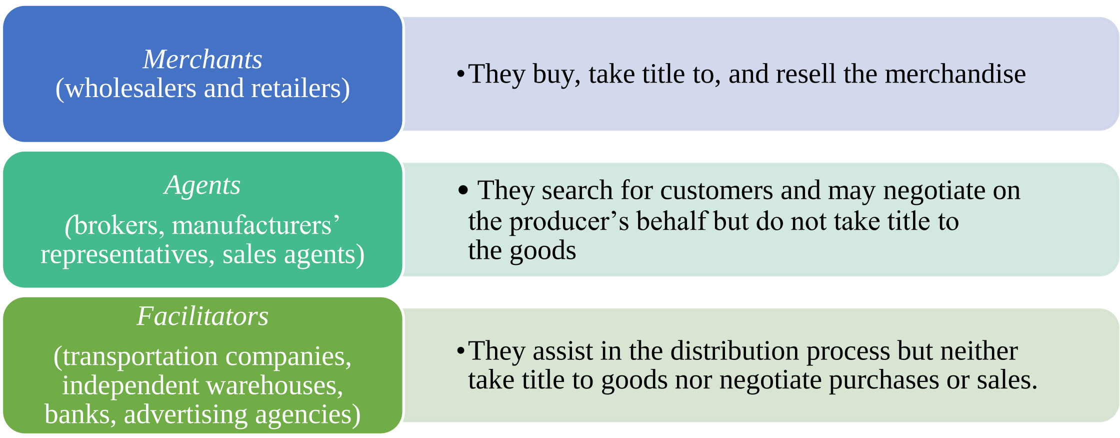


Source: Kotler and Armstrong (2011: 343).

The figure above shows three types of distribution channels: Channel 1 is a direct channel; Channel 2 is an indirect channel with one intermediary level (retailers); Channel 3 is an indirect channel with two intermediary's levels (wholesalers and retailers).

Depending on the main functions in the distribution chain, Kotler and Keller (2012) distinguish the following types of intermediaries: merchants, agents, and facilitators as illustrated in Figure 2.2.

Figure 2.2: Main types of intermediaries involved in the distribution process



Source: Kotler and Keller (2012: 416)

The main differences between these types of intermediaries are identified by their functions: whether they participate in the sales process, whether they take title to goods or just perform the ancillary services.

The engagement of intermediaries usually occurs when producers cannot perform themselves some functions, therefore they shift to their partners in the distribution chain; or when producers' costs for accomplishing certain functions significantly exceed the intermediaries' costs. Kotler and Armstrong (2011) have determined the key functions that are often shifted to the channel members by product producers, which are information, promotion, contact, matching, negotiation, physical distribution, financing, and risk taking (see Table 2.1).

Table 2.1: Key functions of intermediaries in the distribution channel

Function	Description
Information	Gathering and distributing marketing research and intelligence information about actors and forces in the marketing environment needed for planning and aiding exchange.
Promotion	Developing and spreading persuasive communications about an offer.
Contact	Finding and communicating with prospective buyers.
Matching	Shaping and fitting the offer to the buyer's needs, including activities such as manufacturing, grading, assembling, and packaging.
Negotiation	Reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred.
Physical distribution	Transporting and storing good
Financing	Acquiring and using funds to cover the costs of the channel work
Risk-taking	Assuming the risks of carrying out the channel work.

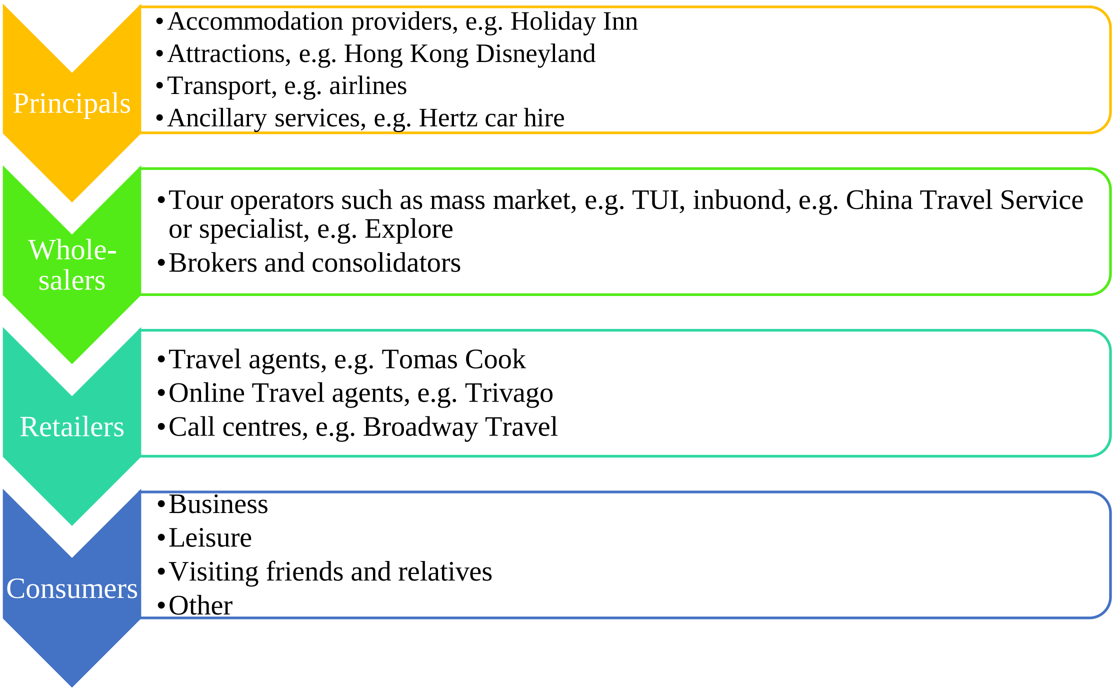
Source: Kotler and Armstrong (2011: 342-343)

The functions described in Table 2.1 are applicable for distribution channels in general. However, we need to identify specific features of the distribution channels in the tourism industry for this study and underline the functions that are relevant for the accommodation sector.

2.2 Distribution channels in the tourism industry

We must note that "the tourist product is a complex amalgam of different services, each of which must be brought together and presented to customers by the various sectors of the industry" (Holloway & Humphreys, 2016: 193). The main characteristic of tourism products is their intangibility and, unlike traditional goods, distribution of these products deals with providing consumers with access to the product rather than transporting or delivering goods (Holland & Leslie, 2017). Tourism products usually consist of transport services, accommodation, and ancillary services. These services are provided by principals (i.e. producers of services), which form the top of the tourism chain of distribution (Holland & Leslie, 2017). Figure 2.3 shows how tourism products are distributed through a number of intermediary levels, i.e. wholesalers and/or retailers, to their eventual consumers.

Figure 2.3: Chain of distribution in tourism



Source: Holland and Leslie (2017: 51)

Taking into consideration the nature of the tourism product, the role of the intermediaries within the distribution channels is to determine the price by analyzing demand and supply; designing and creating the tourism products according to customers' needs and preferences; and stimulate promotion by targeting specific markets and establishing communication (Buhalis, 2000).

Buhalis (2000) describes the main functions of tourism distribution channels. We can distinguish these functions into two main categories, based on cooperation with accommodation suppliers (principals) and consumers (see Table 2.2). The first category includes functions related to cooperation with principals, and the second category describes functions related to cooperation between intermediaries and the final consumer.

Table 2.2: Functions of the tourism distribution channels

Functions related to cooperation with principals	**Functions related to cooperation with consumers**
1. Assemble tourism products from different providers according to customer expectations.	1. Identity of consumers' needs, requests, and expected experiences.
2. Provision of coordinated and seamless tourism products.	2. Facilitate the selling process by reserving and issuing travel documents.
3. Reduction of prices by negotiating and pre-purchasing tourism products in bulk.	3. Issue and deliver travel documentation, i.e., ticketing, vouchers, etc.
4. Ameliorate inventory management by managing demand and supply.	4. Assistance in legal requirements for consumers (e.g., visas) and suppliers.
5. Assessment of quality of facilities and products.	5. Reduce the perceived risk for consumers.
6. Facilitate communications between consumers and suppliers especially in multilingual and multicultural environments.	
7. Undertake pre-and post-experience marketing research.	7. Provision of information by using leaflets, maps, brochures, video, CDs.
8. Establish a clearing system where each channel member receives payments for their services.	8. Consumers guidance/advice/ consultation.
9. Spreading the commercial risk involved between channel members.	9. Facilitation of access to often remote tourism products, for both bookings and purchasing.
10. Assume risk when pre-purchasing tourism products.	10. Arranging details and ancillary services, such as insurance, visa, currency, etc.
11. Promotion of particular products or packages, in co-operation with suppliers.	11. Complaint handling for both customers and the industry.
12. Promotion of distressed capacity in low period and at the last minute.	

Source: Buhalis (2000: 115)

To sum up, we briefly described distribution channels, their types, functions and the specific characteristics of the tourism products distribution channels. In the next section, we will narrow the scope of our study and focus on the main types of distribution channels in the accommodation sector, a crucial part of the tourism product distribution.

2.3 Characteristics of the main hotel distribution channels

Similarly to other industries, the distribution channels in the accommodation sector have two main levels of distribution, namely direct and indirect. In this section, we will take a closer look at these types of distribution channels, describe their features and their market share in the multichannel distribution strategy of accommodation providers.

Direct distribution channels

Direct distribution is the simplest form of distribution because in this case, accommodation providers sell their rooms directly to consumers (Holland & Leslie, 2017). Among the most used direct channels of accommodation distribution, we can list the following (Schegg, 2018; Holland & Leslie, 2017):

- Telephone (call-center);
- Mail/fax;
- Walk-in;
- Email;
- Website (online via booking engine or through the contact form).

Using direct channels gives hoteliers the benefits of quality control within the sales process, the opportunity to sell ancillary services, the savings on commission fee (Holland & Leslie, 2017). At the same time, moving away from intermediaries will result in hotels' increased expenditures on customer attraction, online marketing, technology development, and guest service (Siteminder, 2019).

Direct booking channels continue to be the most important source for hotels' reservations. According to the European Hotel Distribution Study, conducted in 2017, the share of direct distribution channels in the European hotel market is 55.1% (Schegg, 2018). Another study conducted by the Travel Click among the world's 50 leading hotel markets shows that the major brands' properties get about 60% of their bookings in monetary terms through direct channels, which include walk-ins, meetings/groups, and direct call-in (Marvel, 2016).

According to the Hotel Distribution Report 2016, there are discovered some factors influencing the share of direct channels in the hotel's distribution profile, such as location, affiliation to the hotel chains or well-known brands. For example, brand hotels which are situated in urban or prime resort locations usually get a higher number of reservations through direct channels, including the chain's website or call center; meanwhile, independent hotels in secondary and remote locations usually depend more on intermediaries, such as travel agents, including online travel agencies (OTAs), and tour operators (Marvel, 2016). This study will analyze the data collected and will look for a similar impact of location and type of hotel on the accommodation providers' distribution profile in the Algarve.

According to a study conducted in 2016, worldwide roughly half of hotel bookings arrive via conventional direct channels (e.g. walk-ins, telephone, fax, email, etc.). For example, only about a fifth of the hotels in China and India are booked through online channels (Marvel, 2016).

With the aim of increasing direct bookings, it is crucially important for accommodation providers to maintain their own website, which can be an effective tool for transactions and promotion. Nowadays, the accommodation's web site is one of the most important sources of information for potential customers. For example, Navis, a US-based company, which specializes in improving call conversion for the hospitality industry, has conducted a study among ten well-managed call centers in resorts over the period of one year from September 2010-September 2011. The results show that of the calls coming in, a full two-thirds (66%) had originated from a website shopping experience. The conversion of the calls that started online was 37% versus a 35% conversion of those that came directly through the call center (Green & Lomanno, 2012).

Nevertheless, if we analyze booking numbers through the direct channels it should not be understated 'The Billboard Effect' (Siteminder, 2019). Consumers who research traveling options on intermediaries' websites also often visit an accommodation provider's site with the expectation of getting more detailed content (photographs, maps, online content) (ITIC, CHL & AMAS, 2010). In this case, if the hotelier has updated information and the website has a booking option, they can achieve higher yields through direct booking than is the case of booking through OTA or other third party websites (ITIC, CHL & AMAS, 2010). According to Siteminder (2019), up to 35% of hotel bookings result from a user discovering the hotel on a third party site and then visiting the hotel to book directly.

Taking into consideration that each intermediary in the distribution chain applies its own charges, it is reasonable for accommodation providers to avoid the intermediaries by forwarding booking traffic towards direct online channels (Gilbert *et al*., 2005). This is why more and more hotel chains develop their marketing strategies in such a way as to persuade customers to book through their corporate websites. For instance, Starwood offers additional loyalty points to Rewards program's members; Hilton has launched the promotional campaign "Stop Clicking Around" and offers discounted rates of up to 10% to HHonors members; The InterContinental Hotels Group offers an exclusive rate to IHG Rewards Club members when they book direct; Hyatt tries to incorporate air and car booking functionalities on its website to attract more customers; other hotels as well tend to offer the lowest guaranteed rates, amenities and services, such as free Wi-Fi (Gilbert *et al*., 2005; Marvel, 2016; Law *et al*., 2015).

Despite all efforts to increase direct sales, the role of the intermediaries remains very important for accommodation providers. Hotels admit that direct sales alone are not enough, because they end up in isolation (ITIC, CHL & AMAS, 2010). This is why they diversify their distribution channels by adding additional layers of intermediaries.

Indirect distribution channels

As mentioned above, despite the fact that direct distribution channels play an important role in the marketing campaign of accommodation providers (e.g. direct sales provide the majority of bookings in big hotel chains), this is not enough and the involvement of intermediaries is inevitable. The main reason of using intermediaries is that they have direct contact with the potential customer, and they reach a wider market that may be difficult for accommodation suppliers to identify and service (Holland & Leslie, 2017).

In the European Hotel Distribution Study, there are listed main intermediaries in the tourism accommodation market as following (Schegg, 2018):

- Tour operators and travel agencies;
- Global distribution systems;
- Central reservation systems;
- Online travel agencies;
- Social media;
- National tourism organizations;

- Destination marketing organizations (national/local);
- Event & conference organizers.

In the section below, we will take a closer look at each of the intermediaries, their functions and role in the tourism accommodation market.

Tour operators and travel agencies

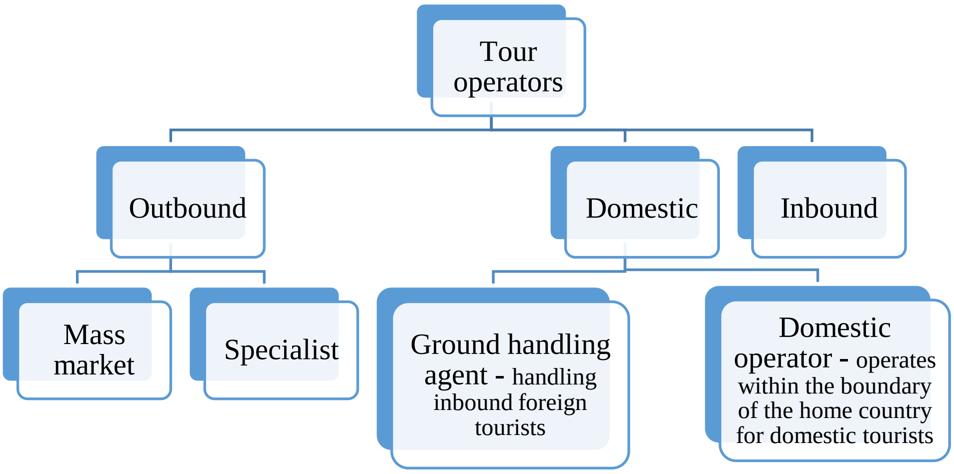
The appearance of first tour operators and travel agents is dated in the middle of the 19^{th} century when Thomas Cook organized his first excursion tour from Leicester to Loughborough in 1841. He expanded his trips within the UK and later brought his first tourists to Europe in 1855 (Thomas Cook, 2019). The first functions of tour operators and travel agents were to arrange customers travel requirements, and provide necessary transportation and accommodation services (Holland & Leslie, 2017).

With the general improvement of the economic situation in the developed countries during 1960s/1970s, the demand for traveling and holiday tourism has increased (Holland & Leslie, 2017). It caused the development of the tourism market and the introduction of the package holiday concept. The typical components of package tours are transporting to and from the destination and accommodation, which are provided by companies called "principals" or "suppliers". Likewise, this package includes transfers between airport and accommodation, and, if it is required, activities within the destination (Holland & Leslie, 2017).

Tour operators have formed the core of the travel industry, and, it could be said that they have transformed the industry into the form familiar to us today. The main role of tour operators is described as linking travel suppliers to customers, i.e. purchasing separately the tour components and combining them into a package that they sell directly (or through travel agents) to customers (Holloway & Humphreys, 2016).

Traditionally, there are three major categories of tour operators: inbound tour operators, domestic tour operators (which perform functions of ground handling agents or domestic operators), and outbound tour operators (which cover mass market or narrow niche of customers) (see Figure 2.4).

Figure 2.4: Categories of tour operators



Source: Holland and Leslie (2017: 21)

The most important information, describing distinctive features of these categories of tour operators are briefly presented in Table 2.3.

Table 2.3: Distinctive features of main categories of tour operators

Main functions	Distinctive features
	Domestic tour operators
Assemble tour components into packages promoted to residents within their own country.	Domestic tour operators usually focus on a very specific market or narrow segment, for example: offering city breaks or coach holidays. They form relatively small sector because, with the development of the Internet, visitors can book and purchase tour components directly with service suppliers. It is also difficult to differentiate between domestic tourists, international tourists and day visitors to popular locations. In many developing destinations, domestic tour operators assist international tour operators facilitating their tours in the destination.
	Outbound tour operators
Assemble tour components (accommodation, transport, and transfers) in the traditional package tour for destinations outside of their client's home country.	Outbound tour operators can be divided into two subcategories: mass-market operators and specialist (or niche/tailor-made) operators. The first subcategory offers a wide variety of tours, concentrating on the volume of sales rather than profit. Usually, they focus on the mainstream destination. The second subcategory offers exclusive products out of the mainstream market. However, this distinction is becoming more blurred, because the mass-market operators are developing their portfolios and offer specialized products as well.
	Inbound tour operators
Operate within their domestic market, as well as assist to international tour operators to perform travel arrangements within the destination	Inbound tour operators are subdivided into categories based on the type of package they offer, characterized by the mode of transport, mode of accommodation, location of the destination, activities within package tour and others.

Source: adapted from Holland and Leslie (2017)

Tour operators may be seen as wholesalers in the distribution chain, because they buy large quantities of products and services from suppliers, combine them into packages and sell to consumers according to their individual needs (Holland & Leslie, 2017). However, some authors argue that tour operators cannot be classed as wholesalers; because they have all the features of principals, who produce their own product, which consists of many components, so-called inclusive tour (Holloway & Humphreys, 2016). Nevertheless, in the literature, we often find that tour operators are often called wholesalers.

Tour operators play an increasingly important role in the development of a destination, namely in job creation, especially in the hospitality sector (Holland & Leslie, 2017). They were able to control a vast number of airline seats for limited airlift destinations, especially in those destinations where main tourists flow have been achieved by charter flights (Green & Lomanno, 2012). Another reason for the strong dependence of accommodation providers on tour operators is concerned with marketing. For example, hotels in the Mediterranean could reach the North American market only through tour operators in those countries. Therefore, they came to depend significantly on tour operators in selling their rooms (Holloway & Humphreys, 2016).

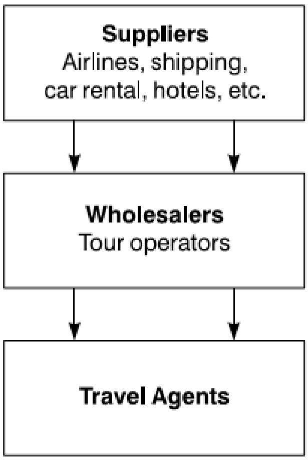
For many years, tour operators and accommodation providers have had mutually profitable relationships. Hoteliers sell a significant part of their inventory to tour operators with the aim to fill their unsold bedrooms. Having substantial fixed costs hoteliers are willing to provide significant discounts to tour operators and others willing to buy rooms in bulk (Holloway & Humphreys, 2016). Even when selling a room at a lower price, which only covers variable costs and a part of the fixed cost, accommodation providers still have an opportunity to sell extra services to their clients, such as drinks, entertainment, and meals. Indeed, those profits can compensate for the low room rates paid by tour operators (Holloway & Humphreys, 2016).

Another advantage for accommodation providers is that tour operators can ensure tourist flow in the low season. Cooperation with tour operators helps hotels to avoid closure during the off-peak period (closure means the absence of revenue at all, while the hotel will still have costs for permanent staff, maintenance and so on) (Holloway & Humphreys, 2016).

Thus, one of the reasons, why tour operators can sell cheaper holiday than if a consumer buys each component separately is explained by the fact that the tour operator purchased the components in bulk with competitive rates. Another reason can be explained by vertical or horizontal integration of tour operators in the distribution chain (Syratt & Archer, 2003).

The vertical integration in the distribution chain means that airlines, cruise ships, hotels, tour operators and travel agents belong to one company. This gives the company a competitive advantage by increasing buying power, control over prices and availability, standardization of service quality (Syratt & Archer, 2003; Holland & Leslie, 2017). The scheme for vertical integration is illustrated in Figure 2.5.

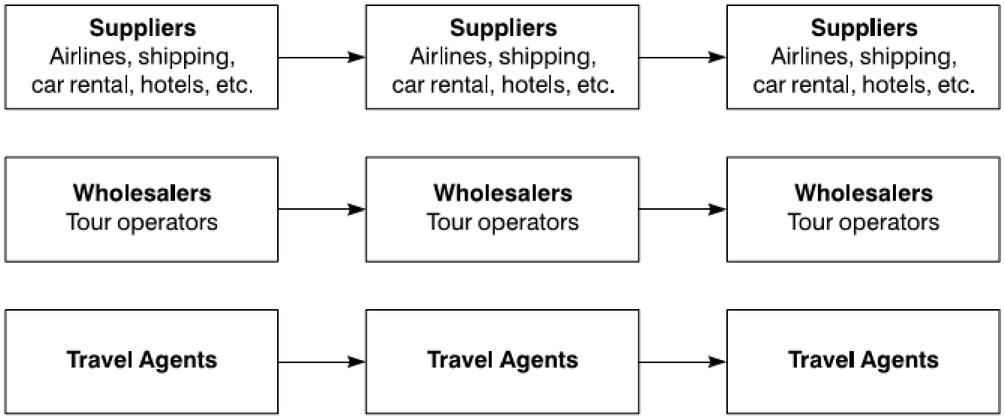
Figure 2.5: Company's vertical integration



Source: Syratt and Archer (2003: 17)

The horizontal integration in the distribution chain means the merging of companies on the same level (see Figure 2.6) (Syratt & Archer, 2003). The most common form of horizontal integration occurs when a tour operator purchases or merges with another tour operator, or when one travel agency chain purchases another travel agency chain. Tour operators obtain their benefit of horizontal integration by gaining economic benefits through bulk purchasing as well as integrated promotional marketing campaigns (Holland & Leslie, 2017). In the situation of horizontal integration, companies increase their market through the expansion or diversification of their products (Holland & Leslie, 2017).

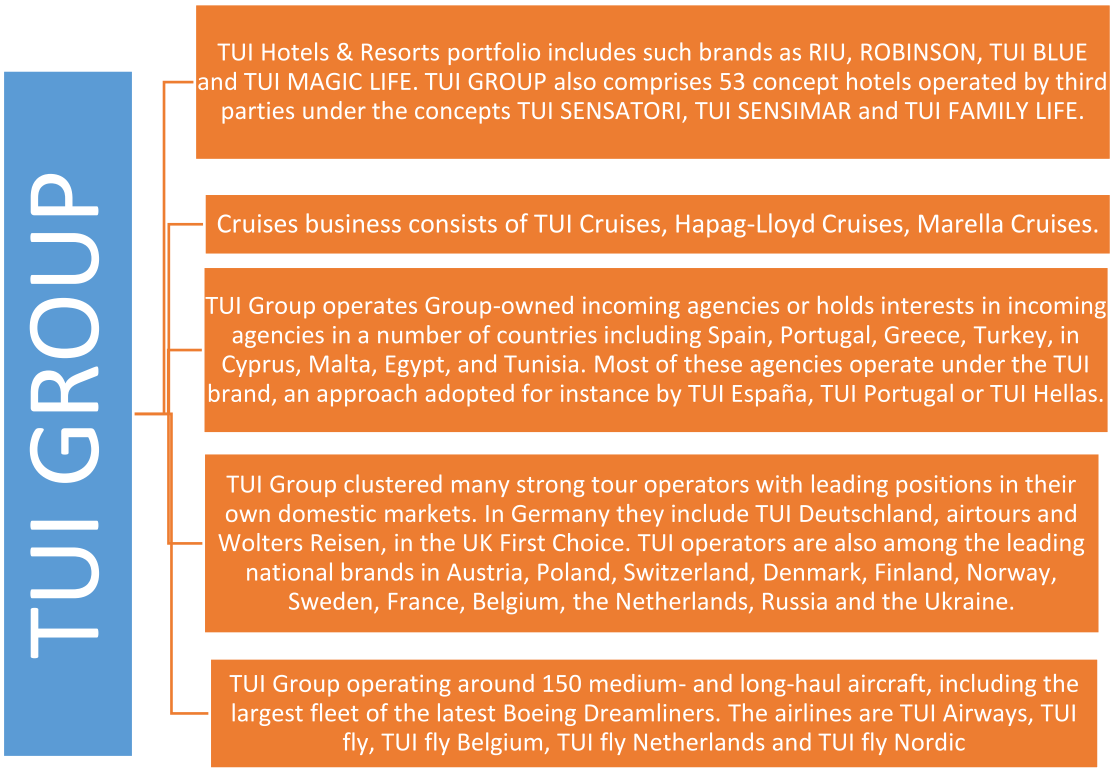
Figure 2.6: Company's horizontal integration



Source: Syratt and Archer (2003: 17)

Figure 2.7 illustrates the company's integration based on the TUI example. As we can observe, TUI Group owns different companies within the following segments: hotels and resorts, cruises, destination experiences, tour operators, airlines.

Figure 2.7: Example of TUI Group integration



Source: TUI (2019)

Within the process of vertical integration, some tour operators acquired the accommodation business, but after facing difficulties, most of them consequently have refused of own accommodation properties. Instead, they preferred to sign contracts with accommodation establishments, often for the entire capacity of the hotel and sometimes for several years in advance (Holloway & Humphreys, 2016). These contracts lead to increasing hoteliers' dependence on tour operators, hotels did not become more capable to reach the marketplace in any other way. As a result, it made them overly dependent on tour operators, which, in turn, used their dominant positions in the market to force prices down (Holloway & Humphreys, 2016).

This situation of overdependence of accommodation providers on tour operators is typical for many destinations. For instance, the price problem was mentioned as one of the most important areas of conflicts between Greek hoteliers and tour operators (Buhalis, 2000). Hoteliers have complained that low-profit levels caused by uncompetitive rates contracted with tour operators led to implementing some retrenchment measures and as a consequence decreased the level of service they provided (Buhalis, 2000; Holloway & Humphreys, 2016). Consequently, the number of customer complaints have increased, and properties faced a customer outflow crisis. This is why accommodation providers try to diversify their distribution portfolio and employ several distribution channels to decrease the pressure of tour operators as a dominant channel.

The most preferred way for tour operators to distribute their package tours and other services is through travel agents (Holland & Leslie, 2017). Thus, travel agents form the next layer in the distribution chain. Normally, travel agents work on a commission basis, and their main role is to act on behalf of principals and consumers, i.e. as a broker who brings buyer together with the seller (Holland & Leslie, 2017). Travel agents can sell prearranged packages on behalf of tour operators or sell individual components, such as air tickets or hotel rooms (Holland & Leslie, 2017). The key functions of travel agents aimed to distribute tourist products and to support customers are listed in Figure 2.8.

Despite the fact, that number of travel agents have significantly declined as customers turn to the direct booking, most tour operators continue to rely on travel agents as an important link in the distribution chain, and retailers continue to play a key role in the structure of the industry (Holloway & Humphreys, 2016). For example, across the

European Union, purchasing patterns are different. For instance, Belgian, Danish, Greek and Austrian tourists prefer to book directly with tour operators, the German market still prefers to arrange holidays through travel agents (Holland & Leslie, 2017). This is why the agent's role is changing; they adopt new business models and customize their services to adapt them to the constantly changing market. For instance, some travel agents offer flexible working hours (night openings, Sunday openings), outdoor services, create a more comfortable environment (coffee bar style), use immersive technologies to create the effect of presence at the destination (for example, Holiday Hypermarkets, which are part of TUI's retail operations) (Holland & Leslie, 2017).

Figure 2.8: Key functions of travel agents

- Making reservations
- Planning itineraries
- Costing fares and charges
- Providing tickets (or vouchers) for the components of the package
- Communicating with consumers, maintaining reservations
- Promoting products using brochures and other marketing materials
- Dealing with customer complaints

Source: Holland and Leslie (2017: 170)

The latest European Hotel Distribution Study shows, that the share of hotel bookings received through tour operators and travel agents in 2017 is 7.8% (Schegg, 2018). Comparing with 2015 and 2013, the tour operators share in decreasing (in 2015 it was 8.0% and in 2013 – 9.6% correspondingly) (Schegg, 2018). This decline can be explained by the Internet development that has led to the growth of bookings through online travel agencies (for instance, Booking.com, Expedia) as well as direct bookings on the accommodation provider's website.

In this study, we aim to discover the actual share of traditional tour operators in the distribution portfolio of accommodation providers in the Algarve. During many years, hoteliers in the Algarve were heavily dependent on tour operators. However, with the development of the Internet, promotion of direct bookings with principals and bookings through online travel agencies, and the introduction of low-cost flights to the destination, the Algarvian tourist became more independent, and consequently, the number of package tours to the destination has declined. Nevertheless, tour operators continue to play an important role in the Algarve accommodation sector. As travel agents are closely connected with tour operators in the distribution chain for the purposes of this study they were grouped together.

Global Distribution System (GDS)

GDS plays an important role in the communication and inventory exchange between the travel agencies and supplier on a local, national and global level (Gilbert *et al*., 2005). GDS is a "central information hub for the analysis of thousands of different pieces of information relating to suppliers and their products, then display succinct information relevant to the end user's requirements" (ITIC, CHL & AMAS, 2010: 46).

The first GDS Sabre was launched by American airlines in the 1960s (Kracht & Wang, 2010). In the beginning, the system was used only internally and travel agents had to contact by phone (Holland & Leslie, 2017). Lately, the airlines have recognized that automatization of reservation processes would make travel agents a part of their sales force, motivating them to become more productive and loyal to the airlines (Holland & Leslie, 2017). Consequently, European airlines have decided to create their own GDS, and as a result, a consortium of Air France and Lufthansa developed Amadeus in 1987 (Holland & Leslie, 2017). Nowadays, the major GDS of the tourism market is the following: Sabre Holdings, Amadeus, Galileo, Travelport, TravelSky, and Worldspan (ITIC, CHL & AMAS, 2010).

The first connection of hotels to GDS dates back to the 1970s when airlines launched their new jumbo jets that led to the need for establishing closer connections with hotels to accommodate their passengers. As a result, hotels gained access to the airlines' GDS, and furthermore, these computerized reservations networks became a key factor to access the international market of accommodation (Holloway & Humphreys, 2016). With the development of GDS, the system shifted from the distribution software for airlines to the distinct distribution channel enabling direct connections between customers, principals, wholesalers, and retailers, which involves all travel services, including accommodation supply (Holland & Leslie, 2017).

Nowadays, different research shows that the share of hotel bookings through the GDS varies from 10% according to Sheivachman (2017) to 16.1% according to Marvel (2016). However, results from the European Hotel Distribution Study show that GDS provides only 1.9% of hotel bookings on the European hotel market (Schegg, 2018). The relatively low portion of hotel bookings (in comparison with air bookings via GDS) is explained by the complexity and fragmentation of the global hotel distribution marketplace (Sheivachman, 2017).

A study of the world's 50 leading hotel markets shows that market share of GDS in the distribution portfolio is higher among hotels placed in an urban area, which have a significant business traveler clientele (Marvel, 2016). The corporate travel agents still have a great influence on the development of GDS, considering the fact that their corporations require a global network of products (Gilbert *et al*., 2005).

Along with the access of corporate system users, the major GDS have a customer portal for end-users, for example, Sabre has introduced Virtually There, Amadeus launched Check My Trip and Travel Port has View Trip and My Trip (Holland & Leslie, 2017).

Summing up, we come to the conclusion that GDS is an important distribution channel that allows accommodation providers to access the global international market. GDS continues to be a key intermediary in the tourism distribution chain connecting accommodation suppliers with corporate travel agents and tour operators, enabling the latter to purchase components when putting together packages or tailor-made holidays (Holland & Leslie, 2017).

Central Reservation Systems (CRS) and Switch companies

CRS is a “computerized reservation software used to maintain hotel information, room inventory and rates, and to manage the reservation process. A CRS provides hotel room rates and availability for many different distribution channels such as the GDS, IBE (Internet Booking Engine), OTA, 3rd party websites, etc." (Xotels, 2019). The hotel CRS is closely interrelated with Switch companies, which are translators capable of connecting any CRS to various GDS platforms, adapting different software and programming languages (O'Connor & Frew, 2002). The appearance of switch companies allowed hoteliers to avoid duplication efforts to maintain two separate databases: managing availability and room rates in the central system enabled them updating of this information in multiple booking channels in real time (Gilbert *et al*., 2005). The hotels' CRS together with Switches had formed another layer of intermediation for hotel bookings (Kracht & Wang, 2010).

With the developing of CRS, hotel chains have created Call Centers to bypass GDS and save money on commissions payments (Serra Cantallops *et al*., 2013). Traditional intermediaries, such as hotel chain reservation offices, GDS, third party reservation system providers, and Switch companies have also introduced websites (e.g. hilton.com, Travelocity.com, UTELL, and Pegasus), providing information and booking facilities, all with the objective of conducting business directly with customers (Buhalis & Kaldis, 2007; O'Connor & Frew, 2002). As of 2017, CRS provide only 1% of hotel bookings on the European market (Schegg, 2018).

Online travel agencies (OTAs)

Among the biggest competitors of traditional tour operators and travel agents in retailing their pre-packaged holidays are online travel agencies (OTAs), which have increased significantly the competition in the tourism market (Holland & Leslie, 2017).

According to the definition by Xotels (2019) "OTAs are online companies whose websites allow consumers to book various travel related services directly via the Internet. They are 3rd party agents reselling trips, hotels, cars, flights, vacation packages, provided or organized by principals".

Initially, GDS enabled only traditional travel agents' access, but with the development of the Internet, OTAs obtained daily access to book reservations for their clients (Holland & Leslie, 2017). With further development, OTAs' customers could search for travel information and compare prices easily, facilitating by using metasearch engines, which provide an interface that shows flight and accommodation availability, and their prices from different sources without needing to access each of these sites separately (Holland & Leslie, 2017).

The innovative approach of OTAs is to create and exploit of two-sided market platforms: it means that in contrast to traditional travel agencies, hotels and guests are both customers of OTAs (Oskam & Zandberg, 2016). Sometimes, OTAs charge both hotels and guests to connect them together, but in most cases, the hotel side covers consumers' fees (Oskam & Zandberg, 2016).

According to Onyx Payments, a commission payment data processing provider, in the big-3 EU countries (France, Germany and the UK) OTAs represent the second-largest hotel distribution channel after direct channels (Marvel, 2016). Furthermore, OTAs are the fastest growing distribution channel and have reached a significant market share (ITIC, CHL & AMAS, 2010).

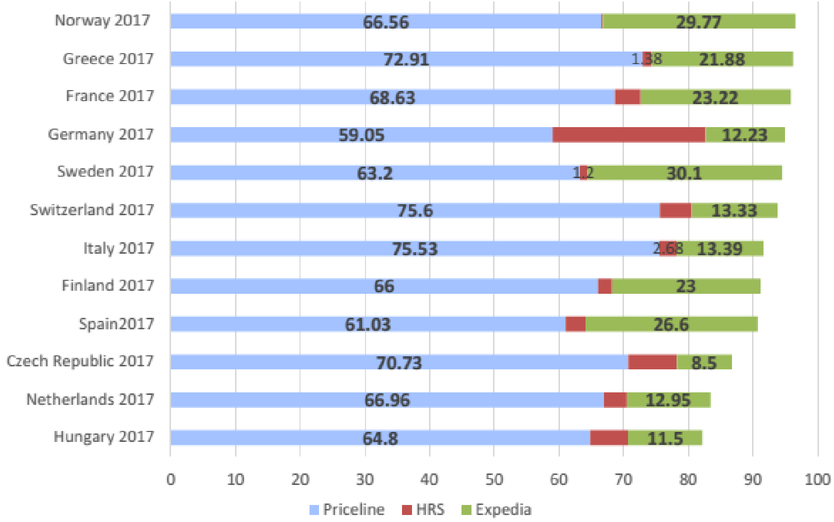
Xotels (2019) gives a list of the best well-known OTAs as following:

- The Priceline Group (Booking.com, Priceline.com, agoda.com, KAYAK, rentalcars.com, Open Table);
- Expedia, Inc. (Expedia.com, Hotels.com, Egencia, Hotwire, Trivago, Venere.com, CarRentals.com, Classic Vacations, Expedia Cruise Ship Centers, Expedia Local Expert (LX), Wotif Group, Travelocity);
- Opodo (opodo.com).

According to the European Hotel Distribution Study, the share of OTAs bookings among European hotels is 26.9%; it is the second largest market share after direct booking channels (Schegg, 2018). In the Hotel Distribution Report, authors concluded that growth in the OTAs' share of bookings led to decrease of the GDS', TMCs' (travel management companies) and hotel call-centers' market share (Marvel, 2016).

By analyzing relative market shares of major OTAs in Europe within the European Hotel Distribution Study, it is possible to conclude that there are three most used online platforms: Booking.com (with a share 65.55% of bookings as of 2017), Expedia (12.59% of bookings) and HRS (7.8% of bookings) (Schegg, 2018). More detailed information regarding the relative market shares of the top-3 OTAs in 12 European countries is presented in Figure 2.9.

Figure 2.9: Relative market shares of the top-3 OTAs in European countries



Source: Schegg (2018: 72)

However, the high level of market penetration does not always mean high dependence on the online platform. We can see such a situation based on the research conducted among hotels in Austria, Germany, and Switzerland in 2012. For instance, 84.46% of German hotels work with Booking.com generating 29.10% of bookings (Stangl *et al.*, 2016). In Switzerland 89.71% hotels use this platform; even though it is about 5% more than in Germany, they generate 52.55% of all online bookings via this channel (Stangl *et al.*, 2016). Thus, the dependency of Swiss hotels is higher than that of German hotels (Stangl *et al.*, 2016).

Despite the leading positions of major OTAs, hoteliers try to diversify their risks and employ different OTAs. Thus, on average hoteliers have a portfolio of 3.61 different OTAs: for example, Germany on average relies on 3.47 OTAs, Switzerland 3.78 and Austria uses a mix of 4.11 OTAs (Stangl *et al.*, 2016). However, Stangl‘s study also shows that there are 9.9% of hoteliers who do not use any type of OTA while one hotelier is engaged with 15 different channels (Stangl *et al.*, 2016).

The topic of the relationships between OTAs and accommodation providers is one of the most discussed in industry publications. Within the European Hotel Distribution Study, the question of whether hotels are feeling pressure by OTAs was raised. Fifty point three percent of respondents have confirmed the perception of the pressure (Schegg, 2018). However, the author has mentioned that there are differences in the perception of the pressure between hotels depending on their size and type of management. For instance, the proportion of hotels feeling no pressure from OTAs is larger in big hotels (more than 50 rooms) than in other size classes; likewise, hotels belonging to a chain feel less pressured than small independent hotels (Schegg, 2018).

Along with the European Hotel Distribution Study, other studies have discovered as well the dependence of different types of hotels on OTAs. According to the Hotel Distribution Report, "large chains hotels on average rely on OTAs for about a quarter to a third of their online bookings or 10% to 15% of total bookings. Meanwhile, independent hotels, particularly those located outside major urban destinations, might rely on OTAs for as much as 70% of their total bookings" (Marvel, 2016: 55). This situation, characterized by accommodation providers highly dependent on one dominant distribution channel, causes great pressure on them by the intermediary. This kind of pressure becomes the reason for major conflicts between hoteliers and OTAs, which will be discussed in more detail in Section 2.5 of this Chapter.

Another important issue of cooperation between hotels and OTAs is the requirement of rate parity. The merchant model of OTAs represents the following: OTA negotiates a net rate for the hotel room and then adds mark-up (this usually varies between 15% and 30%) to calculate the final sale price (Serra Cantallops *et al*., 2013). Commonly, the contracts between the OTAs and the hotels include clauses regarding rates parity. This means that the hotels are not allowed to offer lower prices through their direct channels than those indicated by OTAs on their web site (Marvel, 2016). This is why an increasing number of hotels, especially those who represent big international chains, tend to readdress bookings to their direct channels as much as possible (Serra Cantallops *et al*., 2013; Marvel, 2016; Gilbert *et al*., 2005). The problem of rate parity led to the implementation of several legislative regulations within European countries to protect accommodation providers from uncompetitive conditions offered by leading OTAs. This issue will be discussed in more detail in Section 2.6 of this Chapter.

There are different opinions forecasting that OTAs and other new-comer intermediaries may replace traditional travel agencies in the long run partly owing to the emergence of online search engines that make information easily available to perform the purchase decision (Law et al., 2015). Even though consumers use advantages of information search on the Internet, they still set a high value on the professional attitude and personal interaction offered by traditional travel agencies (Law *et al.*, 2015).

Social media and networks

Social media is a "wide range of Web 2.0 type online media for social interaction, featuring user-generated content. Examples include blogs, discussion forums, Twitter and other micro-blogging, social networking sites (such as Facebook), collaborative wikis, social bookmarking (such as Delicious) and social news (Digg, Reddit), content sharing (Flickr, YouTube, Vimeo), presentation sharing (Slideshare, Scribd), and review and opinion sharing sites (epinions.com, yelp.com, Google Answers)" (ITIC, CHL & AMAS, 2010:48).

Since social media are phenomena of the XXI century, they are considered a potential source for globalization and new markets penetration. Nowadays, one of the leading social media is Facebook, which can be used as an asset for social marketeers. It has 1,280 million daily active users and 1,940 million monthly active users (Socialbakers, 2019).

Social networks are actively used for sharing experiences, getting recommendations, and facilitating bookings, in other words, social networks possess similar features to the distribution channel (ITIC, CHL & AMAS, 2010).

In the long term, Facebook and other social media can become an important channel of hotel direct bookings (i.e. in case hotels will develop booking functions on their Facebook profile). Nowadays, Facebook pays mostly the role of an important direct communication channel. For instance, among the most popular Facebook pages of accommodation providers in Portugal are MGM Muthu Hotels (1 152 979 fans); Pousadas de Portugal (266 211 fans); Yelloh Village Page Officielle (228 990 fans); Pestana Hotels & Resorts (178 920); Horta da Moura (171 427 fans) (Socialbakers, 2019).

Until now, the hotels' efforts to harness Facebook as a distribution channel have not met with great success, but the company is introducing new features, which could change the situation in the future (Marvel, 2016). As of 2017, social media channels provided only 0.5% of European hotel bookings (Schegg, 2018).

Other important marker players, which are considered as a kind of social media, are travel reviews. Travel reviews represent a kind of platform that allows reading thousands of reviews on hotels, written by the guest of those hotels, and also allows sharing the actual photos and videos. All these opinions have an increasing influence on product purchase decision (Serra Cantallops *et al*., 2013). One of the most popular travel reviews is TripAdvisor. Besides the main functions described above, TripAdvisor has launched an updated version of its website, which possesses features of social travel network (Müller, 2018). Since November 13, 2018, TripAdvisor enables users to follow interesting people, to share photos, videos or link posts with other users inside and outside the platform, for example with Facebook friends (Müller, 2018).

It is crucially important for accommodation providers to manage their reputation on global platforms such as TripAdvisor (ITIC, CHL & AMAS, 2010). According to the TripAdvisor's statistics, it is the world's largest travel site with over 730 million reviews and opinions, covering approximately 8.1 million accommodation establishments, airlines, experiences, and restaurants; the average number of monthly unique visitors is 490 million (TripAdvisor, 2018).

Based on The Society for New Communications Research, it was discovered that about 75% of respondents choose companies and brands based on others' opinion about them online, and nine in ten respondents confirm that an online hotel review has a significant influence on their purchase (ITIC, CHL & AMAS, 2010).

At the same time, TripAdvisor also has features of a metasearch engine, i.e. compares prices from more than 200 hotel booking sites so travelers can find the lowest price (TripAdvisor, 2018). As in the situation with Google's Book Direct, TripAdvisor instant booking is promoting itself as a separate hotel booking platform (tentatively trying to cover independent hotels), but in this case the relationships between TripAdvisor and OTAs are challenging, considering that the company depends on Expedia and Priceline Group for almost half of its revenue (Marvel, 2016).

Considering the fact that TripAdvisor has hotel search functionalities, some authors classify TripAdvisor as an online travel agency (Xotels, 2018). However, TripAdvisor is not an OTA, but it can be considered as an effective communication channel for the promotion of bookings through different direct or indirect channels.

Other distribution channels

Among the other channels, which participate in the promotion and distribution hotel rooms, we should mention the National Tourism Organization (NTO), Destination Marketing Organization (DMO), event and congress organizers and others. Their share of hotel bookings in the European market is relatively low: NTO – 0.5%, DMO – 0.9%, event and congress organizers – 1.9% (Schegg, 2018). However, they play an important reputational and promotional role for the accommodation.

The main function of NTO is to market the country as a tourism destination (Formica & Littlefield, 2000). Normally, NTOs are public institutions, which cannot fulfill trading activities. Therefore, their efforts are focused on promotional and image activities. However, they form strategic partnerships with trade representatives, such as incoming tour operators, hotel associations and others, to attract incoming tourists and achieve social and economic benefits to their entire country (Formica & Littlefield, 2000). Considering, that NTOs often have a network of tourist offices abroad, they may perform similar functions to a distribution channel of the local tourism products and services, including accommodation.

As an example of NTO in Portugal is Turismo de Portugal, I.P., the national tourist board, which has developed visitportugal.com, the official website for Portugal as a tourist destination (Visitportugal, 2019). Turismo de Portugal, I.P., is responsible for the promotion and sustainable development of tourist activity in Portugal. It performs all the institutional powers relating to the development of tourism, in all areas ranging from supply to demand (Visitportugal, 2019).

On the above-mentioned website, visitportugal.com, the accommodation search available provides information regarding hotels and other types of accommodation placed at the searched location. However, the NTO website does not allow users to check availability; it only redirects requests to the principals' websites. Thus, the Portuguese

NTO is considered to be more a communication channel than a distribution channel for accommodation providers.

A Destination Marketing Organization (DMO) is “one that draws its membership from both public- and private-sector tourism bodies that share a common interest in the development or marketing of a specific tourist destination” (Holloway & Humphreys, 2016:201). DMO can cover various scales of destinations, starting from a resort, state or region and finishing with a country or even a global area (Holloway & Humphreys, 2016).

Holloway & Humphreys (2016:201) underline two main objectives of DMO:

● to foster cooperation and coordination between the various bodies that provide, or are responsible for, the facilities or amenities making up the tourism product;

● to act cooperatively to promote the destination to the travel trade and tourists.

As an example of DMO in the Algarve region of Portugal, we can mention ATA – Associação Turismo do Algarve (AALEP, 2015). According to the information available at the ATA website, the role of DMO is promotional and informative, rather than performing functions appropriate for distribution channels. Similarly to the NTO’s website, the ATA website just provides a description and contact information about their 57 associates within the accommodation sector (ATA, 2019). Thus, DMO in the Algarve cannot be considered to be a separate distribution channel, but rather are like a communication channel that promotes the principals’ direct booking channels.

Event and Congress Organizers (ECO) are important distribution channels for accommodation providers. ECO functions include hosting business and consumer events. The specific characteristics of the event and congress organizers is that they are likely to book with long lead times, for example, confirming events one year or so in advance (Holloway & Humphreys, 2016). This type of partnership is especially convenient for hoteliers’, as they have the possibility of forecasting in advance the capacity allocation, receive prepayments, and promote additional services and amenities, such as catering, transfers, rent of congress halls, audio-visual and other technological support (Holloway & Humphreys, 2016).

2.4 New-coming challenges for the electronic distribution

Given the fact that the rapid development of information technologies has a direct impact on the tourism business, industry experts began to think more and more about how to use these achievements to attract new customers, and at the same time how to avoid becoming victims of digitalization. In the following section, we will take a look into modern tools, which are forming new trends and are able to influence significantly the visibility and usability of direct and indirect distribution channels.

In the beginning, we should briefly observe two important market players, namely metasearch engines and search engines, which play a crucial role in the Internet users' redirection to different direct or indirect channels.

Metasearch engines

The appearance of metasearch engines, such as Kayak, Hotel ads by Google, and Trivago, has significantly facilitated the booking process of tourism products. Metasearch is "a search engine that queries other search engines and then aggregates all of the results" (ITIC, CHL & AMAS, 2010: 47). It means that metasearch engines enable users to look for a certain travel product and show a result page with offers and prices from different service suppliers (Serra Cantallops *et al*., 2013).

As mentioned by Serra Cantallops *et al.* (2013), the average user of the Internet checks 3-4 websites to compare prices and conditions before buying the travel product. Due to metasearch engines, it is possible to make the price comparison of requested tourism products visiting only one website. Normally, meta-searchers charge a fee for each click that users make on the website from a metasearch engine result list (Serra Cantallops *et al*., 2013). Given the popularity of metasearch engines as a communication channel, they may become an important tool to increase a hotel direct booking.

Search engines

Zaveri *et al.* (2018: 1209) define search engine as a "medium through which a person can tap into the huge potential of the internet and extract bits of meaningful and relevant data from it". Nowadays, navigation through the Internet is almost impossible without search engines. The consumer is likely to use a search engine when s/he does not know a precise website address (URL) or does not have a particular website in mind (Kracht & Wang, 2010).

The leader of search engines is Google. As of January 2019, Google's search engine market share among users of computers, laptops, mobile and tablet devices was 79.07% (in comparison with its closest competitors Baidu and Bing, whose market share were only 12.61% and 4.16% correspondingly) (Netmarketshare, 2019).

Along with the dominant position on the search engine market due to its innovative approach, Google's functions in the accommodation distribution chain vary differently, assuming the role of meta-searchers and even OTAs. For instance, among Google products in the hotel industry we can find modified Hotel ads, which allow direct bookings on the search engine website, and Google destinations, which was launched in March 2016 (Marvel, 2016).

With the implementation of Book Direct for hotels in July 2015, Google made it possible accommodation booking without leaving Google's website (Marvel, 2016). When compared to traditional metasearch engines, Google's Book Directs applies a commission-based model like OTAs, rather than cost-per-click (CPC). As Hotel Ads expanded its functions, accommodation providers can select the business model to apply: or pay per click or pay commission per actual reservation (Marvel, 2016).

Despite these innovations and growth in the travel market, Google denies having become an OTA (Travelweek, 2016). Obviously, Google does not want to compete with big OTAs, because they bring in a significant part of Google's advertising revenue (Marvel, 2016). The travel and tourism industry is the third-size industry that contributes to Google earnings (WordStream, 2011). The two market leaders, Priceline.com (Booking.com) and Expedia, are listed among the biggest Google Search advertisers in the USA, spending $82.3m and $71.6 on Google search advertising correspondingly (Richter, 2014). This is why we will observe some functions of search engines as a tool of Search Engine Marketing (SEM) and not as the distinct distribution channel.

"SEM aims to promote websites by increasing their visibility in search engine results pages and offers a defined Return on Investment (ROI). SEM methods include Search Engine Optimization, paid placement and paid inclusion"(ITIC, CHL & AMAS, 2010:46). Accommodation suppliers and intermediaries, like OTAs, actively use SEM tools to connect them with potential customers.

One of the most used tools of SEM is Search Engine Advertising (SEA). SEA “is usually undertaken by advertisers paying a certain amount of money to search engines for ads to be displayed in the search results webpage” (Chang & Choi, 2016:359). Any advertiser tends to get the best position for their website ranking, i.e. to appear on the first search engine results page for specific keywords (Cant & Rooyen, 2017). Usually, paid advertisements are marked “Ad” on Google’s result page, and advertisers pay per each click done by user on the link of a paid ad.

Search engines open for hospitality businesses a wide world of Internet users, which can become their potential customers. However, search algorithms are very complicated and have many hidden hazards. It is obvious that search engines tend to adjust their algorithms in such a way to be most appropriate for users’ request, but on the other hand, they have a commercial interest to give better placements to OTAs as their biggest advertisers (Oskam & Zandberg, 2016). Expectedly, the giants of information technologies can use their advantages in their favor. For example, Google has been accused of giving preferences to big enterprises and using power against its own competitors; Facebook often hides certain messages whilst prioritizes others (Oskam & Zandberg, 2016).

To ensure effective SEA process, marketers should meet three main criteria: to select the appropriate target audience for advertising, to bid the convenient price for their ads ranking positions and to select the appropriate keywords (Chang & Choi, 2016).

Algorithms are primarily based on users’ information, such as social connections, previous preferences, and the price paid in past purchases; they individually determine what products and even at what price each user can buy them (Oskam & Zandberg, 2016). This is why the right selection of the target audience will increase chances of advertisers to be shown on the desired position on the search result page.

“The services of a search engine to website owners and users are determined by its ranking of websites for relevance to a search: search engines continuously tweak their opaque ranking algorithms to improve compliance with users' expectations but also to filter out undesired results…" (Oskam & Zandberg, 2016: 7-8).

Therefore, it is crucially important for advertisers to understand customer search query because it is the only way to improve their keyword portfolios and attract more customers to their websites and as a result make their SEA campaign more efficient (Chang & Choi, 2016).

In order to use search functions better and before investing in advertisements, companies should study more closely what terms and phrases are used by their target customers to reach their website (Lanz & Sridhar, 2018). For this option, Google users can promote their advertisements for set payments. However, it is also possible to use "negative term" to exclude expenditures on clicks from customers, which are not the company's target audience (Lanz & Sridhar, 2018). For example, Hotels "Adults Only" can use a negative term such as "children's entertainment" or "play area" to exclude their hotel from the search results of people seeking "hotel for a family vacation with children" and do not waste money on their clicks.

Companies, which just started to advertise, should not expect an immediate return: initially, they need to get to know better the bidding process, the behavior of their customers, and keywords; or how to organize an effective campaign (Lanz & Sridhar, 2018). The key secret on how to reach the target customer in the best way is closely connected with the ability of travelers' personalization, which will be discussed in this section below.

Another important search engine tool that is actively used for websites promotion is Search Engine Optimization (SEO). SEO is the "methodologies to get good natural ("organic") results in search engines. As much as 80% of web traffic is accounted for by search engines, optimizing a website includes a number of factors, such as the structure and relevance of the site content, the presentation on the page, the metadata, links to the site and submissions to directories" (ITIC, CHL & AMAS, 2010:46).

Unlike SEA, SEO specialists do not pay for advertising, however, they manipulate with website design (use keywords, improve the content, use search engine spiders) to ensure its ranking on the first page of search engine's results pages (Cant & Rooyen, 2017).

Summing up, we can say that Google's search engine can facilitate bookings through different distribution channels, such as hotel direct bookings or bookings through online travel agencies. It is also possible that in the course of time Google will be classified as a distinct distribution channel.

Users' personalization

When analyzing the future trend, it is vitally important to not forget that the customer is the force, which plays a key role in determining the direction of the industry development. Today guests are defining the hotel brand by the quality of their experience (Deloitte, 2017).

The experience was defined as a distinct economic offering in 1998 by B. Joseph Pine II and James H. Gilmore, who underlined that "an experience occurs when a company intentionally uses services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event" (Pine II & Gilmore, 1998: 98). They were among the first to realize that clients need something more than just good services; the successful brands in the future should find an individual approach to every customer. Pine II and Gilmore (1998: 99) have explained the immense role of experience for customer satisfaction as follows: unlike commodities, goods, and services, which are external to the buyer, experiences are completely personal, created in the mind of each customer who has been engaged in "an emotional, physical, intellectual, or even spiritual level".

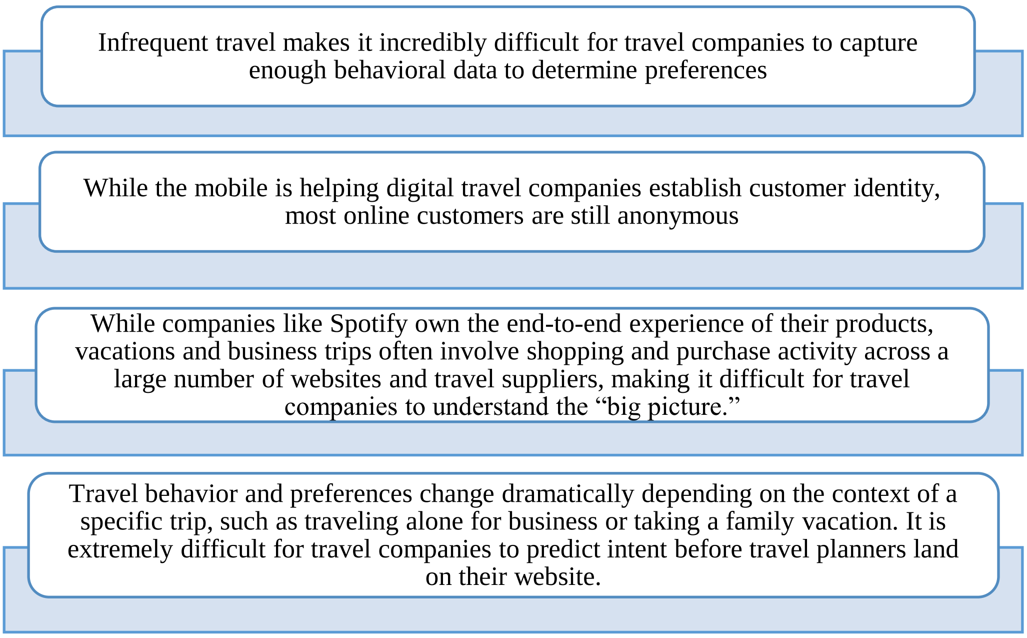
With the rapid development of technologies, hotels tend to improve the customer experience engaging applications such as customer relationship management (CRM) and supply chain management (Deloitte, 2017).

In the near future, the situation described by Deloitte (2017) is becoming realistic: a business traveler after a long flight arrives at a hotel. Entering the lobby, his/her smartphone connects to the hotel's property management system (PMS) and makes automatic check-in. The PMS transfers necessary information to the hotel's staff to greet the guest by name and help with luggage. When the traveler reaches his/her room, the door automatically unlocks. The lighting, temperature, and entertainment settings automatically adjust to the visitor's preferences. After ordering room service, a sensitive dining tray communicates housekeeping staff that guest is finished eating, and they can pick-up. As a result, this traveler books with this hotel often because s/he finds the experience to be exceptional.

Nowadays, tourism organizations actively use profiling to better personalization, customization, and interaction with clients. The Internet enables to create a user's profile, summing up different factors: "region/geography, culture, legal/regulation/policy, economic, ethical/professional, social capital/social networks, and social structure" (Buhalis & Law, 2008: 613). The everyday search behavior of the user expands the user's profile, adding more and more details, allowing to offer products or services that will march as best as possible the user's interest.

However, there are some difficulties with automatic personalization in the travel industry. Deloitte (2017) has discovered a few potential reasons, which hinder the progress in this field. As Figure 2.10 shows the main difficulties of traveler's automatic personalization are connected with the complexity to user's buying patterns, as well as the absence of comprehensive data on traveler's identification.

Figure 2.10: Reasons for difficulties in traveler's automatic personalization



Source: Deloitte (2017: 7)

Despite the above-mentioned difficulties, it is supposed that the problem of customer personalization will be solved soon, and the key to the users' personalization could be found with the assistance of social networks in their Facebook or Instagram profiles (Deloitte, 2017). Getting advantages from the better users' personalization, different distribution channels, especially direct channels, can increase their share in accommodation distribution portfolio.

Mobile technologies and smartphones

The increasing power of mobile phones and portable devices in accommodation booking was mentioned more than a decade ago; they were predicted to be singled out as distinct electronic distribution channels (Buhalis & Kaldis, 2007). Oskam & Zandberg (2016) have also underlined the future trends of digitalization and mobile platforms development.

Nowadays, industry experts pay increasingly close attention to the role of smartphones and other portable devices for hotel distribution strategies. For instance, in the Hotel Distribution Report, mobile technologies (tablets and smartphones) were called "the hot fast-growing channel, … which is displacing desktops for searching and booking hotels, at a breakneck pace, virtually worldwide, but especially in Asia, where the trend is even more advanced than in the west" (Marvel, 2016: 3). This trend led to updates of Google's search algorithm, prioritizing mobile compatibility for accommodation providers (Marvel, 2016).

The number of smartphones users in 2015 reached 1.86 billion users, and it is forecasted to reach 2.87 billion in 2020 (Statista, 2019). The accessibility of the mobile Internet and the constantly growing number of smartphones users, make mobile technologies routine for everyday life. Nowadays both segments, corporate travelers and leisure travelers, tend to carry mobile-enabled devices to ensure the anytime access to the information with the purpose to search and book hotels, to change the travel plans if necessary, to plan visiting attractions, restaurants on a more spontaneous basis (ITIC, CHL & AMAS, 2010).

Experts in SEO underline the necessity for contemporary websites to be mobile friendly and to improve the company's organic search. For restaurants and hotel-related queries, this strategy is as relevant as ever because mobile searchers will likely visit a restaurant within a few hours (Lanz & Sridhar, 2018). At the same time, the inclusion of "click to call" functionality on a mobile site, also known as the call extension which makes the booking process easier, can significantly enhance direct booking (Lanz & Sridhar, 2018)

Nowadays, the functionalities of mobile technologies in the hospitality sector are constantly expanding. Despite search and booking options, hotels and airlines are implementing new functions of mobile technologies, including flight and hotel check-ins, boarding passes, itinerary updates, shopping, and booking capability thereby bringing the mobile channel to a new level (Deloitte, 2017).

Hoteliers also exploit mobile technologies for services perfection. For example, Virgin Hotels launched the app "Lucy" that enables guests to order room service, book additional amenities, control the room temperature, and even text with hotel staff and other guests (Deloitte, 2017).

In conclusion, we can say that smartphones and mobile technologies assist in an effective way the promotion of bookings through the existing distribution channels. Considering the fact that smartphones become the "access key" to the customer personalization, hoteliers should explore further mobile functionalities for better customization of their products and services.

Virtual travel agents

Virtual assistants and robots are becoming habitual in different sectors of our life. The travel industry is not an exception, indeed the introduction of new startups helps customers to avoid visiting dozens of different travel websites for booking holidays, allowing them to text with virtual travel agents (Deloitte, 2017). It is a question of time whether virtual assistants or artificial intelligence can replace human interaction in the future, i.e. professional knowledge of travel agents and the emotional side of communication.

2.5 Multichannel management as a part of marketing strategy

Distribution channels design is one of the most difficult decisions that managers face, especially in the tourism business, where services are extremely personalized and highly perishable (Silva *et al.*, 2014). Nowadays, marketing managers pay special attention to improving quality and productivity of distribution channels as part of the marketing mix (4 Ps: product, promotion price, and place or *distribution*) in order to obtain competitive advantages through cost and differentiation strategies (Buhalis & Kaldis, 2007).

With the development of new technologies and the appearance of new participants in the market of tourism services, hoteliers nowadays have to deal with the dilemma of giving preference to a certain distribution channel. Nowadays, using modern technologies, hotels can distribute their products through the vast number of newly formed distribution channels, at the same time facing challenges with rates, prices and brand management (Buhalis & Kaldis, 2007).

The development of information and communication technologies (ICT) has not reduced the number of intermediaries in the distribution of tourism products, but, conversely, it has caused a permanent evolutionary process within the complex global network. Participants at various levels have constantly transformed their relationships from competition to cooperation, merging, forming partnerships, and changing the relationship (Kracht & Wang, 2010).

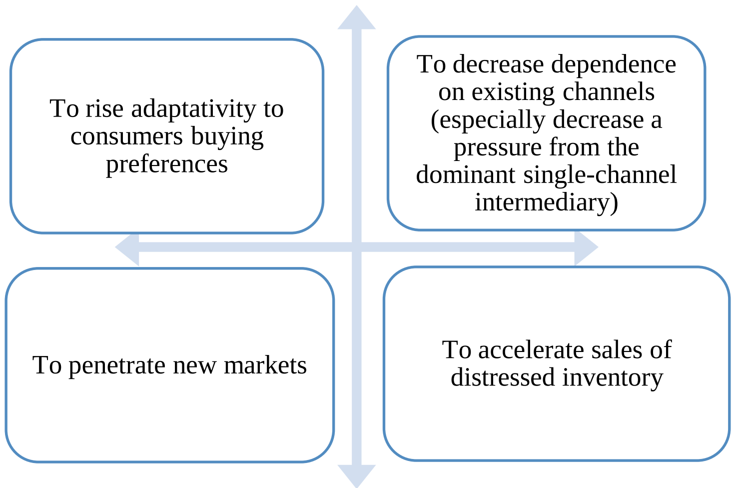
On the one hand, accommodation providers have acquired modern tools to promote their services worldwide directly to customers, decreasing the pressure of intermediaries ("disintermediation"). On the other hand, hoteliers have an unprecedented array of emerging online channels which are available in addition to traditional distribution channels, forming new layers in multifaceted distribution environment (so-called "re-intermediation") (Stangl *et al.*, 2016).

In order to stay competitive in a market where travelers have a vast number of convenient offers, for example, they can buy all holiday components in a "one-stop-shop" offered by OTAs, accommodation providers need to allocate scarce resources thoughtfully developing their marketing strategy (Stangl *et al.*, 2016). Therefore, the use of multiple distribution channels is now becoming the rule (Silva *et al.*, 2014).

When one company uses two or more marketing channels to reach target customer segments is called hybrid channels or multichannel marketing (Kotler & Keller, 2012). The decision of choosing distribution channels is becoming more complex, and there is no clear guidance for managers to help them decide which channel best matches their needs (O'Connor & Frew, 2004). The failure in adopting an effective multichannel strategy can cause an insufficient online presence of accommodation provider and its invisibility in the market place (Buhalis & Kaldis, 2007). Depending on product and target market requirements and resources restrictions hotel managers need to allocate the right amount of capacities to different distribution channels such as offline (e.g., walk-ins) and own online channels (e.g., hotel website) and intermediaries (e.g., tour operators, OTAs) (Stangl *et al.*, 2016).

Gilbert *et al*. (2005) have described the aims and benefits of applying a multichannel strategy to hotel products distribution, oriented to improving customer relationships (adaptation to consumers buying patterns and new markets penetration) and increasing business effectiveness (selling distressed inventory and decreasing dependence on dominant distribution channels) (see Figure 2.11):

Figure 2.11: Aims and benefits of applying a multichannel distribution strategy



Source: Adapted from Gilbert *et al*. (2005).

Analyzing different studies on multichannel strategy, authors agree that the vast majority of companies prefer to adopt the "shelf-space" approach, which means that they try to distribute their products through as many available channels as possible to improve visibility of the product, and to expand into new markets (O'Connor & Frew, 2004; Gilbert *et al*., 2005; Connolly, 1999). However, more is not always better. The adoption of a new distribution channel increases the number of initial investments to make the new channel operational. At the same time, increasing the volume of reservations via the new channel will decrease the volume of reservation via existing channels. As a result, the average cost per each booking will increase, and the period of investments return will be extended Connolly (1999). In other words, the new channel will partially replace functions of the existing channel without significant growth of sales. This is why accommodation providers need to evaluate and prioritize vast numbers of factors to select the optimal combination of distribution channels in order to take advantage from each of them and form an effective multichannel strategy to increase the profitability of their business.

Nowadays hoteliers are choosing multichannel strategy if they want to succeed in the tourism market and overpass their competitor. Hoteliers adapt multichannel strategies for the achievement of multidirectional goals, for instance: implementation of complex marketing strategies, reach widely different customer segments, getting rid of the necessity for intermediaries, the risk reduction through danger dispersion to a greater number of distribution channels (Kontis & Lagos, 2015).

At the same time, the difficulty of adopting the multichannel strategy is deepened by the fact that there is little information about consumers' motivation to be single-channel or the multichannel buyer (Bengtsson, 2007). When hoteliers face the problem of distribution channels adoption and support, giving a privilege to online channels or traditional ones, they should analyze at the beginning the profile of their target customers and select those tools, which better correspond to the approaches and habits of their future buyers.

Based on many studies, there were identified some common patterns of different segments of travelers during the purchase of travel product. For instance, the younger age groups tend to use the Internet for travel booking more frequently than older age groups (ITIC, CHL & AMAS, 2010). Despite this fact, "the flight and accommodation are the most searched topics for Internet users aged between 50 and 60 years old" (Buhalis &

Law, 2008: 614). It means that the elder category of customers is developing a habit of seeking a more convenient choice instead of looking for a standard package holiday.

The development of ICT, the free use of the Internet lead to forming a "new" traveler, who "is becoming knowledgeable and is seeking exceptional value for money and time. They are less interested in following the crowds in packaged tours and much more keen on pursue their own preferences and schedules" (Buhalis & Law, 2008: 610-611).

Of course, the Internet plays a very important role in research and travel planning stage. According to ITIC, CHL, and AMAS (2010), consumers are likely to visit the following websites before to buy the travel product:

- Search engine websites such as Google.
- Destination marketing organizations websites, for example, Visitalgarve.pt.
- Online Travel Agencies (OTAs) such as Booking.com or Expedia.
- Tour operators' websites as TUI.
- Travel reviews or social travel networks such as TripAdvisor.
- Metasearch sites, such as Kayak.com or Skyscanner.com, which can provide with product and price comparisons.
- Social media such as Facebook, Instagram or Twitter.

Analyzing their potential buyers' profile, including information on what websites they tend to visit, hoteliers can decide whether to invest in SEO and promote direct sales or rely more on intermediaries' marketing campaigns.

However, "lookers" not always are converted into "bookers" (Buhalis & Law, 2008; ITIC, CHL & AMAS, 2010). After analyzing different options online, some consumers prefer the off-line purchase. The reason, why clients avoid the online purchase is a lack of personal service, security issues, lack of experience, information overload and time-consuming (Buhalis & Law, 2008; Law *et al.*, 2015).

The need of personal interaction is particularly important for such customer segments as "organized tour travelers, business travelers, people with low income, senior citizens, people with low educational level and customers who buy complex travel product and services, such as honeymoon packages" (Law *et al*., 2015:435).

It is the reason why traditional distribution channels should not be forgotten. For instance, the European tour-operators are continuing to come back in 2018 despite the competition, and gross bookings are estimated to grow 4% up to €55.5 billion, with similar increasing over the next several years" (Phocuswright, 2019).

Another reason why managing multiple channel distribution is challenging nowadays is the difficulty to evaluate the costs and revenues associated with each channel (Gilbert *et al*., 2005). Accommodation providers need to understand their financial and technical restrictions, which influence on affordability of each distribution channel.

For instance, O'Connor and Frew (2004) have defined a portfolio of factors, which influence the managerial decisions regarding channels selection on different stages. As illustrated in Table 2.4 hotel management take into consideration different aspects while deciding the necessity of new channel adoption or continuation of existing channels exploitation.

Table 2.4: Factors influencing the distribution channel's adoption

Stage of decision making	**Factors influencing the distribution channel's adoption**
The channel's adoption stage	Operational and technical issues such as ease of use, transaction speed, update speed, traffic levels, integration, and security were found to be the primary factors that should be taken into consideration. For this stage, it remains also important the initial capital cost and ability of the new channel to service both existing and additional market segments. It was unexpected to discover, that at the stage of channel adoption experts put rather operational characteristics than financial and strategic issues.
The channel's continuation stage	At his stage, the situation is the opposite. The continuation decision is more complex and multifaceted, incorporating financial, marketing, strategic, operational and technical elements. Technical and operational issues remain important, but financial aspects (particularly those on the revenue side of the equation) were found to be more important than in the adoption evaluation decision, suggesting that it is the channel's actual performance in practice that should be the key determinant as to whether to continue to use it.

Source: O'Connor and Frew (2004: 196)

Besides the technical and financial restrictions, we should not forget about the necessity of well-trained staff with IT and hospitality skills to support the work of an electronic system. Even if modern tools enable hotel personnel to manage many channels simultaneously, these systems cannot run themselves. Distribution channel management requires "skilled and competent staff with expertise on products, services, customers, competitors, suppliers, and the overall macro environment" to be able to support complex IT systems as well as keeping track of the vast amount of information obtained from various sources (Cetin *et al.*, 2016). This problem is also relevant to the Algarve region, where local companies are facing difficulty in finding skilled staff for the tourism industry (Algarve daily news, 2018).

Based on the above-mentioned information, we can conclude that hoteliers have a great variety of available distribution channels to design an effective multichannel strategy according to their needs and their customer profiles. However, it happens that despite the wide variety of choices, some accommodation providers are becoming "hostages" of dominant distribution channels and their conditions. That is why the constant monitoring of the situation of the hotel rooms distribution market can help to prevent the overpressure by dominant channels and support the sustainable development of the local infrastructure of a tourism destination.

2.6 Potential challenges of distribution channels

In the previous sections of this Chapter, we have discussed the functions of different direct and indirect channels, underlining the benefits hoteliers obtain by using each distribution channel. Along with the obvious advantages of using different types of channels, it is crucially important to mention that accommodation providers also face different challenges arising from each channel.

Despite obvious advantages of planning and buying the travel product online, Internet users are concerned about "security, privacy, service levels, and trustworthiness" (Gilbert *et al*., 2005: 51). Customers perceive as a risk the inability to control the safety of credit card details during online payments procedures, and, at the same time, they do not even have the opportunity to check products or services physically before purchase (Gilbert *et al*., 2005). That is why hoteliers should take into consideration the profile of their target customers, and choose channels, that allow reaching these consumers, minimizing their suspicions and worries.

Another side for potential threats for accommodation providers is hidden in the relationships between hotels and intermediaries. Depending on the type of intermediary, the character of potential threats vary. For instance, describing conflicts between hotels and traditional distribution channels Buhalis (2000) summed up the most common types of conflict. As Figure 2.12 shows accommodation providers have underlined nine most frequent reasons for disagreements with tour operators. These reasons are listed from the most significant to the least significant based on accommodation suppliers' perception. Since price problems are ranked as the most relevant, on the right side there are listed nine techniques used by tour operators in order to force hotels to reduce prices.

Figure 2.12: Common types of conflicts between hotels and tour operators

- Price as a problem with tour operator
- Legal coverage is one sided, covering only tour operators
- Tour-operators bankruptcies
- Coverage of contracts
- Misleading/direction of tourists to competing accommodation establishments
- Payment delays
- Request for high quality without payment
- Late release of unwanted allocation
- Accommodation allocation upon arrival

✓ Timing of negotiating contracts – bargaining during low occupancy periods;
✓ Misquoting customer satisfaction surveys;
✓ Directing/Misleading tourists to certain properties;
✓ Short release period which does not allow adequate time for selling unused rooms;
✓ Over-contracting and renegotiating of prices after low coverage of contracts;
✓ Structural destination seasonality circle;
✓ Alter/misleading image for destinations and properties;
✓ Play hotels against each other;
✓ Oligopoly (few buyers) at destinations

Source: Buhalis (2000: 121, 125)

The implementation of electronic distribution channels has become an effective solution to reduce the dependency of suppliers from traditional tour-operators and travel agencies. However, electronic distribution channels hide their specific challenges for accommodation providers. As Table 2.5 illustrates, the electronic environment has added another lawyer of potential threats for hotels, defined by Buhalis and Kaldis (2007), such as security issues, coherent pricing policy, standardization and lack of human contact, brand protection.

Table 2.5: Typical concerns about the electronic distribution channels

Issue of concern	Description of the nature of the concern
Security issues	The issue of payment and personal data protection is particularly important taking into consideration the emergence of new viruses and online fraud in recent years. For example, The research of US Federal Trade Commission finds that "40 percent of adults aged 20-29 who have reported fraud ended up losing money in a fraud case" (Rijnetu, 2018). The typical example of the travel fraud shows that some too convenient vacation offers actually hide additional costs until the user pays for the initial offer. Others just take users' money without sending them anywhere (Rijnetu, 2018).
Coherent pricing policy	The issue regarding rate parity and other pricing policies between hotels and OTAs is becoming increasingly relevant. Some governments have already taken actions for the supplier's protection against price parity requirements.
Standardization and lack of human contact	On the one hand, standardization of accommodation offers by OTA, other electronic channels and meta-searchers, distinguish different suppliers by price only, excluding individual particularities. On the other hand, online reservations do not engage human contact, and as a result, the opportunity to up-sell products or to negotiate favorable terms for the hotel is lost. Finally, new standardized approaches can cause volatility of customer base and the threat of alienation of potential customer groups.
Brand protection	This threat is partially a result of the above-mentioned factors. Hotels sometimes do not realize their brand erosion, when they sell their rooms exclusively on price. They take advantage of electronic channels to promote distressed inventory and to reduce lost revenues. However, they do not take into consideration the long-term perspectives. Other hotels (especially hotel-chain members) identify their main targets to protect the brand name and to ensure brand consistency within different channels. For example, a number of aggregators have damaged such hospitality brands as Hilton or Intercontinental by using their names as keywords to direct the Internet traffic to aggregators' own websites.

Source: Adapted from Buhalis & Kaldis (2007)

Taking into consideration the most relevant drawbacks in the relationships between accommodation providers and leading OTAs (the pricing policy and capacities allocation), in the next Section 2.6 we will focus our attention on the European regulation of uncompetitive conditions within distribution channels.

2.7 The legislative regulation against uncompetitive conditions within distribution channels regarding accommodation providers

The rapid growth of the customer share of hotel bookings through OTAs has resulted in an oligopoly situation, which accommodation suppliers are unable to break. It is difficult for national governments to change the competitive settings on the global markets (Oskam & Zandberg, 2016). However, several European countries have realized the danger of uncompetitive conditions regarding rate parity, restrictions of rooms' availability through other channels, etc., and have started taking actions to change the situation.

For instance, Germany's Bundeskartellamt (Federal Cartel Office) in 2014 forbade HRS, Germany's leading OTA, to include rate parity clauses in its contracts. Their decision was also supported by the German courts in January 2015 following an appeal by HRS (Marvel, 2016).

The national authorities of EU countries, coordinated by the European Commission, have conducted several investigations regarding applying parity clauses in contracts between OTAs and hotels. As a result, two leading OTAs, Booking.com and Expedia, were obliged to change their parity clauses across the EU. The new contracts now allow hotels to set different prices and room availability on different OTAs, also applicable to offline sales (European Parliament, 2017).

In April 2015 the French Competition Authority (FCA), the Italian Competition Authority (ICA) and the Swedish Competition Authority (SCA) accepted the commitments offered by Booking.com, the European market leader, with an overall share of about 60%, of dropping prices, availability and booking parity restrictions with respect to other intermediaries, also applicable to offline direct channels (i.e. walk-ins, telephone, fax, etc.) (ECN, 2015; Marvel, 2016).

In 2018 this tendency was continued by the Swedish Patent and Market Court, which forbade Booking.com's from imposing rate parity clauses in its contracts with hotels. The same year the Belgian Federal Parliament voted a law banning rate parity clauses from contracts between OTAs and tourist accommodation providers, this decision was also taken up in Austria, France, Italy, and Germany, which had already banned rate parity clauses, in recognition of their uncompetitive nature (Guestcentric, 2018).

In 2016, the European Commission and ten national competition authorities monitored the effects of the changes implemented in the contracts between hotels and OTAs. According to the results, the situation has generally improved (European Parliament, 2017). In spite of this, the European regulatory authorities are still concerned with this issue, and they will continue to monitor online hotel booking sector and to re-assess the competitive situation in the market (European Parliament, 2017).

Summing up, we have determined that studies related to the distribution channels in the hotel industry are quite relevant nowadays. Researches are able to identify the market share of each channel, and as a result, anticipate early the presence of evident or hidden monopolists in the market. Among such researches, we can highlight the European Hotel Distribution Study, conducted annually by HOTREC (The umbrella association of Hotels, Restaurants, and Cafés in Europe), which closely works with European Parliament (HOTREC, 2018). That is why we decided to use their research methodology and adapt it to the current study. Since Portugal was not represented in the HOTREC study, we decided to conduct own research in the Algarve, one of the Portuguese regions with the most developed tourism sector. The more detailed description of the HOTREC study and their methodology will be discussed in the next Chapter.

CHAPTER 3. RESEARCH METHODOLOGY

In this Chapter, we describe the European Hotel Distribution Study by HOTREC, its methodology, and explain the relevance of conducting a similar study in the Algarve region (Portugal). Additionally, we will explain in detail our methodology, the way we defined our sample, how we have developed the questionnaire, how we have gathered the data and what specific challenges we faced during the data collection.

3.1 The European Hotel Distribution Study and its relevance for the Algarve region

As mentioned in the previous Chapter, the study of hotel distribution study plays an important role in Europe. During the observation of different practices, while designing our study, we paid special attention to the study conducted by HOTREC. The HOTREC study formed the basis of our research, taking into consideration the following reasons:

1) The HOTREC study shows "the current situation of distribution (online as well as offline) within the European hotel industry, especially in relation to the role of online travel agencies (OTA)" (Schegg, 2018: 8). The presentation of results is moderately detailed, easily understandable and gives brief but comprehensive segmentation of distribution channels.

2) The HOTREC study covers 21 European countries (Schegg, 2018): it means that results are easily comparable between different countries.

3) This study was conducted three times. The HOTREC studies have been conducted in 2014 for the reference year 2013 and in 2016 for the reference year 2015. Therefore, the study from 2018 allows illustrating the evolution of distribution channels and players between 2013, 2015 and 2017 (Schegg, 2018). Moreover, during each subsequent study, the methodology was improved taking into account the previous shortcomings.

4) The HOTREC study has a practical application since HOTREC is fighting to secure a fair online platform market environment for businesses and consumers through regular policy activities. As a result of HOTREC's active contribution to the European Commission's fact-finding exercise in mapping and identifying unfair practices in

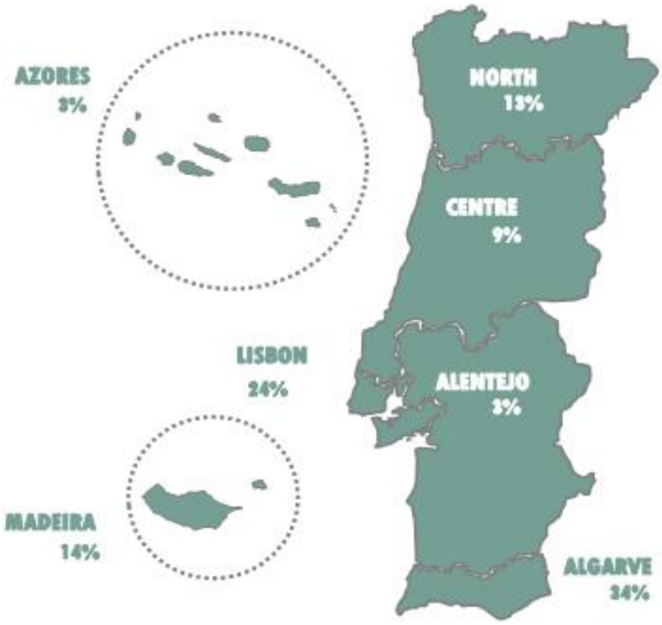
platforms for business relations, the European Commission unveiled on April 26, 2018, a proposal for a regulation on promoting fairness and transparency for business users of online intermediation services and online search engines in the Digital Single Market (HOTREC, 2018).

The last HOTREC survey was conducted online between February and March 2018 together with hotel associations from HOTREC member countries across Europe for the reference year 2017 (Schegg, 2018). The study presents results for 21 countries: 12 countries with the number of valid responses (> 50), and 9 countries with 20-50 valid responses. According to the HOTREC methodology, the results have to be taken with care as the number of observations is not really sufficient for reliable analysis and conclusions. On the whole, the study was based on observations from 3,412 European hotels (Schegg, 2018). The study results are presented individually for each country, and also as weighted average values at the European level.

Unfortunately, Portugal was not included in this study despite the fact that Portugal plays an important role in the European tourism industry. Portugal, together with Spain and Italy, are the top 12 countries, which have benefited economically from increased visitors in recent years (WTTC, 2018). Tourism is a strategic activity for the Portuguese economy (Turismo de Portugal, 2016). Tourism is a key industry in the economic structure of Portugal, which generates 19.1% of GDP (EUR 38.4BN) and provides 1,047.4 thousand of jobs (21.8% of total employment) (WTTC, 2019). In 2017, registered a growth of 9% in terms of tourism arrivals, breaking the mark of 20 million tourists, and a 19.5% increase in revenue, following a rate of 15% in 2016 (Araújo, 2019). That is why it is important to conduct a similar survey of the Portuguese market in order to keep a record of the situation with the distribution channels, to monitor the cooperation of local service suppliers with intermediaries and understand their influence on the local infrastructure.

We began by considering that it would be more appropriate to conduct our survey of hotels in the Algarve region since the Algarve has the 34% market share of overnight stays as of 2016. The map below shows the market share of registered overnights by regions in Portugal (Figure 3.1) (Turismo de Portugal, 2016).

Figure 3.1: 2016 Overnight Stays per region (Share %)



Source: Turismo de Portugal (2016)

That is why studying accommodation distribution channels in the Algarve is more relevant than ever. A clear picture of the share of each intermediary can help accommodation suppliers, local authorities and other interested parties to have a better understanding of the power of each market player. Therefore, we believe this study will be useful for further diversification of distribution channels and it will allow decreasing pressure from intermediaries to local businesses, avoiding price manipulations, and in consequence, more resources will be reinvested in hotel facilities and infrastructure development.

3.2 Defining the sample

At the beginning of our study, we defined the main targets of our research:

1) reproduce the European Hotel Distribution Study in the Algarve;

2) evaluate the market share of distribution channels used by the accommodation sector in the Algarve;

3) define dominant distribution channels;

4) determine the market share of leading online travel agencies;

5) determine the level of pressure on accommodation establishments in the Algarve from leading online travel agencies;

6) assess the market share of major distribution channels within different accommodation segments.

Within this study, we are also going to test the hypotheses whether the market share of major distribution channels depends on the size of establishments, their location or type of management (independent hotels or part of hotel chains).

This study consists of three main stages: questionnaire development (conducted during October 2018 - January 2019), data gathering (conducted during January-March 2019), and data analysis (conducted during March-May 2019). This study covered all types of accommodation establishments located in the Algarve. During our study, we applied three types of software: Lime Survey (for questionnaire development and data gathering), Microsoft Excel and SPSS (for data analysis). Each stage of our study is described in more detail in the sections below.

At the first step of our research, we needed to decide the sample number and categories of accommodation that could participate in the survey. According to the national classification, tourism establishments are classified as follows, by main category and subcategories (Turismo de Portugal, 2018):

- **Hotel establishments**:
  - Hotels – from 1 to 5 stars;
  - Aparthotels – from 1 to 5 stars;
  - Pousadas (State-run Luxury Hotels) –operated directly by ENATUR, or by third parties through franchise agreements or assignment of exploitation; do not display stars but follow the criteria of 3 or 4 stars. Usually located in areas of exceptional beauty or in ancient monasteries, castles or palaces. Are divided into four categories: Historical, Historical Design, Nature and Charm.
- **Tourist Villages** – from 3 to 5 stars;
- **Tourist Apartments –** from 3 to 5 stars;
- **Resorts** (these are not classified by stars. However, resorts can be also classified according to their respective typology, requirements are applied individually);
- **Tourism in a Manor House** (these are not classified by stars);

- **Rural Tourism**:

    - Country Houses (these are not classified by stars);

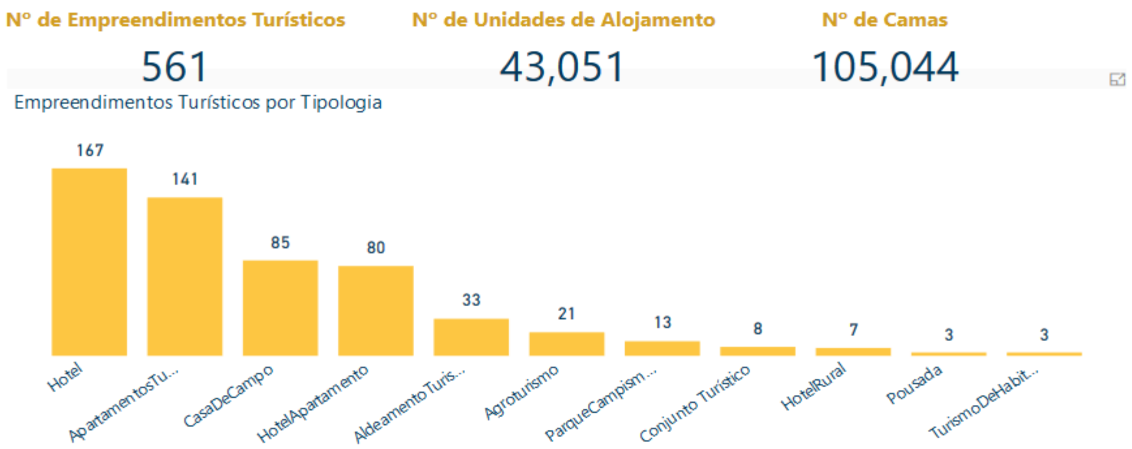
    - Agricultural Tourism (these are not classified by stars);

    - Rural Hotels – from 3 to 5 stars.

- **Campings** (may choose not to have stars or, have the classification from 3 to 5 stars with the application of more requirements).

The officially registered records show that in the Algarve there are 561 tourism establishments comprising every typology (see Figure 3.2) (TravelBI, 2018).

Figure 3.2: Number of tourism establishments in the Algarve (as of 15.11.2018)



Source: TravelBI (2018)

The data illustrated in Figure 3.2 shows that major tourism establishments are hotels (167 establishments) and tourist apartments (141 establishments). Other types of accommodation have less than 100 registered establishments.

Unlike the HOTREC study, which was applied only to hotels, we decided to cover every type of accommodation establishments in our survey. Based on the methodology of HOTREC, we have considered ≥50 number of observation as sufficient.

3.3 Designing the questionnaire

We decided to design our questionnaire as close as possible to the HOTREC questionnaire, with the aim of making the results of our study comparable with the HOTREC results. The HOTREC questionnaire consists of three parts as follows (Schegg, 2018):

• The market shares of different direct and indirect distribution channels (in terms of overnights) as well as the specific market shares of the OTAs (such as Booking.com, Expedia, and HRS).

• Further questions queried the hotel-OTA relationship.

• The final part comprises questions covering characteristics of the hotel property (star rating, the size of the hotel in terms of rooms offered, amount of overnight stays, its location, main target group, etc.).

The HOTREC questionnaire was translated into 20 languages; we used as a model the English version of the questionnaire. Similarly to the HOTREC questionnaire, our questionnaire also consists of three parts. For the respondents' convenience, we translated the questionnaire into Portuguese and decided not to launch the English version. For the full version of the questionnaire see Appendix 1.

In contrast to the HOTREC questionnaire, we started our questionnaire with general information. We excluded some questions that were not applicable to the Algarve, for instance:

✓ name of the country (because we conducted our survey only in Portugal);

✓ seasonality (we excluded two seasons business and winter season because it is not applicable for the Algarve where most of the accommodation providers work all year round or only in the summer season);

✓ place (according to city size, as this was not relevant to the Algarve. Every town, except Faro, has less than 50,000 inhabitants).

At the same time, we added the question regarding the type of tourism establishments, according to the typology mentioned in the previous Section.

The second part of our questionnaire copies the second section of the HOTREC questionnaire. We left the same list of distribution channels (direct and indirect) to make our results comparable with the results from other European countries. However, we have also added an extra question on whether accommodation establishments keep records of the precise number of overnights booked over different distribution channels. This question designed to understand whether the percentages of distribution channel's share indicated are precise or approximated. Admitting that not all accommodation providers have a hotel reservation system that shows the exact number of bookings through different channels, this question would help us to identify such cases.

The third part of our questionnaire regarding relationships with OTA also corresponds to the HOTREC questionnaire. However, we adapted the question regarding the share of different OTA to the Portuguese market. Based on the SiteMinder research that identified 15 reservation channels that gave more revenue to Portuguese hotels in 2017, we replaced some of the OTA from the HOTREC list that are not common for Portuguese market with the OTA from the list of SiteMinder, such as: Hotelbeds, GTA, OTS Globe, Abreu Online, Serhs Tourism, EC Travel, NT incoming, Traveltool/ Logitravel, Hotusa, On the Beach (Siteminder, 2018).

One of the reasons to rearrange the sequence of the sections was the psychological effect: we started with the simplest questions at the beginning in order “not to frighten off” respondents with difficult questions regarding market shares of different distribution channels and motivate them to start answering.

The online version of the questionnaire was created on Lime Survey. Lime survey has an option of the multiple numerical inputs, which allow respondents to control the input of percentages since it gives automatic prompts if someone overruns 100% (or it vice versa indicates less than 100%). As we will discuss further, it is a big advantage of the online form in comparison with a paper questionnaire.

Taking into consideration the vast number of accommodation providers and the difficulty in sending the targeted emails to the right person in the hotel, we decided against controlled dissemination. We sent the same link for every respondent. This option did not allow us to control who answered; however, it insured the anonymity of respondents promised in the covering letter of the questionnaire.

As we started the survey in January of 2019, we decided to analyze 2018 as the reference year.

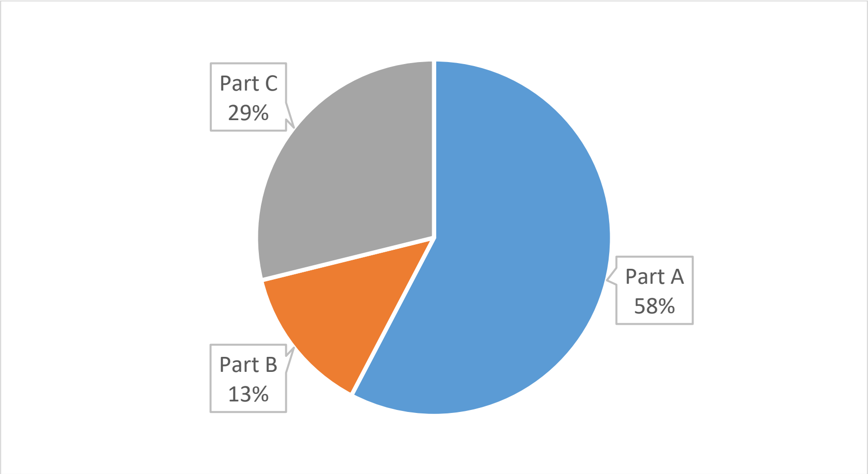
3.4 Data collection and analysis

We used two ways to distribute the questionnaire: online dissemination and walk-in survey with the paper version of the questionnaire.

We spread up the majority of the online version thanks to the support of the Association of Hotels and Tourism Enterprises in the Algarve (AHETA-Associação dos Hotéis e Empreendimentos Turísticos do Algarve). They kindly agreed to send it by email to their associate members. In total, the link to the questionnaire was received by more than 200 establishments, associate members of AHETA. We collected 17 completed answers and 52 incomplete answers. Despite the promise to share with respondents the study results, we have not received as many interested participants as we had expected.

When we analyzed the respondents, who had not completed the questionnaire, we observed that the majority abandoned answering the questionnaire in PART A - 30 lookers, 7 lookers abandoned in PART B, and 15 lookers abandoned the questionnaire after seeing all three parts (see Figure 3.3). Eight of 52 respondents who had not completed the questionnaire answered only the Part A, four of 52 answered Part A and Part B. The 4 respondents, who answered PART A and B (i.e. provided information about the market share of different distribution channels they employ), we also included in our study.

Figure 3.3: The last visited page before closing the online questionnaire



Since online survey attracted low attention from hoteliers, we decided to proceed with our study by visiting hotels. The walk-in method of data gathering allowed us to increase the number of observations, and at the same time helped us to understand the reasons for the low level of participation.

Walk-in visits cannot cover the whole the Algarve, as it takes too much time. As such, we decided to visit closest municipalities of the Algarve with a high concentration of hotel infrastructure, such as the municipality of Portimão, municipality of Albufeira, municipality of Loulé, municipality of Faro. Numbers illustrated in Table 3.1 show that about 77% of overnights registered in the Algarve in 2017 were registered in these municipalities.

During the walk-in questionnaire distribution, 111 hotels and another type of tourism establishments were visited. Some of them were closed during the winter season for repair (22 establishments). Some of the establishments answered the paper questionnaire, some of them asked to be sent the electronic form by email. As a result, 5 in 21 hotels answered via the electronic link (sent after the personal visit); and 36 in 90 hotels filled the paper form. Table 3.1 shows detailed information on data collection by municipalities.

Table 3.1: Collected responses of visited hotels' by municipalities

HOTELS	Number of overnights registered by municipality in 2017 (% from the total number of overnights registered in the Algarve in 2017) *	Total visited	Total responses	Valid responses	No response	Closed for the winter period	Sent electronic link (from total visited)	Electronic answer
Municipality of Loulé	2,082,094 (15%)	33	11	8	9	13	6	4
Municipality of Faro	220,863 (2%)	15	6	5	7	2	1	
Municipality of Albufeira	5,786,438 (42%)	50	15	13	28	7	10	
Municipality of Portimão	2,441,493 (18%)	13	3	3	10	0	3	
TOTAL		**111**	**35**	**29**	**54**	**22**	**20**	

Source: Adapted from *Pordata (2019) & data from the present study

The personal visit helped us to gather additional information, regarding our survey that would have been impossible to collect in case of remote contacts. First of all, we were able to receive immediate feedback and observe respondents' reaction to the questionnaire. For instance, after reading PART A people were enthusiastic to answer it and only after reading PART B and C they would admit that it was more complicated than they had expected.

The main limitations of our research are connected with the ability to gather the necessary number of valid responses. Based on personal impressions and information, obtained during the walk-in visits, we can speculate on possible reasons for such a low number of responses:

1) Most of the hoteliers were concerned about data protection. They considered information regarding a number of sold overnights and market share of each channel to be confidential and should be treated as a commercial secret. They were afraid that their competitors could use this information against them. Even after we assured the confidentiality of data and results and that we would be using only aggregated data they were not convinced the property management to share their data.

2) Some respondents excused themselves alleging lack of time: indeed, the data requested needed to be checked and calculated taking up more time than we had initially anticipated.

3) Many respondents explained their refusal with the lack of authority to give any data to external people. This was common amongst hotel chains, whose representatives said that they would need approval from senior management located in Lisbon. In many cases, even if senior management was in the Algarve, they were not available at that particular moment, so we had to leave the questionnaire for further consideration. In such a case, we did not receive any reply.

4) Based on the previous item, we can suppose that this study was not useful for hotel management. Probably, they already have some market research regarding distribution channels, so our proposal to share the aggregated study results did not motivate them to participate in this survey.

After obtaining all the results, the data from the paper questionnaires were transferred to Lime Survey and then exported to the SPSS for further analysis.

We applied a quantitative approach to the data analysis: mainly instruments of descriptive statistics. Using Microsoft Excel and SPSS software, we looked at the following characteristics:

1) Sample characteristics: hotel classification (percentages of hotels of different categories (1*, 2*, 3*, 4*, 5*, no category); the average size of hotels (in rooms); the classification by customer segment (leisure, business, etc.). We used instruments of descriptive statistics at this stage.

2) Market share of each distribution channel, listed in question 11. We determined dominant distribution channels in the tourist accommodation market of the Algarve.

3) Determine the major OTAs' share in the market, analyze the presence of pressure by main OTAs on accommodation providers. Analyze the respondents' attitude whether there is a fair way to resolve disagreements with leading OTAs.

4) Determine market share of direct channels, OTAs and other distribution channels with the significant influence on accommodation sector of the Algarve, by segments (segments can be defined by one of the following characteristics: seasonality of hotel, star category, size of hotel (rooms), main customer segments of hotel, location of hotel, type of hotel).

We also tested the following hypotheses in SPSS:

1) The accommodation size influences on the market share of major distribution channels, such as direct channels, OTAs.

2) The type of accommodation management (independent or part of the hotel chain) influences on the market share of major distribution channels.

3) The accommodation location influences on the market share of major distribution channels.

The data analysis will show the dominant distribution channels in the Algarve accommodation market and their influence on different accommodation segments. All results of the above-mentioned data analysis will be described in more detail in the next Chapter.

CHAPTER 4. RESULTS AND DISCUSSION[1]

This Chapter is dedicated to the analysis of the data collected (50 comprehensive responses) during the study. We will describe a general picture of the survey's participants, estimate the portfolio of distribution channels of the Algarvian accommodation providers, and try to verify connections between types of accommodation establishments and their preferences in the distribution channels selection.

4.1 Sample

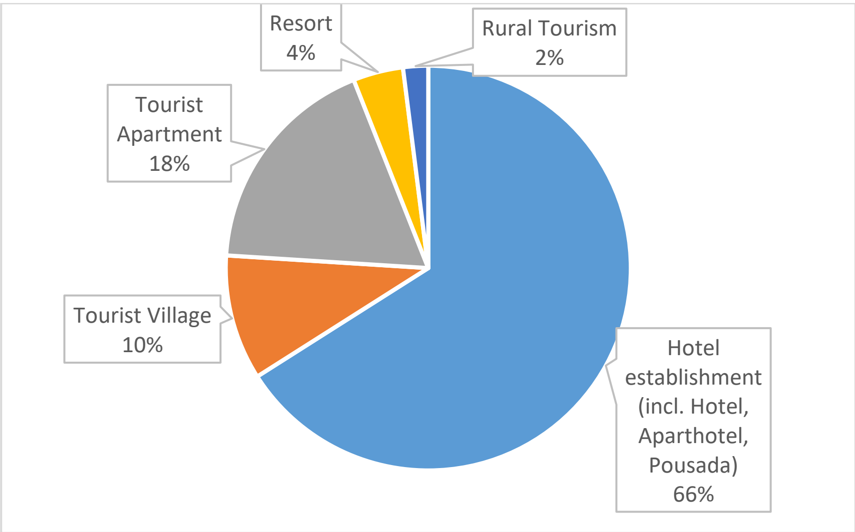
During the data collection, we have received 60 filled questionnaires. After a detailed analysis of the completed questionnaires, we excluded four electronic responses and six paper responses due to the absence of the necessary information about the percentages of bookings obtained through different distribution channels. We consider these responses invalid for our study because of the lack of target information. As a result, we worked with 50 valid answers, which were used for the following analysis. See Appendix 2 for the primary data collected.

Accommodation type

Among the 50 respondents, there are representatives of five different types of accommodation. The biggest share of respondents, 66%, represent hotel establishments, including hotels, apart-hotels, pousadas, and hostels; the second largest share, 18%, have tourist apartments. There are also represented tourist villages (10%), resorts (4%) and rural hotels (2%). Among the respondents, there were no tourism in a manor house, nor camping (see Figure 4.1).

[1] All figures and tables are built with data from the current study, unless otherwise stated

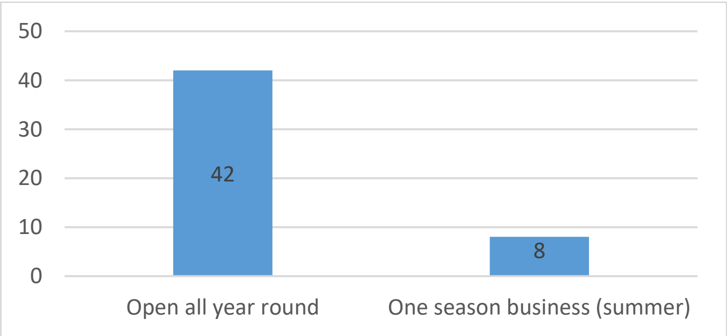
Figure 4.1: Types of accommodation providers



Seasonality

The bigger share of accommodation establishments, 84%, are open all year round, and only 16% are one-season businesses (summer) (see Figure 4.2). This high number of hotels, which are open all year round, might be explained by the period of data gathering. As the survey was conducted during the period January-March 2019, many hotels, which run seasonally, were closed for the winter period, thus we could not access them during the walk-in data collection.

Figure 4.2: Seasonality of respondents' business

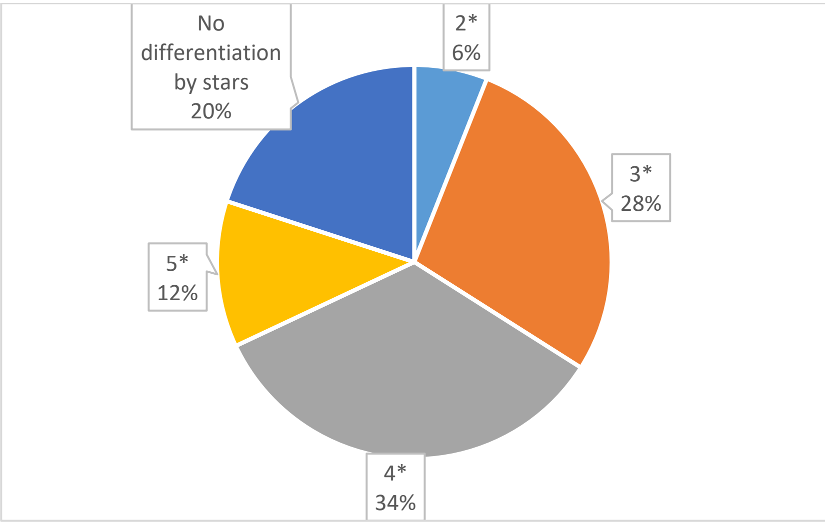


Star category

Regarding the category of accommodation providers, we have representatives of all the categories, apart from 1* hotels, which in practice rarely exist (see Figure 4.3). The biggest share of respondents are 4* hotels (34%), then we have 3* hotels (28%), 5* hotels

(12%), and 2* hotels (6%). Twenty percent of respondents represent accommodation establishments which are not differentiated by stars.

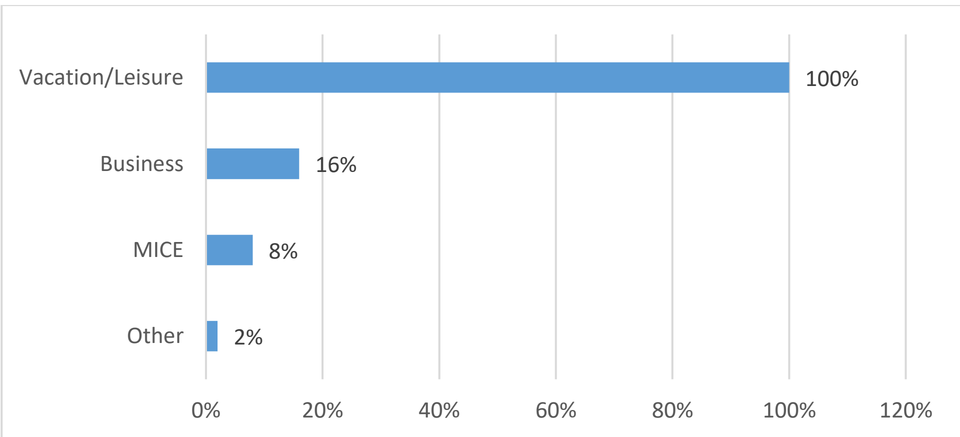
Figure 4.3: Categories of respondents



Main customer segment

As the tourism business in the Algarve is mostly oriented to the sun-and-sea type of holidays, this is why leisure is the predominant travel motivation. It is obvious that all the respondents have marked "Vacation/Leisure" as their main customer segment (100%). Sixteen percent of respondents also indicated business as the most important customer segment; eight percent indicated MICE (Meetings, Incentives, Conferences, Exhibitions) as a target segment; and two percent mentioned "Other" category of customer (groups) (see Figure 4.4).

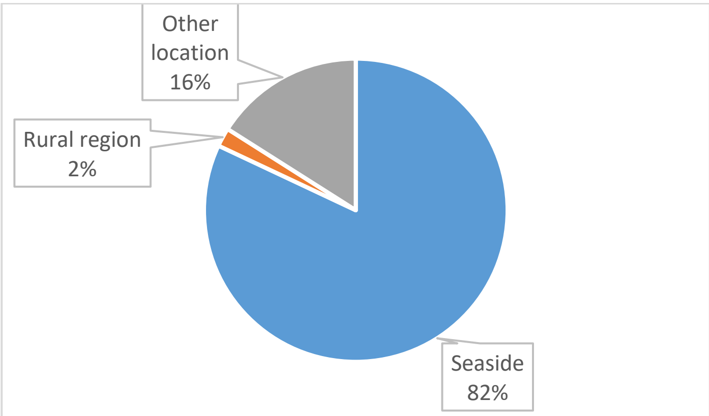
Figure 4.4: Main customer segment



Location

The analysis of the respondents' location is also unsurprising. The majority of the respondents are located at the seaside (82%), 2% of respondents are located in a rural region and 16% of respondents mentioned: "Other location" (see Figure 4.5). By other location, they meant "city center" (6 responses), and other 2 respondents indicated "beach zone". Taking into consideration the above-mentioned answers, it is reasonable to suggest that further similar studies in the Algarve should distinguish "city center" as a separate category of location.

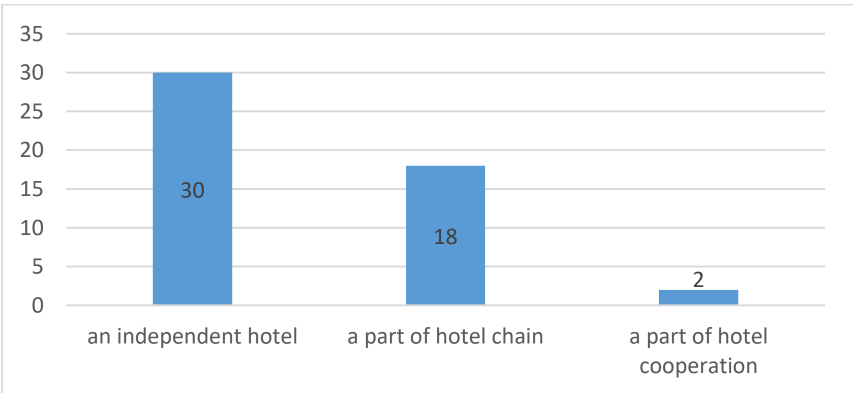
Figure 4.5: The location of accommodation providers



Type of management

The data analysis also shows that 60% of respondents are independent hotels (30 establishments), 36% are part of hotel chain (18 establishments) and 4% are part of hotel cooperation (2 establishments) (see Figure 4.6).

Figure 4.6: Type of management



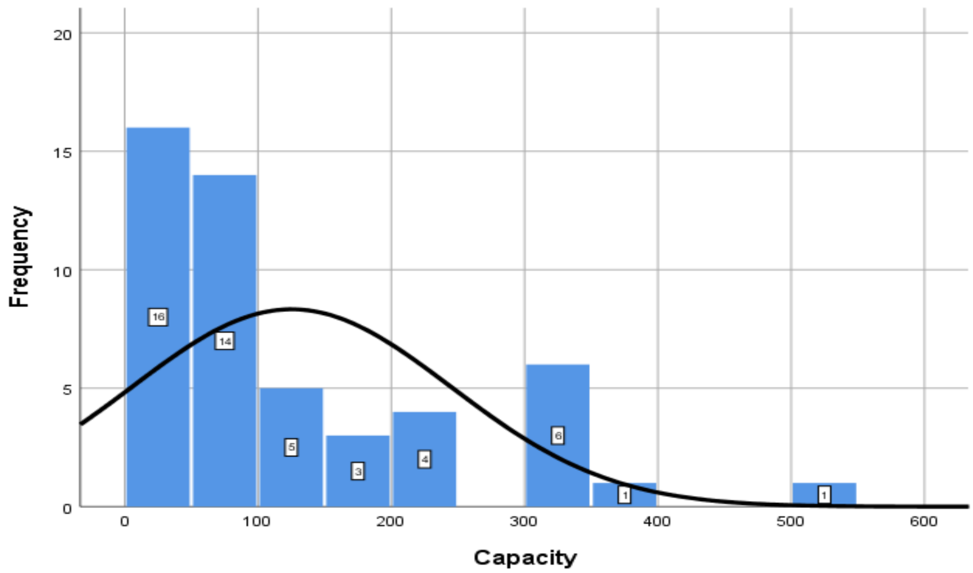
Capacity

Considering the size of the accommodation establishment, i.e. the amount of rooms, we have representatives of the small, medium, large and very large hotels (see Table 4.1 and Figure 4.7). As we can see from Table 4.1 the smallest accommodation has only one room (it probably represents a private tourist apartment), and the biggest has 508 rooms. The average size of the establishments surveyed is 125 rooms (the mean value). According to the frequency table, there are many different sizes; more common are 60-room and 75-room establishments (occur 3 times); 15 rooms, 22 rooms, and 85 rooms occur twice.

Table 4.1: Statistics of accommodation capacity

Statistics		
Capacity		
N	Valid	50
	Missing	0
Mean		125.12
Median		80.00
Mode		60[a]
Std. Deviation		119.706
Minimum		1
Maximum		508
Sum		6256
Percentiles	25	27.00
	50	80.00
	75	195.25
a. Multiple modes exist. The smallest value is shown		

Figure 4.7: Histogram of accommodation capacity



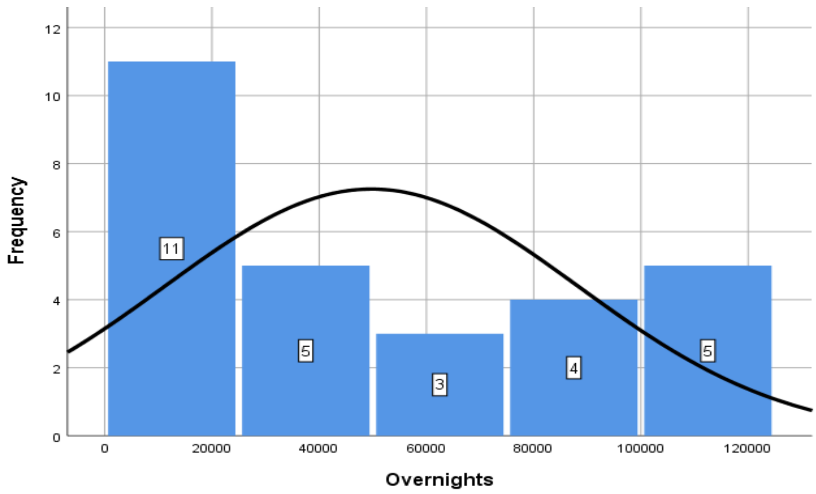
Overnights registered in 2018

For the number of overnights registered in 2018, we have two types of answers: the precise number of overnights or the estimated number within a given interval. Regarding the precise number of overnights, the situation is the following (see Table 4.2 and Figure 4.8). As we can see in Table 4.2 only 56% of respondents are able to give the precise number of overnights registered in 2018. As mentioned in Chapter 3 Section 3.4 the reasons can be connected with data unavailability or with an unwillingness to share confidential information. Nevertheless, the data obtained show that the minimum number of registered overnights is 75, and the maximum is 121 778 overnights. The average number is 49 735 overnights (the mean value). According to the frequency table, every value occurs once.

Table 4.2: Statistics of overnights registered in 2018

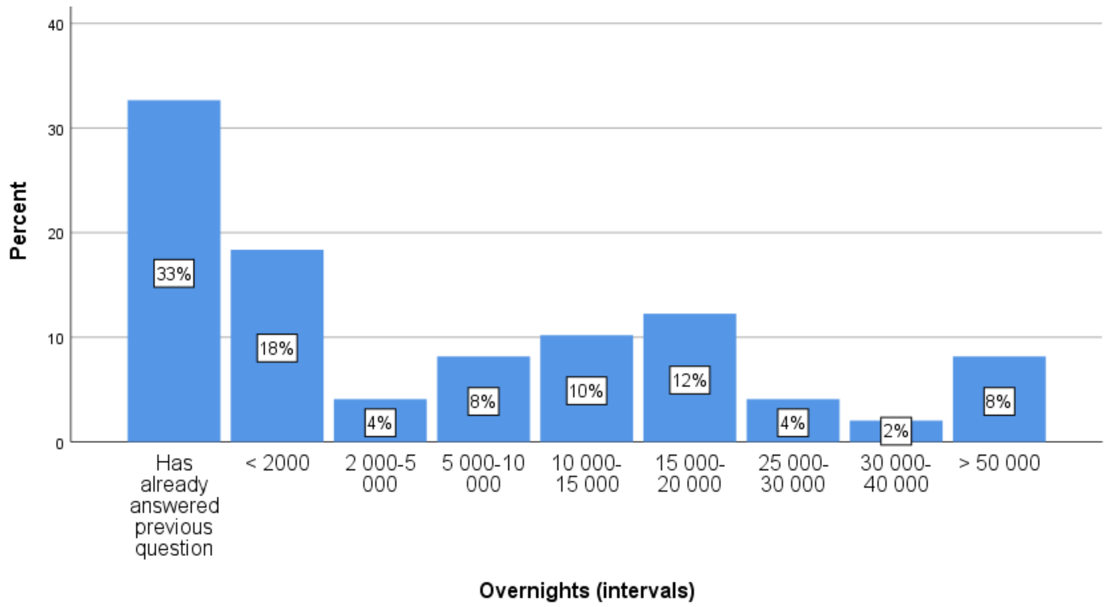
Statistics		
Overnights		
N	Valid	28
	Missing	22
Mean		49735.07
Std. Error of Mean		7277.259
Median		38701.50
Mode		75[a]
Std. Deviation		38507.634
Minimum		75
Maximum		121778
Percentiles	25	14340.50
	50	38701.50
	75	85548.25
a. Multiple modes exist. The smallest value is shown		

Figure 4.8: Histogram of overnights registered in 2018



The analysis of the estimated number of overnights within the given intervals shows the following. Thirty-two percent of respondents had already provided the precise number of overnights in the previous question. The biggest share of the remaining respondents have less than 2000 overnights (18%); within the interval 2 000-5 000 overnights there are 4% of respondents; and within the interval 5 000-10 000 overnights we found 8% of respondents; within the interval 10 000-15 000 overnights – 10% of respondents; within the interval 15 000-20 000 overnights – 12% of respondents; within the interval 20 000-25 000 overnights – none; within the interval 25 000-30 000 overnights – 4% of respondents; within the interval 30 000-40 000 overnights – 2% of respondents; within the interval 40 000-50 000 overnights – none; and finally 8% of respondents registered more than 50 000 overnights in 2018. One missing value means that one respondent did not indicate an answer for questions 5 and 6 of our questionnaire. See this information in more details in Figure 4.9.

Figure 4.9: Histogram of overnights registered in 2018 (estimated)

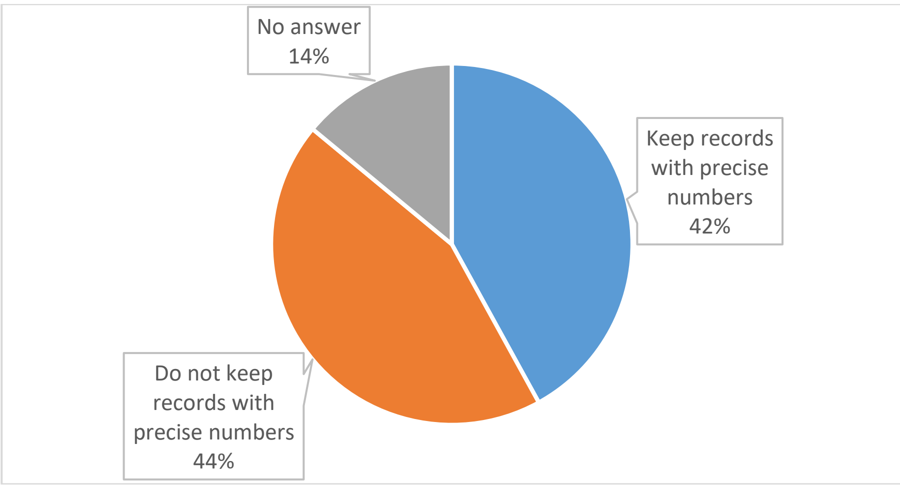


Based the sample characteristics described above, we can come to the conclusion that the sample is representative and includes a sufficient number of respondents, which represent different kinds of accommodation providers: by type, by size, by category, by location, and by type of management. Thus, the sample collected fits our study aim and we can proceed with further analysis.

4.2 Distribution channels' market share

Before we proceed with the main part of our study and define the market share of each distribution channel, it is important to understand whether our respondents keep records of precise numbers of overnight booked over different channels. As we can see in Figure 4.10, only 42% of respondents keep the necessary records and thus are able to provide the precise percentage of overnights booked over different channels. The other 44% of respondents have answered that they do not keep the necessary records. This may indicate that respondents gave us approximate numbers. And the remaining 14% of respondents have not given any answer, so it may also mean the absence of exact data available to respondents. During our walk-in visits, some hoteliers admitted that they have indicated approximate figures because they do not have a centralized system with such functionality. Other respondents said that they keep such records, but they use another classification by distribution channels. For instance, they have indicated the exact percentage of direct bookings; however, the percentage allocated to different direct channels is approximate. Considering this information, we can rely on the data collected with a certain degree of caution, since we are mostly dealing with approximate figures.

Figure 4.10: Records kept of a precise number of bookings over different distribution channels



Another important issue, discovered during the data collection process, which should have been taken into consideration, is data reliability. The data obtained about the market share of each distribution channel (question 11), and of each OTAs (question 14) cast doubts on the accuracy of these numbers. Our suppositions are supported by the following facts:

1) Some hotels indicated percentages of registered overnights through the different distribution channels or different OTAs, which significantly exceed the amount of 100% (it is the reason why the electronic version of the questionnaire is better because of prompts that indicate the wrong sum for percentages). However, after additional discussion, hotel representatives agreed that the percentages indicated in the paper version of the questionnaire could be recalculated in appropriate proportions;

2) In some responses numbers seem to be "too round";

3) Some hoteliers admitted that they did not have the precise information regarding the share of each distribution channel, so they had indicated approximate numbers.

It should be also mentioned that some hotels provided precise numbers of booking via different distribution channels, but they keep recognize channels in a different way than our questionnaire. For example, they indicated a number of direct bookings, but they did not subdivide the category into direct booking by phone, direct booking by email, etc. However, we consider that the data gathered are sufficient and we can proceed with our study.

We calculated the market share of different distribution channels in the Algarve as of 2018. Our results we present in a similar form to the Hotel Distribution Study (Schegg, 2018) to make them comparable with the results of European study.

Before we define the market share of each distribution channel, we should multiply the percentages obtained (Question 10 of the questionnaire) by the number of overnights registered by accommodation providers in 2018 (Question 5), i.e. percentages should be weighted by a number of registered overnights. Otherwise, if we use just the average percentage of each distribution channel, we would not get a clear picture and the sum of percentages of all distribution channels would exceed 100%. Another issue to pay attention to is the fact that 22 respondents could not give the precise number of overnights. They have only indicated the interval of estimated data. In this case, we have taken the average number of overnights from the indicated interval. To have a clear understanding whether the estimated data significantly influence the market share calculation, we have calculated both options: marked share of distribution channels based on 28 observations with a precise number of overnight, and market share of distribution channels based on 50 observation (exact and estimated data). The results are shown in Table 4.3.

Table 4.3: Market shares of distribution channels 2018: the Algarve

Distribution channels	Market share 2018 weighted by overnights, % (n=28 with precise data)		Market share 2018 weighted by overnights, % (n=50 all data collected)	
Direct - Phone	9.6	**32.9**	8.5	**35.2**
Direct – Mail/fax	0.4		0.3	
Direct – Walk-in (persons without reservations)	3.4		3.1	
Direct – Contact form (without availability check)	2.7		6.2	
Direct – Email	11.0		11.7	
Direct – Real-time booking over own website with availability check	5.8		5.3	
Destination Marketing Organization (DMO)/ trade associations	0.2	**0.3**	0.1	**0.3**
National Tourism Organization (NTO)	0.2		0.1	
Tour operator/Travel agency	27.6	**44.3**	29.1	**43.2**
Hotel chains and cooperation with CRS	0.1		0.2	
Wholesaler (e.g. Hotelbeds, Tourico, Gulliver, Transhotel, etc.)	13.2		11.0	
Event and Congress organizer	3.3		2.9	
Online Travel Agency (OTA)	16.8	**17.4**	16.6	**17.1**
Global Distribution System (GDS – Amadeus, Travelport incl. Galileo, and Worldspan, Sabre)	0.4		0.3	
Social Media Channels	0.2		0.2	
Other distribution channels	5.1	**5.1**	4.2	**4.2**

Since the use of estimated data did not lead to a distortion of the overall results, in the analysis below we will refer to the market share obtained from 50 observations.

The data analysis shows that the biggest market share of accommodation bookings in the Algarve belongs to direct channels (35.2% in total). Among intermediaries, the dominant position still belongs to tour operators and travel agencies (29.1%). As we have mentioned in Chapter 2 Section 2.3, tour operators have always played an important part in hotels' room distribution in the Algarve. With the introduction of low-cost flights, tourists have got more autonomy and this has led to the growth of other segments – direct channels and OTAs (16.6%). However, tour operators still have a great influence on the accommodation sector of the Algarve. We also looked at the small accommodation providers, such as hostels, tourist apartments or small hotels, which tend to depend more on OTAs (up to 88% of bookings). Nevertheless, the large market share of tour operators is explained by the fact that they have a big share of overnight sales among medium, large and very large hotels.

The achievement of big share of direct booking by hoteliers can be explained by promotion of direct booking as well as using different “facilitators”, such as search engines, metasearch engines, which redirect Internet users to accommodation web site (48% of respondents have their rates and availability accessible with a direct junction/interface with a meta-search engine).

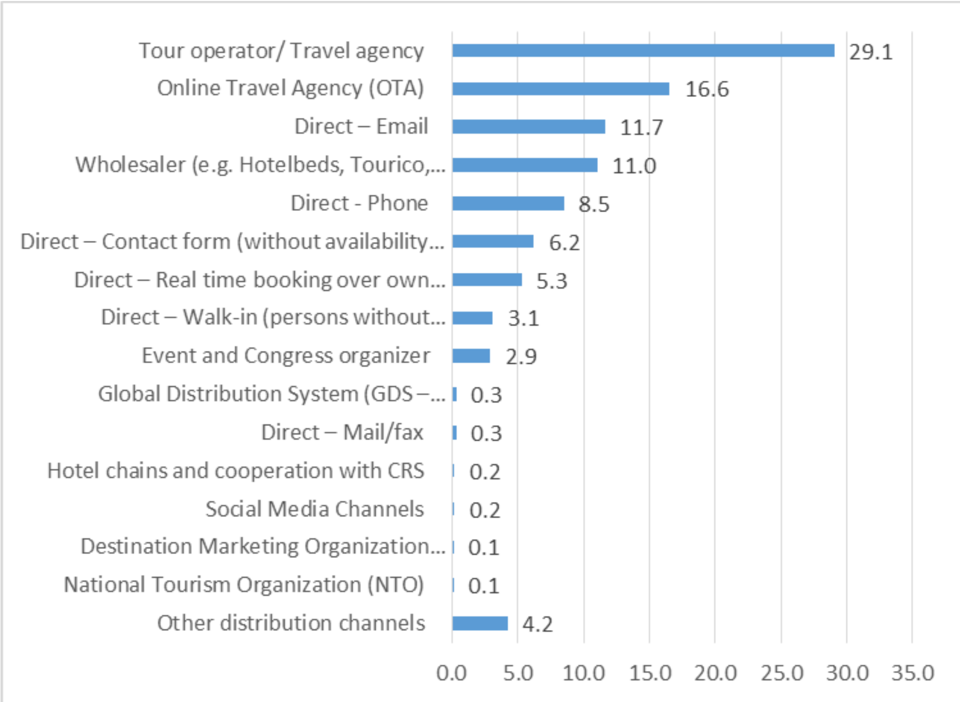
Another important issue, which has been highlighted by the analysis, concerns terminology. For example, 15 respondents have indicated 0% of bookings over OTAs. At the same time, 10 of them have answered question 14 and have indicated different percentages of overnights booked through different OTAs, such as Booking.com and Expedia. We paid more attention to these answers and we discovered that those respondents have classified OTAs in a different way: 3 of 10 have classified OTAs as “Other channels”, 2 of 10 – as “Wholesalers”, 3 of 10 – as “Tour operators and travel agencies”, 2 of 10 – as “Tour operators and travel agencies” or “Wholesalers” (in these 2 answers it is difficult to understand to which of these two categories OTAs belongs).

As a result, we have enough close numbers of OTAs market share (16.6%), and wholesalers share (11%). However, we believe the OTAs share, in fact, is higher. We will need to clarify the terminology of the questionnaire to avoid this problem in further studies. Indeed research needs to use the concepts as the travel trade does and the sector as such.

As our study shows, the National Tourism Organization (NTO) and Destination Marketing Organization (DMO)/ trade associations have relatively low market shares (0.1% each of them). As we have mentioned in Chapter 2 Section 2.3, these organizations have no booking engine on their websites, their main role is as a communication channel. Distribution channels, such as GDS, CRS, and social media have also a low market share (0.3%, 0.2% and 0.2% correspondingly). As we can see, the role of social media in the hotel’s room distribution is still not understood in the Algarve. At the same time, the market share of event and congress organizations in the Algarve is even higher than the average European number (2.9% and 1.9% correspondingly).

The market share of each distribution channel is shown in Figure 4.11.

Figure 4.11: Market share of distribution channels in the Algarve 2018, %



As we used the same classification of distribution channels as the European Hotel Distribution Study (Schegg, 2018), it is possible to compare results of the Algarve with different European countries (see Table 4.4). However, we should take into consideration the reference period: in our study, we analyze 2018, and the European study represents results of 2017.

The portfolio of distribution channels in the Algarve is closest to the Greek market. In this case, the standard deviation between market share in the Algarve and market share in Greece has the lowest value (3.89). The similarity of the Algarve and Greek distribution markets can be explained by the convergence of destinations (sun and sea tourism prevails). The Greek tourism market historically was also significantly influenced by tour operators, which imposed their terms and conditions on local accommodation providers (Buhalis, 2000).

The biggest difference is between the Algarve and the Netherlands markets (standard deviation is 10.22). Unlike the Algarve, the Netherlands has OTAs as a dominant distribution channel (44.8%), and a big share of direct bookings (45.9% in total) (Schegg, 2018). The full calculation for countries comparison is shown in Appendix 3.

Table 4.4: Market shares of distribution channels: comparing the Algarve (2018) to Europe (2017), %

Distribution channels	**Algarve (Portugal) (n=50)**	Europe 2017*	Czech Republic*	Finland*	France*	Germany*	**Greece***	Hungary*	Italy*	**Netherlands***	Norway*	Spain*	Sweden*	Switzerland*
Direct - Phone	**8.5**	18.5	15.1	28.6	26.3	20.8	**17.6**	9.2	18.1	**12.4**	11.8	7.9	16.5	18.3
Direct – Mail/fax	**0.3**	2.0	0.6	0.2	1.6	2.1	**0.9**	0.5	1.4	**6.0**	1.8	1.3	0.2	1.7
Direct – Walk-in (persons without reservations)	**3.1**	4.4	4.3	4.0	8.5	3.7	**5.6**	3.4	4.3	**2.7**	2.8	3.2	3.5	5.1
Direct – Contact form (without availability check)	**6.2**	6.0	9.3	4.9	3.7	5.3	**4.4**	6.2	10.2	**2.6**	8.0	3.3	3.5	6.9
Direct – Email	**11.7**	16.0	18.8	15.7	10.3	18.0	**8.4**	15.5	24.7	**11.7**	20.0	6.4	19.0	18.9
Direct – Real time booking over own website with availability check	**5.3**	8.2	8.2	11.6	12.5	109	**6.5**	5.8	5.5	**10.5**	13.2	9.9	12.0	8.2
Destination Marketing Organization (DMO)/trade associations	**0.1**	0.9	0.3	0.5	0.7	0.4	**0.1**	0.2	1.9	**0.5**	0.3	1.3	0.8	1.4
National Tourism Organization (NTO)	**0.1**	0.5	0.1	0.0	0.4	0.2	**0.2**	0.7	1.0	**0.1**	0.0	0.1	0.1	1.1
Tour operator/ Travel agency	**29.1**	7.8	10.0	4.5	3.8	2.7	**25.5**	13.7	8.1	**3.2**	12.7	15.3	7.2	3.8
Hotel chains and cooperation with CRS	**0.2**	1.0	0.6	1.6	2.5	0.4	**0.0**	06	0.2	**0.4**	0.1	2.2	1.3	0.6
Wholesaler	**11.0**	1.9	1.6	1.1	1.1	1.0	**3.1**	2.9	1.2	**0.9**	1.1	7.8	0.4	0.7
Event and Congress organizer	**2.9**	1.9	3.2	2.3	1.9	1.8	**0.4**	3.4	0.6	**0.9**	1.8	5.1	1.6	1.3
Online Travel Agency (OTA)	**16.6**	26.9	25.6	18.2	22.4	27.8	**23.6**	32.3	20.3	**44.8**	15.8	30.8	24.7	27.7
Global Distribution System	**0.3**	1.9	1.2	3.3	2.0	3.4	**0.8**	1.1	0.3	**1.8**	9.5	4.2	7.8	1.1
Social Media Channels	**0.2**	0.5	0.8	0.5	0.3	0.3	**1.1**	0.4	0.9	**0.6**	0.1	0.2	0.5	0.2
Other distribution channels	**4.2**	1.6	0.5	2.9	2.2	1.1	**2.0**	4.1	1.5	**1.1**	1.0	1.1	0.9	2.9

* Source: Adapted from Schegg (2018: 19) & data from the present study

Coming back to the portfolio of the distribution channels in the Algarve, we will focus on the analysis of the TOP-3 distribution channels. As we have already mentioned, direct booking in the Algarve prevails following the overall European trend. However, the market share of direct channels in the Algarve is much lower than the average European rate (35.2% vs 55.1% correspondingly).

We should note that the figures above indicate the market share, i.e. percentages of overnight booked through given channels within the Algarve region. The sum of those percentages is equal to 100% and correspond to the total number of overnight booked in the Algarve (within the sample of our study).

4.3 Major distribution channels' share by segments

We are interested to know the average shares of different channels in the distribution portfolio of our respondents. This is why we have segmented our respondents by seasonality, star category, size, main customer segment, location and type of management. We have defined the average share of major distribution channels (i.e. direct channels, tour operators/travel agencies, and OTAs), which corresponds to the mean value of the given channel within each segment.

Direct channels

The share of direct bookings among accommodation establishments that are open all year round and have the seasonal business is close to the average value of direct bookings (34.95% and 39.25% correspondingly). The market share of direct channels among hotels that work all the year round is slightly lower. One of the reasons can be that hotels working all year round are more likely to distribute their capacities through intermediaries, such as tour operators or OTAs to ensure the tourist flow during the non-peak seasons.

The dependence between the star category and direct bookings share is not obvious. On the one hand, 2* hotels show a high level of direct bookings (50.00%). Probably, such a high value can be explained by low diversification of distribution channels by this category of hotels. As they are unlikely to use such channels as Wholesalers, DMO, NTO, Event and Congress organizer and even tour operators, so the majority of their bookings will be distributed between direct channels and OTAs. On the other hand, the number of observations among 2* hotels can be too low to make the right conclusion.

Then, the share of direct bookings decreases, but we can mention the growth of direct bookings with the increasing of star category. For instance, among 3* hotels the share of direct channels is 28.93%, among 4* hotels – 33.89%, and 5* hotels – 55.50%. It may indicate that starting from 3* category hotels have higher diversification of distribution channels (this is why the relative share of each channel is lower). At the same time, hotels of the higher category have more resources for direct booking promotion.

The segmentation by size does not reflect any obvious dependence between hotel size and share of direct channels. All the values are close to the average number. For instance, establishments which have less than 20 room on average have 36.57%; from 20 to 50 rooms – 39.67%, from 50 to 100 rooms – 38.00%, more than 100 rooms - 31.85%.

The segmentation by main customer segment is not representative enough for the appropriate segment analysis, because 100% of the respondents consider vacation/leisure tourists as the main customer segment. This is why the direct booking share within this segment is equal to the average value (35.64%). Within the business segment, the share of direct bookings are slightly higher (37.88%), which may indicate that business travelers prefer to book their accommodation themselves through direct channels. The MICE segment direct bookings market share is within the average value for the region (36.00%). The other customer segment is represented only by one observation, so it is not enough for any reasonable conclusions.

The location segmentation shows us that the majority of respondents, who represent establishments located at the seaside, have direct booking marketing share close to the average value (34,49% and 35,64% correspondingly). The “other location” accommodation segment is mostly represented by town center located hostels, tourist apartments, and small hotels. The share of direct bookings within this segment is slightly higher, i.e. 35.13%. As only one respondent represents the rural location segment, it is not enough for any reasonable conclusions.

The segmentation by management type shows that direct booking channels prevail among independent hotels (38.90%). Hotel chains have direct booking share slightly lower – 33.61%. It may indicate that members of the hotel chain cover part of direct bookings by reservations carried over the channel network. Members of hotel cooperation are represented only by two respondents, which makes the result obtained not sufficiently reliable. The results of direct bookings analysis are presented in Table 4.5.

Table 4.5: Direct booking shares by segment 2018 (the Algarve)[2]

Seasonality	**Open all year round**	**One season business (summer)**	***Total***				
	34.95%	39.25%	***35.64%***				
Star category	**1***	**2***	**3***	**4***	**5***	**Other category**	***Total***
	0.00%	50.00%	28.93%	33.89%	55.50%	32.30%	***35.64%***
Size of hotel (rooms)	**Less than 20**	**From 20 to 50**	**From 50 to 100**	**100 and over**	***Total***		
	36.57%	39.67%	38.00%	31.85%	***35.64%***		
Main customer segment of hotel	**Business**	**Vacation/ leisure**	**MICE**	**Other segment**	***Total***		
	37.88%	35.64%	36.00%	45.00%	***35.64%***		
Location of hotel	**Seaside**	**Mountain region**	**Rural region**	**Other location**	***Total***		
	34.49%	0	87.00%	35.13%	***35.64%***		
Type of manage-ment	**Indepen-dent hotel**	**Hotel chain**	**Hotel coopera-tion**	***Total***			
	38.90%	33.61%	5.00%	***35.64%***			

Tour operators and travel agencies

The second largest market segment of accommodation booking belongs to tour operators and travel agents. The average value of tour operators' market share among all hotels in the Algarve is 17.40%. However, this distribution channel provides 29.1% of overnight bookings. It indicates that large hotels, which consequently sell more overnights, have a bigger share of tour operators than smaller hotels. This hypothesis will be tested in Section 4.6 of this Chapter.

Accommodation establishments, that are open all year round have larger tour operators' share than the average value among all respondents (20.24%). Meanwhile, seasonal businesses have a low share of bookings through tour operators (only 2.50%). This difference, on the one hand, may mean that the hotels, which have contracts with tour operators, can smooth out the seasonal variations of their business due to the constant

[2] This table follows closely the table of European Hotel Distribution Study (Schegg, 2018: 67)

tourist flow. This is why there is no need to close the business for the winter period. On the other hand, for the comprehensive analysis, it is necessary to have more observation from the segment that represents hotels with seasonal business.

When comparing hotels of different star category, we can observe the increase of tour operators' share with the increase of hotel category (2* - 10.00%; 3* - 20.29%; 4* - 28.29%). The exception is 5* hotels with average tour operators' market share – 11.67%. Among accommodation without star classification (hostels, tourist apartments), the market share of tour operators is insignificant, only 0.50%.

The segmentation by the size of accommodation establishment clearly shows that an increase in hotel size impacts to the increase of the market share of tour operators' bookings. Thus, small hotels, hostels and tourist apartments, which have less than 20 rooms, do not cooperate with tour operators at all. Within the segment from 20 to 50 rooms the tour operators' share is 3.89%; from 50 to 100 rooms – 15.86%; more than 100 rooms – 30.65%. These figures confirm our previous statement that tour operators tend to work more with medium and large size hotels.

As in the previous case, the segmentation by the main customer segment is not representative enough for the appropriate segment analysis, because 100% of respondents consider vacation/leisure tourists as their main customer segment. Thus, tour operators' share within this segment is equal to the average value (17.40%). Within the business segment, the share of tour operators' bookings is low (4.88%), which confirms that business travelers are not likely to buy package tours – the main product of tour operators business. The MICE segment tends to book through tour operators more frequent than business segment, the tour operators' market share is 16.25%. The other customer segment (groups) is only represented by one observation, so it is not enough for a comprehensive analysis.

As the tour operators' main product is package tour, it is reasonable to assume that the majority of tour operators' clients buy packaged holidays in the Algarve as a sun and sea destination. This is why hotels located at the seaside are more likely to use tour operators as a distribution channel (18.90%) than hotels at other locations (11.88%).

Looking at management type segmentation, we can see that hotel chains have a larger tour operator's share than independent hotels (28.39% vs 11.40% correspondingly). Since members of hotel cooperation are represented only by two respondents, we can not consider the result obtained (8.50%) as sufficient for analysis.

The share of tour operators and travel agents within the distribution portfolio of different accommodation segments are shown in Table 4.6.

Table 4.6: Tour operators/travel agents shares by segment 2018 (the Algarve)[3]

Seasonality	**Open all year round**	**One season business (summer)**	***Total***				
	20.24%	2.50%	***17.40%***				
Star category	**1***	**2***	**3***	**4***	**5***	**Other category**	***Total***
	0.00%	10.00%	20.29%	28.29%	11.67%	0.50%	***17.40%***
Size of hotel (rooms)	**Less than 20**	**From 20 to 50**	**From 50 to 100**	**100 and over**	***Total***		
	0.00%	3.89%	15.86%	30.65%	***17.40%***		
Main customer segment of hotel	**Business**	**Vacation/ leisure**	**MICE**	**Other segment**	***Total***		
	4.88%	17.40%	16.25%	15.00%	***17.40%***		
Location of hotel	**Seaside**	**Mountain region**	**Rural region**	**Other location**	***Total***		
	18.90%	0.00%	0.00%	11.88%	***17.40%***		
Type of manage-ment	**Indepen-dent hotel**	**Hotel chain**	**Hotel cooperation**	***Total***			
	11.40%	28.39%	8.50%	***17.40%***			

Online travel agencies

The third largest market share among distribution channels in the Algarve belongs to online travel agencies (16.6%). However, the average share of OTAs bookings (mean value) among hotels which participated in our study is 25.62%. It means that OTAs have a higher market share among small and medium-size hotels, which sell fewer overnights.

[3] This table follows closely the table of European Hotel Distribution Study (Schegg, 2018: 67)

Since OTAs have a significant influence on overall accommodation providers in Europe, we have dedicated the third part of our questionnaire to the problem of relationships between OTAs and hotels in the Algarve.

We have also analyzed the average market share of OTAs among different accommodation segments. The situation with the OTAs' share in segments classified by seasonality is opposite to the tour operators' share in these segments. We can conclude that accommodation establishments with the seasonal type of business rely more on OTAs than establishments that are open all year round (29.50% vs 24.88% correspondingly).

The analysis of star categories shows that with the increase of category, the OTAs' market share tends to decrease. For instance, the OTAs share among 2* hotels is 33.33%, among 3* hotels – 28.64%, among 4* hotels – 14.00%, among 5* hotels – 14.17% (the difference between 4* and 5* hotels is insignificant). There is a significant difference with establishments that have no star classification (in our research this segment is mostly represented by hostels and tourists apartments). The OTAs share in this segment is much higher – 45.70%. As a result, this segment is the most dependent segment on the OTAs' policy.

The segmentation by the size of the accommodation establishment shows us an inverse relationship between hotel size and OTAs' share. Thus, establishments with less than 20 rooms have an OTAs' share of 31.14%; from 20 to 50 rooms – 38.89% (this segment is the exception because it has the highest percentage); from 50 to 100 rooms – 27.43%; more than 100 rooms – 16.45%. We can mention that the size of OTAs' share in these segments is opposite to the size of the tour operators' share. It may indicate that OTAs are the main competitors of tour operators on the tourist market in the Algarve. The segments that are not covered by tour operators have OTAs as their dominant distribution channel.

The segmentation by the main customer shows that OTAs' share among vacation/leisure oriented hotels is equal to the average value in the region (25.62%) because it is the main customer segment for all respondents participating in our study. Hotels oriented for the business segment have the OTAs' share higher – 39.25%. This may be due to the fact that business segment tends to book accommodation autonomously through OTAs more frequently than the vacation segment. The OTAs' share within the MICE segment is lower – 23.75%.

The location segmentation gives us the following numbers: the OTAs' share among accommodation establishments located at the seaside is close to the average value (28.17%). Establishments, placed in other locations (mostly in the town center), have an OTAs' share of 15.75%. It indicates that the town hotels have a lower share of intermediaries, as they can attract their customer using mostly direct channels.

Analyzing segments diversified by management type, we can see that independent hotels have a larger OTAs' share than hotel chains (31.00% vs 18.56% correspondingly). The situation is opposite to the tour operators' share in these segments. Since members of hotel cooperation are represented only by two respondents, we can not consider the results obtained (8.50%) as sufficient for analysis. The results of OTAs' share calculation by segments are represented in Table 4.7.

Table 4.7: OTAs market shares by segment 2018 (the Algarve)[4]

Seasonality	**Open all year round**	**One season business (summer)**	***Total***				
	24.88%	29.50%	***25.62%***				
Star category	**1***	**2***	**3***	**4***	**5***	**Other category**	***Total***
	0.00%	33.33%	28.64%	14.00%	14.17%	45.70%	***25.62%***
Size of hotel (rooms)	**Less than 20**	**From 20 to 50**	**From 50 to 100**	**100 and over**	***Total***		
	31.14%	38.89%	27.43%	16.45%	***25.62%***		
Main customer segment of hotel	**Business**	**Vacation/ leisure**	**MICE**	**Other segment**	***Total***		
	39.25%	25.62%	23.75%	10.00%	***25.62%***		
Location of hotel	**Seaside**	**Mountain region**	**Rural region**	**Other location**	***Total***		
	28.17%	0.00%	0.00%	15.75%	***25.62%***		
Type of manage-ment	**Indepen-dent hotel**	**Hotel chain**	**Hotel coopera-tion**	***Total***			
	31.00%	18.56%	8.50%	***25.62%***			

[4] This table follows closely the table of European Hotel Distribution Study (Schegg, 2018: 69)

Based on the analysis above, we can come to the conclusion that in some segments OTAs are the dominant distribution channel, for example, small accommodation establishments and accommodation without star classification.

4.4 Leading OTAs in the Algarve

Aiming to focus our attention on OTAs and their influence on the accommodation sector of the Algarve, we started by identifying the market share of the most popular OTAs. Because not all the respondents were able to provide information about a number of bookings received over different OTAs, our results are based on the analysis of 44 relevant observations.

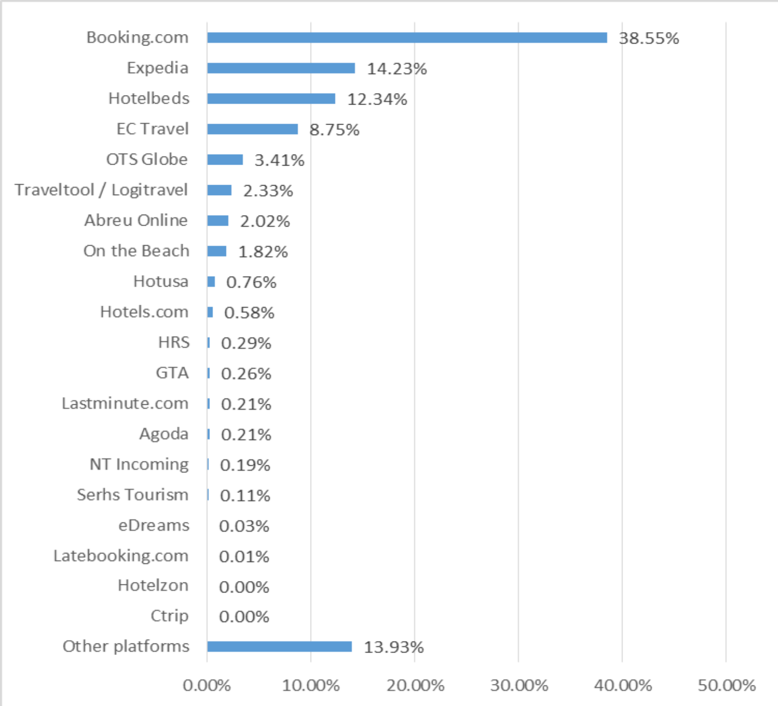
The clear market leader is Booking.com with the relative market share of 38.55%. However, we must admit that this value is significantly lower than the average European rate (65.6%). At the same time, we must note that a vast number of respondents have provided approximate data. This is why the actual market position of Booking.com can be different from the results of our study.

The second largest OTA with a market share of 14.23% is Expedia. In the case of Expedia, the market share in the Algarve is close to the average European level (12.6%).

The third largest OTA in the Algarve is Hotelbeds. Its market share is 12.34%. The third place on the European market belongs to HRS (7.8%), by contrast, the market share of HRS in the Algarve is 0.29%.

Among the market leaders in the Algarve, we can highlight the following OTAs: EC Travel (8.75%), OTS Globe (3.41%), Traveltool/Logitravel (2.33%), Abreu Online (2.02%), On the Beach (1.82%). Other OTAs listed in our questionnaire have less than 1% market share. At the same time, we should note that other platforms have a comparatively high share – 13.93%. It may indicate that we did not include some significant market players in the OTAs list. We need to review the optional comments of our respondents and replace the list of OTAs with insignificant results with the most common OTAs from respondents' comments in case of further studies. The results of OTAs market share calculation are shown in Figure 4.12.

Figure 4.12: Market share of major OTAs in the Algarve (2018)



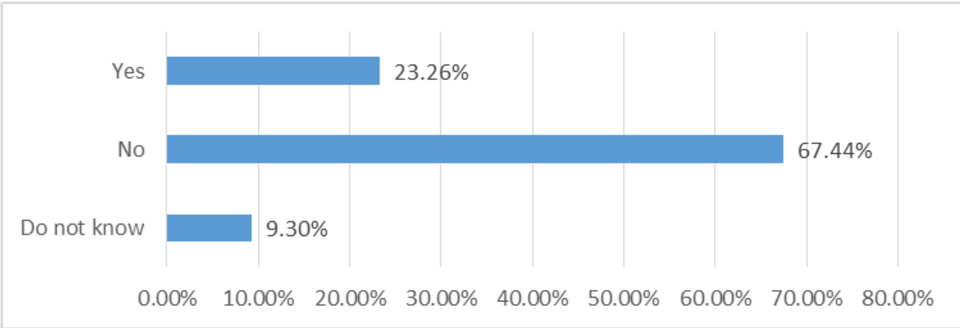
Summing up, the leaders of the tourism accommodation market in the Algarve are the same as of the European market.

4.5 Relationships between OTAs and accommodation providers

We have already mentioned in Chapter 2 Section 2.7 that European national governments are taking actions to resolve the problem of oligopoly situation of the leading OTAs, which accommodation suppliers cannot break. In light of this processes, we have asked our respondents whether they feel pressured by online booking platforms (OTA) to accept their terms and conditions (e.g. cancellation policy, special discounts, etc.) that they otherwise (voluntarily) would not offer. In addition, in case that they feel such pressure, we have also asked, whether they consider that there is a fair and effective solution to the disagreements.

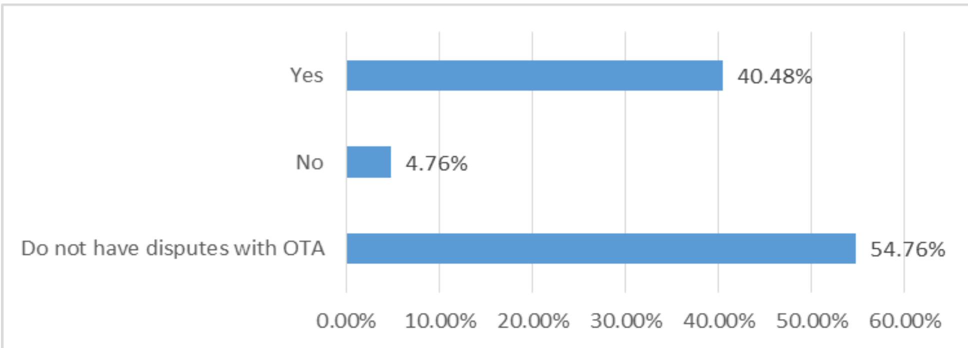
The situation with the pressure of OTAs on accommodation providers in the Algarve is much better than the situation across Europe. As we can see 67.44% of respondents do not feel pressured by online booking platforms (OTA) to accept their terms and conditions; 9.3% do not know; and only less than a quarter of respondents (23.26%) have admitted feeling pressured by OTAs to accept their terms and conditions (see Figure 4.13). For comparison, in Europe 50% of respondents feel pressured by OTAs, 41% do not feel pressured, and 9% do not know the answer (Schegg, 2018).

Figure 4.13: Feeling pressured by OTAs



Moreover, in case of a dispute with OTA, 40.48% of respondents consider that there is a fair and effective solution to the disagreements. Only 4.76% of respondents do not see the fair solution to arrange a dispute with OTAs. The European Hotel Distribution Study shows that only 17.9% consider that there is a fair solution to the disagreements, and 41.30 % do not see the ways to resolve disagreements fairly (Schegg, 2018). The results of our survey regarding the problem of disputes with OTAs are shown in Figure 4.14.

Figure 4.14: Considering there is a fair solution to the disagreements



The obtained information may indicate the following reasons for such a low level of OTAs pressure on accommodation providers in the Algarve:

1) OTAs are not the dominant distribution channel in most accommodation segments;

2) The European Commission regulations regarding the revocation of OTA parity clauses have positively influenced the market situation;

3) The perception of pressure is different between hotels in Europe and in the Algarve;

4) Respondents, who have answered our questionnaires, are not completely aware of the negotiation process between OTAs and hotels' commercial departments.

To deepen this problem, we can also analyze the perception of pressure by different accommodation segments (see Table 4.8). Perception of the pressure is different among different segments. For instance, large hotels (50 rooms and more) feel more pressured from OTA than small and medium-size hotels. It is an interesting situation because the OTAs' market share among large hotels is the smallest one. We may suppose that this feeling of pressure from OTAs have led to the situation that large hotels give less preference to OTAs as a distribution channel. Hotels that belongs to the hotel chain feel more pressured by OTAs. We should mention that a similar analysis within the European Hotel Distribution Study gives the opposite results (Schegg, 2018).

Table 4.8: Perception of pressure by OTAs among different segments[5]

	Less than 20 rooms	**From 20 to 50 rooms**	**50 rooms and more**	**Total**
Yes	0.00%	12.50%	32.14%	***23.26%***
No	85.71%	87.50%	57.14%	***67.44%***
Do not know	14.29%	0.00%	10.71%	***9.30%***
Total	***100.00%***	***100.00%***	***100.,00%***	
	Independent SME hotel	**Hotel chain**	**Hotel Cooperation**	**Total**
Yes	21.43%	30.77%	0.00%	***23.26%***
No	67.86%	61.54%	100.00%	***67.44%***
Do not know	10.71%	7.69%	0.00%	***9.30%***
Total	***100.00%***	***100.00%***	***100.00%***	

We have also analyzed the attitude of different accommodation segments to the fair and effective dispute resolution (see Table 4.9). As we can see, the larger is the size of the hotel the fewer problems they have in case of dispute with OTA. Chain hotels, as well, have fewer problems with OTAs in case of disagreements than individual hotels. In this

[5] This table follows closely the table of European Hotel Distribution Study (Schegg, 2018: 75)

case, the situation in the Algarve coincides with the European Hotel Distribution Study results (Schegg, 2018).

Table 4.9: Perceptions regarding the solution to the disagreements with OTAs (analysis by segments)[6]

	Less than 20 rooms	From 20 to 50 rooms	50 rooms and more	Total
Yes	14.29%	28.57%	50.00%	***40.48%***
No	14.29%	14.29%	0.00%	***4.76%***
Do not know	71.43%	57.14%	50.00%	***54.76%***
Total	***100.00%***	***100.00%***	***100.00%***	
	Independent SME hotel	**Hotel chain**	**Hotel Cooperation**	**Total**
Yes	37.04%	46.15%	50.00%	***40.48%***
No	7.41%	0.00%	0.00%	***4.76%***
Do not know	55.56%	53.85%	50.00%	***54.76%***
Total	***100.00%***	***100.00%***	***100.00%***	

Summing up our data analysis, we can conclude that accommodation providers in the Algarve, in general, feel less pressured by OTAs. However, the distribution channels portfolio shows that hoteliers in the Algarve remain still influenced by tour operators, as the second biggest distribution channel after direct channels. This is why it will be relevant to conduct a similar survey regarding disputes with tour operators in case of further similar studies.

4.6 Hypotheses Tests

Within the section, we would like to confirm or reject hypotheses regarding influence of size, location and management type on the market share of direct channels and online travel agencies. Considering the significant influence of tour operators on the accommodation sector in the Algarve, it is reasonable to include this distribution channel in the analysis as well.

[6] This table follows closely the table of European Hotel Distribution Study (Schegg, 2018: 77)

The first hypothesis we are going to test is whether small hotels tend to have more bookings via OTA than through direct channels.

The first step we do is to identify the size categories for analysis. Unlike Schegg (2018), we have decided to consolidate some segments and distinguish three main categories of accommodation establishments by size: small (less than 25 rooms); medium (26-100 rooms); and large (more than 100 rooms). For this purpose, we have introduced a new variable in SPSS.

At the second step, we need to test the normality of data distribution within each size category. We can verify this using the Kolmogorov-Smirnov Test. The normality test of data distribution among different size hotels shows the following: The null hypothesis is H_0: the data of analyzed distribution channel within the analyzed size segment follow the normal distribution. An alternative hypothesis is H_A: the data of analyzed distribution channel within the analyzed size segment do not follow the normal distribution. If the result shows, that $\sigma > 0.05$, so we accept the null hypothesis, and reject the alternative hypothesis. It means that the data distribution for analyzed distribution channel within the analyzed size segment follows the normal distribution. The results of the normality test of data distribution among different size segments are represented in Table 4.10.

Table 4.10: Normality test of variables by establishment size

		Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Size classification	Statistic	df	Sig.	Statistic	df	Sig.
Percentages channels_Direct	Small (<=25)	,283	12	,009	,823	12	,017
	Medium (26-100)	,140	18	,200*	,917	18	,117
	Large (>101)	,227	20	,008	,903	20	,048
Percentages channels_Tour operators	Small (<=25)	.	12	.	.	12	.
	Medium (26-100)	,211	18	,034	,831	18	,004
	Large (>101)	,162	20	,179	,867	20	,011
Percentages channels_OTA	Small (<=25)	,208	12	,160	,828	12	,020
	Medium (26-100)	,210	18	,036	,854	18	,010
	Large (>101)	,135	20	,200*	,931	20	,158

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

The normality test shows us that not all the data follows the normal distribution within segments, this is why we need to apply the Kruskal-Wallis non-parametric Test to test our main hypothesis (the third step). The Kruskal-Wallis Test helps us to analyze the difference between groups of hotels differentiated by size (in our case we can analyze different variables such as "Percentages channels _ direct", "Percentages channels _ tour operators", and "Percentages channels _ OTA").

The null hypothesis for all variables is following H_0: M1=M2=M3 (there is no statistically significant difference between means within small, medium and large size categories). The alternative hypothesis H_A: the differences between means are statistically significant. Analyzing the first variable "Percentages channels _ direct", we can see that σ >0,05, so we accept the null hypothesis. The analysis of second variable "Percentages channels _ tour operators" shows that σ <0,05, in this situation we reject the null hypothesis and accept the alternative hypothesis. Analyzing the third variable "Percentages channels _ OTA", we can see that σ >0,05, so we accept the null hypothesis. The results see in Table 4.11 and Table 4.12.

Table 4.11: Kruskal-Wallis Test for size segments (ranks)

	Size classification	N	Mean Rank
Percentages channels_Direct	Small (<=25)	12	26,33
	Medium (26-100)	18	27,00
	Large (>101)	20	23,65
	Total	50	
Percentages channels_Tour operators	Small (<=25)	12	12,00
	Medium (26-100)	18	26,69
	Large (>101)	20	32,53
	Total	50	
Percentages channels_OTA	Small (<=25)	12	29,71
	Medium (26-100)	18	25,94
	Large (>101)	20	22,58
	Total	50	

Table 4.12: Kruskal-Wallis Test for size segments (test statistics)

	Percentages channels_Direct	Percentages channels_Tour operators	Percentages channels_OTA
Kruskal-Wallis H	,553	16,690	1,864
df	2	2	2
Asymp. Sig.	,758	,000	,394

a. Kruskal Wallis Test

b. Grouping Variable: Size classification

Summing up the results of Kruskal-Wallis Test we conclude that there is a statistically significant difference between means of tour operators' market share within small, medium and large size categories. It means that there is a statistical dependence between size of accommodation establishment and tour operators' market share within the distribution portfolio. As we can see, with the increasing of hotel size, the average share of tour operators' bookings also increases: the mean value of market share among small hotels is 12%; among medium-size hotels – 26.69%; among large hotels – 32.53%. So, the previous statement that small hotels tend to have more bookings via OTA than through direct channels have not a confirmation. Vice a versa, analysis of our observation shows that there is no statistically significant dependence between the size of hotels and percentages of direct bookings, and bookings through OTAs.

The second hypothesis we are going to test is aiming to identify the dependence between the type of hotel management and market share of direct bookings, OTAs' bookings and tour operators' bookings within these segments. As far as we have only two representatives of hotel cooperation, we suggest analyzing only two categories: independent hotel and hotels from the hotel chain or cooperation.

At the first step, we perform the normality test. The results are shown in Table 4.13. As we can see, the variables within only one segment (hotel from hotel chain or cooperation) follow the normal distribution according to the Kolmogorov-Smirnov test. Therefore, we should apply the non-parametric test for our data.

Table 4.13: Normality test of variables by type of hotel management

		Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Type of management	Statistic	df	Sig.	Statistic	df	Sig.
Percentagens canais_Diretos	Independent hotel	,188	30	,008	,890	30	,005
	Hotel from hotel chain or cooperation	,118	20	,200*	,928	20	,141
Percentagens canais_OTA	Independent hotel	,176	30	,018	,868	30	,002
	Hotel from hotel chain or cooperation	,188	20	,061	,880	20	,018
Percentagens canais_Operador turístico	Independent hotel	,318	30	,000	,617	30	,000
	Hotel from hotel chain or cooperation	,171	20	,128	,872	20	,013

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

At the second step, we will test our hypotheses using the Mann-Whitney Test. The null hypothesis of the Mann-Whitney Test is following H_0: M1=M2 (there is no statistically significant difference between means of given distribution channel among independent hotels and hotels from hotel chain or cooperation). The alternative hypothesis H_A: the differences between means are statistically significant. Analyzing results of the test, we accept the null hypothesis for the following variables "Percentages channels _ direct" and "Percentages channels _ OTA" (as σ >0,05). The analysis of third variable "Percentages channels _ tour operators" shows that σ <0,05, in this situation we reject the null hypothesis and accept the alternative hypothesis. The results of the Mann-Whitney Test is shown in Table 4.14 and Table 4.15.

Table 4.14: Mann-Whitney Test for the type of management groups (ranks)

	Type of management	N	Mean Rank	Sum of Ranks
Percentages channels_Direct	Independent hotel	30	26,75	802,50
	Hotel from hotel chain or cooperation	20	23,63	472,50
	Total	50		
Percentages channels_OTA	Independent hotel	30	27,72	831,50
	Hotel from hotel chain or cooperation	20	22,18	443,50
	Total	50		
Percentages channels_Tour operators	Independent hotel	30	21,98	659,50
	Hotel from hotel chain or cooperation	20	30,78	615,50
	Total	50		

Table 4.15: Mann-Whitney Test for the type of management groups (test statistics)

	Percentages channels_Direct	Percentages channels_OTA	Percentages channels_Tour operators
Mann-Whitney U	262,500	233,500	194,500
Wilcoxon W	472,500	443,500	659,500
Z	-,743	-1,332	-2,200
Asymp. Sig. (2-tailed)	,457	,183	,028

a. Grouping Variable: Type of management

Summing up the results of the Mann-Whitney Test, we conclude that there is a statistically significant difference between means of tour operators' market share within independent hotels and hotels form hotel chain or cooperation. It means that there is a dependence between the type of management and tour operators' market share in these segments. As we can see, on average, the market share of tour operators is lower among independent hotels – 21.98%, and it is higher in the distribution portfolio of hotels, which are part of the hotel chain and hotel cooperation – 30.78%.

Therefore, we have rejected the statement that hotels that are part of the hotel chain have more direct bookings than bookings via OTA. Moreover, no direct channels' share, nor OTAs' share do not depend on the type of hotel management. At the same time, we have identified the relationships between type of hotel management and tour operator's market share.

The third hypothesis we are going to test is aiming to identify the connection between hotel location and market share of major distribution channel. As we have a little number of representatives of a different location, we will group location by two groups: seaside and other location.

Firstly, we need to do the normality test for our variables. The normality test shows that variable "Percentages channels _ Direct" according to the Kolmogorov-Smirnov test has normal distribution within both location groups. Therefore, we will apply the independent sample t-test. For the other two variables, we will apply the Mann-Whitney Test. The results of the normality test are shown in Table 4.16.

Table 4.16: Normality test of variables by location

		Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Location grouped	Statistic	df	Sig.	Statistic	df	Sig.
Percentages channels_Direct	Seaside	,135	41	,058	,923	41	,008
	Other location	,224	9	,200*	,874	9	,134
Percentages channels_Tour operators	Seaside	,224	41	,000	,798	41	,000
	Other location	,463	9	,000	,419	9	,000
Percentages channels_OTA	Seaside	,137	41	,051	,894	41	,001
	Other location	,320	9	,009	,571	9	,000

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Based on the t-test results we can conclude that we accept the null hypothesis, this is why there is no statistically significant difference between means of direct channels' share at the seaside location and other location. Therefore, the location of the hotel does not significantly influence the share of direct distribution channels. The results of t-test independent sample are shown in Table 4.17 and Table 4.18.

Table 4.17: Independent sample test (location) – group statistics

	Location grouped	N	Mean	Std. Deviation	Std. Error Mean
Percentages channels_Direct	Seaside	41	34,49	24,346	3,802
	Other location	9	40,89	36,264	12,088

Table 4.18: Independent sample test (location) - results

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Percentages channels_Direct	Equal variances assumed	5,988	,018	-,651	48	,518	-6,401	9,830	-26,165	13,363
	Equal variances not assumed			-,505	9,642	,625	-6,401	12,672	-34,779	21,977

The Mann-Whitney Test results show us that we accept the null hypothesis for variable "Percentages Channels _ Tour operators". It means that there is no statistically significant difference between means of tour operators' share in hotels' distribution portfolio at the seaside location and other location. Regarding the variable "Percentages channels _ OTA" we reject the null hypothesis and confirm that there is a statistically significant difference between the mean value of OTAs' share in distribution portfolio of hotels, located at the seaside, and other location. Thus, hotels located at the seaside have a share of OTAs' bookings on average 27.39%, meanwhile, hotel on other locations have, on average, OTAs share lowers – 16.89%. However, we should note that σ is very close to the limit level of credibility. The results of the Mann-Whitney Test is shown in Tables 4.19 and 4.20.

Table 4.19: Mann-Whitney Test for location groups (ranks)

	Location grouped	N	Mean Rank	Sum of Ranks
Percentages channels_OTA	Seaside	41	27,39	1123,00
	Other location	9	16,89	152,00
	Total	50		
Percentages channels_Tour operators	Seaside	41	27,16	1113,50
	Other location	9	17,94	161,50
	Total	50		

Table 4.20: Mann-Whitney Test for location groups (test statistics)

	Percentages channels_OTA	Percentages channels_Tour operators
Mann-Whitney U	107,000	116,500
Wilcoxon W	152,000	161,500
Z	-1,980	-1,808
Asymp. Sig. (2-tailed)	,048	,071
Exact Sig. [2*(1-tailed Sig.)]	,051[b]	,086[b]

a. Grouping Variable: Location grouped

b. Not corrected for ties.

We conclude that the location factor only affects the OTAs market share in the hotel's distribution portfolio. Thus, the statement according to Marvel (2016:32) that hotels, "which are more likely to be situated in urban and prime resort locations generally succeed in getting a higher proportion of reservations through direct channels", is not applicable to the Algarve context. Conversely, our results show that hotels located at the seaside holiday destinations (i.e. prime resort locations) receive more bookings via OTAs. Nevertheless, the location factor does not affect the proportion of reservations through direct channels.

As we can see, the data analysis of our study has shown the different results compared with other distribution channels study. Possible reasons for this difference will be discussed in the next section of this Chapter.

4.7 Discussion and limitations

Before we reach conclusions about the differences between the accommodation distribution market in the Algarve and other European countries, we should highlight the limitations of our study.

On the one hand, we should mention that we have a limited number of respondents as we have narrowed our study to the regional level. As we have already said, there are only 561 tourism establishments in the Algarve, and during our study we have visited about 20% of the general sample. We expected at the beginning that the majority of the respondents would answer the online questionnaire sent by email. If this were the case, we could have ensured the heterogeneity of the sample. As the response rate by email request was low, we used an alternative method of data collection – walk-in. The walk-in way of data collection provided us with the necessary amount of responses. However, this method of data collection has its limitations. Firstly, we have visited tourism places with a high concentration of hotels and other accommodation establishments: Municipality of Loulé (Quarteira, Vilamoura), Municipality of Albufeira (Albufeira, Santa Eulalia, Olhos de Água), Municipality of Portimão (Portimão), and Municipality of Faro (Faro). Consequently, most of our respondents represent accommodation establishments located at the seaside with the vacation/leisure main customer segment. Secondly, during the period of data gathering the majority of hotels with seasonal business were closed, so we collected fewer answers from this category of hotels. Thirdly, we were able to visit mostly hotel establishments, i.e. those that have an open reception. For instance, establishments such as tourist apartments, villas and other private accommodation, which are widely represented in the tourist market of the Algarve, usually have a remote reception or managing company. Therefore, this category of tourist accommodation is hardly represented in our study.

On the other hand, we find limitations regarding data reliability. As we have already explained in Chapter 4 Section 4.2, that might be suspicious with the reliability of the data provided. These are connected with "too round figures" and with wrong percentages calculation. The analysis showed that about half of respondents do not keep records of a precise number of overnights provided by the different distribution channels. Even if they keep their own records, the classification of distribution channels may not coincide with classification in our study. As a result, few respondents were able to spend additional time calculating market shares of each distribution channel in accordance with our segmentation. Therefore, we should be aware that about half of the data obtained during the survey is approximate.

The third weakness of our data is closely connected with the theoretical background of our study. As we have discovered during the data analysis, there is not a clear boundary between distribution channels such as tour operators/travel agents – wholesalers – online travel agencies. For instance, in 10 responses (20% of our represented sample), respondents included the OTAs' share of bookings in other categories, such as tour operators/travel agents and wholesalers. However, we cannot be sure that other respondents have not misunderstood the distribution channels classification. This is why we should regard our results with some caution.

After the detailed analysis of the drawbacks of our methodology and taking into consideration the difficulties we encountered during data collection, we have developed the following recommendation for similar studies in the future:

1) **Clarify the definition of the main distribution channels**. We need to provide a clear distinction between the following intermediaries: tour operators/traditional travel agents, wholesalers, online travel agencies. It is necessary to add a short definition for each of these distribution channels (question 11) and add a few examples for each category, which are familiar to the Algarve tourist market. This will avoid misunderstandings and data confusion between these three intermediaries.

2) **Revise the list of OTA.** Some OTAs, listed in question 14, have less than 1% of the market share in the Algarve. Meanwhile, the category “other platforms” has 14% of the market share. For further studies, we should revise the optional comments of our respondents and replace less popular OTAs by the ones indicated by hotels in questions 15 and 16.

3) **Add a part regarding relationships with tour operators**. Contrary to our expectations, OTAs are not the dominant distribution channel in the accommodation sector in the Algarve. At the same time, the largest intermediary with a market share of 29.1% is represented by tour operators and traditional travel agents. This is why it is reasonable to include an additional part to our questionnaire in order to evaluate a level of pressure from tour operators (likewise Part C. Relationships with OTAs).

4) **Add the option of town center location**. Results show that the majority of respondents who have selected “other location” (question 8) have indicated the “city center location” in the optional field. It would be reasonable to highlight the town center location as a separate category. In this case, we could obtain completely different results, as many of those who have chosen the seaside location, could revise their answers and give preference to the town center location’s option. For instance, it is important for towns such as Faro, Albufeira, Lagos, Portimão to distinguish hotels that are located closer to the beach, and those located in the center of town. If specified, this differentiation can

show us completely different relationships between hotel location and market share of main distribution channels.

5) **Revise the methodology of data gathering**. As we have discussed in Chapter 3 Section 3.4, the response rate among accommodation establishments was low. The walk-in method of data gathering has allowed us to achieve the minimum required number of answers to perform our study. Moreover, in some cases, and this has been proved out regularly in various studies, the person answering the questionnaire might not have been the best option. This is why some results are approximate and are possibly different from the real situation. To resolve this problem in future research, it would be useful to establish contacts in advance with managers or supervisors (hotel management, representatives of commercial departments, chief of reception). If these people are interested in the study results, the data gathering process will be easier and more effective.

Summing up, our study has significantly contributed to the exploring distribution channels used by the accommodation sector in the Algarve. We provided very rich and useful knowledge on how to improve our methodology, in particular, the questionnaire design and the method of data collection. In turn, by improving these, we will improve data reliability and hopefully the amount of data collected, key issues for conducting similar research at national level.

CHAPTER 5. CONCLUSIONS

This Chapter presents the conclusions of this study. The first section sums up the results of the current research and its contribution to the hospitality industry of the Algarve. The second section contains recommendations for future research.

5.1 Main outcomes of the present study

Within the framework of this study, we have focused on one of the most relevant issues for the tourism accommodation sector – the relationships between accommodation suppliers and distribution channels.

In the theoretical sections, we have revised the general conceptualization of distribution channels; have observed main types of distribution channels and their functions. We have paid specific attention to the main distribution channels in the accommodation sector, describing in detail their roles, brief history, development, and their current market positions. We have shown that it is relevant and useful to understand the distinguishing features of each distribution channels since the development of information and communication technologies are blurring the boundaries between the main players, as one given player might assume features of other players. This is why there is a real problem for industry professionals and academics alike to classify tourism market intermediaries accurately. This task becomes more complex when we take into considerations market "facilitators" such as metasearch engines, which are classified by some authors as distribution channels, contributing to the complexity of the phenomenon.

During our study, we have discovered that accommodation suppliers are still significantly dependent on distribution channels. In many countries, the influence of traditional tour operators and travel agents are being replaced by the fast growth of online travel agencies. Many countries within the European Union have realized the problem of OTAs' influence on the accommodation sector and have already taken measures to resolve this situation. This is why the constant monitoring of the distribution channels is as important as ever. Distribution channels studies are periodically conducted in European countries, for example by HOTREC (the umbrella association of Hotels, Restaurants and Cafés in Europe). As stated in the introduction, because Portugal is not analyzed in these studies, we decided to conduct a similar study in the Algarve, the Portuguese region with the highest number of sold overnights (34%).

In answer to the first goal of our study, we have adapted the methodology, developed by HOTREC to the Algarve accommodation sector, designing our questionnaire in such a way to make our results comparable with the results from the European study.

In answer to the second goal of our research, our empirical study aimed to uncover the market share of each distribution channel in the accommodation sector of the Algarve. As the results show, similarly to the European markets, the largest share of overnight bookings in the Algarve belongs to direct channels. In total, they cover 35.2% of the accommodation market in the region. The most affluent intermediaries on the Algarvian market are tour operators, with the market share of 29.1%. Contrary to expectations, OTAs have only the third largest market share (16.6%). The comparison with the European results shows that the portfolio of distribution channels in the Algarve is similar to Greece. This similarity can be explained by the fact that both are sun and sea tourism destinations.

Based on this information, we can answer our third goal and conclude that there is no single dominant distribution channel in the Algarve accommodation sector. However, only one-third of accommodation bookings are provided through direct channels. Thus, the majority of accommodation bookings still depends on intermediaries, such as tour operators/travel agents and, OTAs, amongst others.

In answer to the fourth aim of our study, we have identified the market shares of major OTAs in the Algarve. Unsurprisingly, the market leaders are the same as in the European markets, Booking.com and Expedia. However, the relative market share of these OTAs is lower than the average European share. Thus, Booking.com covers 38.55% of OTAs market share in the Algarve and Expedia 14.23%. Among other OTAs, we can list the following: Hotelbeds (12.34%), EC Travel (8.75%), OTS Globe (3.41%), Traveltool/Logitravel (2.33%), Abreu Online (2.02%), On the Beach (1.82%).

As for the fifth aim of our research, we concluded that OTAs are not the dominant distribution channel in the Algarve. Therefore most of the respondents (67.44%) have answered that they do not feel pressured by the main OTAs. Also, the majority of respondents have no dispute with OTAs (54.76%), and another 40.48% of respondents consider that there is a fair and effective way to resolve disagreements, should a dispute with OTAs arise.

Aiming to achieve the sixth aim of our research we have identified market shares of major distribution channels, i.e. direct channels, tour operators/travel agents and OTAs, within different accommodation segments. Summing up, the analysis by segments shows us that tour operators prevail among hotels opened all year round. Their market share is the largest among 3* and 4* hotels. Moreover, the figures show that tour operators' market share increases with hotel size. Hotel chains have a larger share of tour operators' bookings than independent hotels.

Conversely, OTAs cover the segments which have lower cooperation with tour operators. For instance, hotels with seasonal business; small and medium-size hotels; 2* hotels and accommodation without star classification (hostels and tourist apartments); independent hotels rather than hotels from hotel chains. Moreover, the business customer segment prefers OTAs to book accommodation rather than tour operators.

Additionally, we have tested a hypothesis in order to identify the dependence of the market share of the three largest distribution channels (direct channels, tour operators and OTAs) on factors such as the size of establishments, type of management, and location. The results show that there is a statistically significant difference in tour operators' market share according to different size groups. For instance, among small hotels, the average market share of tour operators is 12%, among medium-size hotels 26.69%, and among large hotels 32.53%. The dependence of direct channels' share and OTAs' share on establishment size has not been confirmed.

There is, as well, a dependence between the share of tour operators' bookings and type of hotel management. For example, independent hotels have only 21.98% of tour operators' market share, whereas for hotel chains this indicator is on average 30.78%. The dependence of direct channels' share and OTAs' share on management type has not been confirmed.

The analysis by location confirms that on average hotels located at the seaside have 27.39% of OTAs' share, whereas establishments in other locations have a lower OTAs share – 16.89%. The dependence of the direct channels' share and tour operators' share on establishment location has not been confirmed.

Summing up the results of our research, we can say that accommodation establishments in the Algarve have a diversified distribution channels portfolio. These results are encouraging because this means that accommodation suppliers in the Algarve can avoid the overpressure from distribution channels. It may indicate that hotels have a relatively high degree of freedom to conduct negotiation with distribution channels, avoiding confrontation and price discrimination. Consequently, they will be able to maintain a high level of service quality.

5.2 Perspectives for future research

We believe the results of our study show our study to be relevant and with a wide application. We have observed that the accommodation sector in the Algarve has several differences when compared with the European markets. For some categories, the results show the opposite picture for the Algarve in relation to the European market. This is why we came to the conclusion that we can not always extrapolate the results from European studies to the Portuguese context.

This study helped us to understand the current picture of the distribution channels for the tourism market in the Algarve. The next logical step would be the extension of this study to national level.

Based on the study limitations, detailed in Chapter 4 Section 4.7, we realize that more observations and ensuring heterogeneity of the sample (i.e. more observation within different categories of respondents) would help to identify new correlations between types of distribution channels and accommodation characteristics, such as seasonality, star category, size, main customer segment, location and type of management. If we applied this study to the whole country of Portugal we would collect more representative data. For instance, we could cover business city segments among hotels in Lisbon and Porto, representatives of rural hotels in Alentejo, or mountain accommodation of Serra da Estrela. This wider variety of data would probably give us different results for the hypotheses tested here. We would also be able to identify new relationships between hotels location and market share of major distribution channels.

However, conducting a similar study at national level will require researchers to plan data collection more thoroughly, since the walk-in method would not be effective. The main task for future research will be to increase the number of respondents and improve the quality (accuracy) of the data obtained. One of the ways to resolve this challenge could be to launch an informational campaign (for example, during professional meetings or industry conferences), which could possibly attract the interest of hotel managers and motivate their participation.

In sum, this study is relevant to understand how to design and apply a questionnaire, how to gather reliable data, and how to understand differences according to categories, which in some cases do not follow the European trend. Thus, we believe we have provided crucial empirical information about the Algarve with a relevant impact on how to replicate this type of study at national level in Portugal and elsewhere.

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APPENDIX 1. THE ALGARVE HOTEL DISTRIBUTION STUDY QUESTIONNAIRE

Appendix 1 – The Algarve Hotel Distribution study Questionnaire

Estudo sobre canais de distribuição do alojamento no Algarve

Parte A. Informação geral

1. Tipologia do empreendimento turístico:

- Estabelecimento hoteleiro (Hotel, Hotel-apartamento, Pousada)
- Aldeamento turístico
- Apartamento turístico
- Conjunto turístico (resort)
- Empreendimento de turismo de habitação
- Empreendimento de turismo no espaço rural (Casa de Campo, Agroturismo, Hotel rural)
- Parque de campismo e de caravanismo

2. Sazonalidade:

- Aberto todo o ano
- Aberto apenas na época alta (verão)

3. Categoria do empreendimento turístico:

- 1*
- 2*
- 3*
- 4*
- 5*
- Não existe diferenciação por estrelas

4. Capacidade de alojamento (número de quartos):______________________

5. Quantas dormidas registou em 2018? ______________________________

Se não conseguir fornecer dados precisos, responda apenas à questão seguinte, indicando uma estimativa.

6. Quantas dormidas registou em 2018? (estimativa)

- < 2000
- 2 000-5 000
- 5 000-10 000
- 10 000-15 000
- 15 000-20 000
- 20 000-25 000
- 25 000-30 000
- 30 000-40 000
- 40 000-50 000
- > 50 000
- Já respondi à pergunta anterior.

7. Segmento de clientes mais importante (Por favor, seleccione todas as que se aplicam):

- Negócios
- Férias/ Lazer
- MICE (Reuniões, Incentivos, Conferências, Exposições)
- Outro:

8. Localização do empreendimento turístico:

- Costa marítima
- Região de serra
- Região rural
- Outro _________________________________

9. O empreendimento turístico faz parte de uma cadeia hoteleira ou rede de cooperação?

- Não, é um hotel independente
- Sim, faz parte de uma cadeia hoteleira
- Sim, faz parte de uma rede de cooperação

Parte B. Canais de distribuição

10. O empreendimento turístico mantém registos do número preciso de dormidas obtidas através dos diferentes canais de distribuição?

- ◯ Sim
- ◯ Não

11. Qual a percentagem de dormidas em 2018 reservadas através dos seguintes canais?

Por favor, coloque os dados como números inteiros de 0 a 100, por ex. 14,2% seria 14. Certifique-se de que a soma de todos os canais diretos e indiretos é 100. Se o empreendimento não mantém registos precisos, por favor, indique números aproximados.

Direto – Telefone	
Direto – Correio/fax	
Direto – Walk-in (pessoa sem reserva)	
Direto – Formulário de contato no sítio web (sem verificação de disponibilidade)	
Direto – Email	
Direto – Reserva em tempo real no sítio web com verificação de disponibilidade	
Organização de Marketing de Destino (DMO) / Associações Comerciais	
Organização Nacional de Turismo (NTO)	
Operador turístico/Agência de viagens	
Online Travel Agency (OTA)	
Cadeias hoteleiras e cooperação com CRS	
Sistema Global de Distribuição (GDS)	
Grossista (por exemplo, Hotelbeds, Tourico, Gulliver, Transhotel, etc.)	
Organizador de eventos e congressos	
Canais de redes sociais	
Outros canais de distribuição	

12. Se assinalou «Outros canais de distribuição», por favor, indique quais:

13. Comentários opcionais sobre o desenvolvimento de canais de distribuição em geral:

Parte C. Relação com Online Travel Agencies (OTA)

14. Se o empreendimento está disponível em online travel agencies (OTA), por favor, indique a distribuição relativa (em %) das dormidas pelas diferentes OTA em 2018.

Por favor, coloque os dados como números inteiros de 0 a 100, por ex. 14,2% seria 14. Certifique-se de que a soma de todos os OTA é 100. Se o seu empreendimento não mantém registos precisos, por favor, indique números aproximados.

Abreu Online	
Agoda	
Booking.com	
CTrip	
EC Travel	
eDreams	
Expedia	
GTA	
Hotelbeds	
Hotels.com	
Hotelzon	
Hotusa	
HRS	
Lastminute.com	
Latebooking.com	
NT Incoming	
On the Beach	
OTS Globe	
Serhs Tourism	
Traveltool / Logitravel	
Outras plataformas	

15. Se assinalou "Outras plataformas", por favor, indique quais:

16. Comentários opcionais sobre canais de reservas online (OTA):

17. Sente-se pressionado pelas plataformas de reservas online (OTA) a aceitar termos e condições (por exemplo, política de cancelamento, descontos especiais, etc.) que (voluntariamente) não ofereceria?

○ Sim
○ Não
○ Não sei

18. Utiliza as várias possibilidades oferecidas pelas OTA para melhorar efetivamente a sua classificação (por exemplo, impulsionador de classificação, programas de parceiros preferenciais)?

○ Sim, programas de parceiros preferenciais
○ Sim, impulsionador de classificação
○ Sim, ambos
○ Não, nenhum dos dois

19. Em caso de disputa com uma OTA, considera existir uma solução justa e eficaz para as divergências?

○ Sim
○ Não
○ Não tenho disputas com OTA

20. Como faz a gestão das tarifas e disponibilidade nos canais de reservas online (Por favor, seleccione **todas** as que se aplicam)**?**

☐ Nos vários canais ao mesmo tempo através de um gestor de canais
☐ Através de uma agência
☐ Através de um software para alojamento ou sistema de reservas (interface CRS)
☐ De forma manual online
☐ Outro: ____

21. As suas tarifas e disponibilidade estão acessíveis através de uma ligação direta/interface com um mecanismo de meta-pesquisa (por exemplo, Kayak, Trivago, Tripadvisor, etc.)?

○ Sim, com a ajuda de uma ligação permanente com o próprio sistema de reservas do empreendimento
○ Não, isso não interessa ao nosso empreendimento
○ Não, eu não conheço essa opção

22. Se tem uma ligação permanente, qual é o mecanismo de meta-pesquisa que utiliza (Por favor, seleccione todas as que se aplicam)?

☐ Google (Hotel Ads)
☐ Kayak
☐ TripAdvisor
☐ Trivago
☐ Outro: ____

Muito obrigado pelo seu tempo e pela sua participação!

APPENDIX 2. PRIMARY DATA

Appendix 2 – Primary data (page 1)

id	1. Tipologia do en	2. Sazonalidade:	3. Cat	4. Ca	5. Quantas	6. Quantas d	[Negócios]	[Férias/ La	[MICE (Re	[Outro]	8. Localiz	[Outro] 8. Lo	9. O empreendimento turístico faz par
10	Estabelecimento	Aberto todo o ano	4*	189	121778	> 50 000	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
16	Aldeamento turíst	Aberto todo o ano	5*	140	13454	10 000-15 00	Não	Sim	Não		Costa marítima		Não, é um hotel independente
21	Estabelecimento	Aberto todo o ano	3*	22		5 000-10 000	Não	Sim	Não		Outro	sol a praia	Não, é um hotel independente
23	Apartamento turís	Aberto todo o ano	3*	148	73189		Não	Sim	Não		Costa marítima		Não, é um hotel independente
26	Conjunto turístico	Aberto todo o ano	5*	85			Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
35	Estabelecimento	Aberto todo o ano	4*	357	80951	Já respondi à	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
36	Estabelecimento	Aberto todo o ano	4*	306	72276	Já respondi à	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
38	Aldeamento turíst	Aberto todo o ano	4*	97	89588	Já respondi à	Não	Sim	Não		Costa marítima		Não, é um hotel independente
39	Aldeamento turíst	Aberto todo o ano	5*	300		10 000-15 00	Não	Sim	Não		Costa marítima		Não, é um hotel independente
46	Empreendimento	Aberto apenas na	5*	9		< 2000	Não	Sim	Não		Região rural		Não, é um hotel independente
56	Apartamento turís	Aberto todo o ano	3*	146	40000	30 000-40 00	Não	Sim	Não		Outro	PRAIA	Sim, faz parte de uma cadeia hoteleir
59	Apartamento turís	Aberto apenas na	3*	72	28890		Não	Sim	Não		Costa marítima		Não, é um hotel independente
62	Estabelecimento	Aberto todo o ano	4*	220	100295	> 50 000	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
71	Estabelecimento	Aberto todo o ano	4*	85	18854	15 000-20 00	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
73	Estabelecimento	Aberto todo o ano	3*	186	106397	Já respondi à	Não	Sim	Não		Costa marítima		Não, é um hotel independente
75	Apartamento turís	Aberto apenas na	Não e	1	75	< 2000	Não	Sim	Não		Outro	ao pero do c	Sim, faz parte de uma rede de cooper
77	Apartamento turís	Aberto todo o ano	Não e	5	512	< 2000	Não	Sim	Não		Outro	cidade	Não, é um hotel independente
79	Estabelecimento	Aberto todo o ano	4*	60	11520	10 000-15 00	Não	Sim	Não		Costa marítima		Não, é um hotel independente
83	Estabelecimento	Aberto todo o ano	4*	102	22481	Já respondi à	Sim	Sim	Não		Costa marítima		Não, é um hotel independente
84	Estabelecimento	Aberto apenas na	3*	28		15 000-20 00	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
85	Aldeamento turíst	Aberto todo o ano	3*	508		> 50 000	Não	Sim	Não		Costa marítima		Não, é um hotel independente
86	Conjunto turístico	Aberto todo o ano	5*	229	37403	Já respondi à	Não	Sim	Sim		Costa marítima		Sim, faz parte de uma cadeia hoteleir
87	Estabelecimento	Aberto todo o ano	4*	310		> 50 000	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
88	Estabelecimento	Aberto todo o ano	3*	92	20082	20 000-25 00	Sim	Sim	Não		Costa marítima		Não, é um hotel independente
89	Apartamento turís	Aberto todo o ano	Não e	22		< 2000	Não	Sim	Não		Costa marítima		Não, é um hotel independente
90	Estabelecimento	Aberto todo o ano	4*	349	101900	Já respondi à	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
91	Estabelecimento	Aberto todo o ano	4*	134	37181	Já respondi à	Sim	Sim	Sim	grupos	Costa marítima		Sim, faz parte de uma cadeia hoteleir
92	Estabelecimento	Aberto todo o ano	Não e	48		5 000-10 000	Não	Sim	Não		Outro	centro cidade	Não, é um hotel independente
93	Estabelecimento	Aberto todo o ano	2*	20		< 2000	Não	Sim	Não		Costa marítima		Não, é um hotel independente
94	Estabelecimento	Aberto todo o ano	Não e	15		2 000-5 000	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
95	Estabelecimento	Aberto todo o ano	2*	41		15 000-20 00	Sim	Sim	Não		Outro	cidade faro	Não, é um hotel independente
96	Aldeamento turíst	Aberto todo o ano	3*	214		15 000-20 00	Não	Sim	Não		Outro	cidade, local	Não, é um hotel independente
97	Apartamento turís	Aberto todo o ano	4*	75	54753	Já respondi à	Não	Sim	Não		Costa marítima		Não, é um hotel independente
98	Estabelecimento	Aberto todo o ano	4*	313	86518	Já respondi à	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
99	Estabelecimento	Aberto todo o ano	4*	60		25 000-30 00	Não	Sim	Não		Outro	cidade	Não, é um hotel independente
100	Estabelecimento	Aberto todo o ano	5*	344	82639	Já respondi à	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
101	Estabelecimento	Aberto todo o ano	4*	59		< 2000	Não	Sim	Não		Costa marítima		Sim, faz parte de uma rede de cooper
102	Estabelecimento	Aberto todo o ano	4*	243	102531	Já respondi à	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
103	Apartamento turís	Aberto todo o ano	2*	30		5 000-10 000	Não	Sim	Não		Costa marítima		Não, é um hotel independente
104	Estabelecimento	Aberto apenas na	3*	61	17000	15 000-20 00	Não	Sim	Não		Costa marítima		Não, é um hotel independente
105	Estabelecimento	Aberto apenas na	Não e	24		< 2000	Não	Sim	Não		Costa marítima		Não, é um hotel independente
106	Estabelecimento	Aberto todo o ano	Não e	15	6400	5 000-10 000	Sim	Sim	Não		Costa marítima		Não, é um hotel independente
107	Estabelecimento	Aberto todo o ano	3*	60		10 000-15 00	Sim	Sim	Não		Costa marítima		Não, é um hotel independente
108	Estabelecimento	Aberto todo o ano	3*	98	9000	5 000-10 000	Sim	Sim	Sim		Costa marítima		Sim, faz parte de uma cadeia hoteleir
109	Estabelecimento	Aberto todo o ano	4*	75	7281	Já respondi à	Sim	Sim	Sim		Costa marítima		Não, é um hotel independente
110	Estabelecimento	Aberto todo o ano	3*	154	49664	Já respondi à	Não	Sim	Não		Costa marítima		Não, é um hotel independente
111	Estabelecimento	Aberto apenas na	Não e	21		2 000-5 000	Não	Sim	Não		Costa marítima		Não, é um hotel independente
112	Apartamento turís	Aberto apenas na	Não e	3		< 2000	Não	Sim	Não		Costa marítima		Não, é um hotel independente
114	Estabelecimento	Aberto todo o ano	3*	75		15 000-20 00	Não	Sim	Não		Costa marítima		Sim, faz parte de uma cadeia hoteleir
115	Estabelecimento	Aberto todo o ano	Não e	6		< 2000	Não	Sim	Não		Costa marítima		Não, é um hotel independente

Appendix 2 – Primary data (page 2)

id	10. O en	[Diret	[Diret	[Diret	[Diret	[Diret	[Diret	[Orga	[Orga	[Operador turístico/Agên	[Online Travel Agen	[Cade	[Siste	[Gros	[Orga	[Cana	[Outro	12. Se ass	13. Comen
10	Não	15		10	10	30	5			30									
16	Não	17		7	4	21	15			4	10		20			2			
21	N/D			1		12					11				76				
23	Não			1		1	2			1	5			90					
26	N/D	10				60				30									
35	Sim	4	0	1	0	4	4	0	0	45	24	0	1	7	9	1	0		
36	Sim	5	0	1	0	3	4	0	0	60	14			8	5				
38	Não	40		2	10	40											8	recomenda	somos tim
39	Sim	10				60	7				23								
46	Não	5	0	0	40	40	2	0	0	0	0	0	0	0	0	5	8	Outros websites e co	
56	Sim	40				30											30		
59	Não	4		5		8	3			20	40			20					
62	N/D	7	0	1	0	14	15	0	0	25	18	0	1	17	1	1			
71	Não			0,2		3	0,8			54	41			1					
73	Não	10				10				60	20								
75	Sim	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	Foi usada	Numa platf
77	Sim	10				20											70	platforma online AIRB	
79	Não	2		1		3	1			2	1			90					
83	Não	15					4				46			35					
84	Sim	10					30							60					
85	Não				50					30	20								
86	N/D	4	2	4	2	4	4		4	36	27		1		12				
87	Sim	3			12	3	3			79									
88	Não	15		5	5	15	10				50								
89	Não	5			10	10					75								
90	Sim									90				10					
91	N/D	10	0	5	5	15	10	0	0	15	10	0	2	18	10				
92	Sim			5	1	1				5	88								
93	Sim	5		2		13					80								
94	N/D	0		11		23					63					3			a hub.sa c
95	N/D	10		18	22	10					20						20	Euroson H	Canal popr
96	Não	10								90									
97	Sim	10	0	20	0	10	10	0	0	40	0	0	0	10	0	0	0		
98	Sim	8	0	6	8	13	1	2	0	11	32	0	0	16	3	0	0		
99	Sim	1				90					7		2						
100	Sim	3	2	3	2	3	2				25			32	28				
101	Sim	1	0	2	1	5	1	1	6	17	17	4	2	14	12	10	7	Hoteis con	o que prev
102	Não	2		1	2		31				15						49		
103	Sim	40	10	20						30									
104	Não	10									80			10					
105	Sim	10		4		1	85												
106	Não	30									60					10			
107	Não	10		5		5				10	70								
108	Sim	9	20	20	1	1	1	1	1	1	45								
109	Sim	9		9		9		9	9	13	13			13	6	6	4		
110	Não	3	2	3	3	3	3			37	40	4					2	grupos	Agencia -
111	Não	5		2		5	10				76					2			
112	Não	25		7		3					40					15	10	AIRBNB, OLX.pt	
114	Sim	5	1	5		3	15			35	20	10		6					
115	Não	10		10	15	5					55					5			

Appendix 2 – Primary data (page 3)

id	[Abre	[Ago	[Boo	[CTri	[EC	[eDre	[Exp	[GTA	[Hote	[Hote	[Hote	[Hotu	[HRS	[Last	[Late	[NT I	[On t	[OTS	[Serh	[Trav	[Outr	15. Se ass	16. Comen	17. Sente-	18. Utiliza	19. Em ca	[Nos vá	[Atravé	[Atravé	[De forr	[Outro] 2	21. As sua	[Googl	[Kayak	[TripAd	[Trivag	[Outro]
10																											Não	Não	Não	Não			Não	Não	Não	Não	
16			80				20																	Não	Sim, ambo	Não tenho	Sim	Não	Não	Não		Sim, com	Sim	Não	Sim	Sim	
21			15														10				75	Sidetours / You Travel		Sim	Não, nenh	Não tenho	Não	Não	Não	Sim	junto do	Sim, com	Não	Não	Não	Não	
23			15		18				50									10			7	Travtravel		Sim	Não, nenh	Sim	Não	Não	Não	Sim	envio de	Não, eu nã	Não	Não	Não	Não	
26																											Não	Não	Não	Não			Não	Não	Não	Não	
35	2		47		1		15	1	5			3	1				1		1	4	19	JET2 ; TRAVEL REPU		Sim	Sim, progr	Sim	Sim	Não	Não	Não		Não, isso	Não	Não	Não	Não	
36	4	1	40				22		8			8	1				1		1	7	7	GLOBALIA; SUNHOT		Sim	Sim, progr	Sim	Sim	Não	Não	Não		Não, isso	Não	Não	Não	Não	
38			2				2														96	direto inter	sem come	Sim	Não, nenh	Não tenho	Não	Não	Não	Sim		Sim, com	Não	Não	Não	Não	guest c
39			90				10																	Sim	Não, nenh	Não tenho	Não	Não	Sim	Não		Sim, com	Não	Não	Sim	Não	
46	0	0	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			Não	Não, nenh	Não tenho	Não	Não	Não	Sim		Não, isso	Não	Não	Não	Não	
56	5		50		10		10		15									10						Sim	Sim, progr	Não tenho	Sim	Não	Não	Não		Sim, com	Não	Não	Sim	Não	
59			45		2		5	2	20									26						Não	Não, nenh	Sim	Não	Não	Não	Sim		Não, isso	Não	Não	Não	Não	
62																											Não	Não	Não	Não			Não	Não	Não	Não	
71	0,5	1	56		3		19		4,5									16						Não	Sim, ambo	Não tenho	Sim	Não	Não	Não		Sim, com	Sim	Não	Sim	Não	
73	10		50		10		10		10											10				Não	Sim, ambo	Não tenho	Não	Não	Não	Sim		Não, eu nã	Não	Não	Não	Não	
75	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	AIRBNB		Não	Não, nenh	Não tenho	Não	Não	Sim	Sim		Não, eu nã	Não	Não	Não	Não	
77																					100	AIRBNB		Não	Sim, progr	Não tenho	Não	Não	Não	Sim		Sim, com	Não	Não	Não	Não	
79	5		40		2	2	15		15	5		1	2	2	1		5			5				Não	Sim, impul	Sim	Sim	Não	Não	Não		Não, isso	Não	Não	Não	Não	
83																								Não	Sim, progr	Sim	Sim	Não	Não	Não		Não, isso	Não	Não	Não	Não	
84			30		20				20												30			Não	Sim, progr	Sim	Não	Não	Sim	Não		Não, eu nã	Sim	Não	Não	Não	
85			50		30													10			10			Não	Não, nenh	Sim	Sim	Não	Não	Não		Sim, com	Não	Não	Sim	Não	
86	4	1	54				23		12			1									5	British airways holiday		Não sei		Não tenho	Não	Não	Sim	Não		Sim, com	Não	Não	Não	Não	
87			29				15		12												44	Youtravel-0,6%; Webb		Não	Sim, impul	Não tenho	Sim	Não	Não	Não		Sim, com	Não	Não	Sim	Sim	
88	5		20				15		10							5	5	20		5	15	Site online official 10%		Não	Sim, progr	Sim	Sim	Não	Não	Sim		Sim, com	Sim	Não	Sim	Sim	
89		10	70																		20			Não	Não, nenh	Não tenho	Não	Não	Não	Não			Não	Não	Não	Não	
90			30				70																	Não	Não, nenh	Não tenho	Não	Não	Não	Não	departar	Não, isso	Não	Não	Não	Não	
91																								Não sei	Não, nenh	Sim	Não	Não	Não	Não		Sim, com	Não	Não	Não	Não	
92			60				5														35	HostelWorld-30%		Não	Não, nenh	Não	Não	Não	Sim	Não		Não, isso	Não	Não	Não	Não	
93			80																		20			Não	Sim, impul	Sim	Não	Não	Não	Sim	platform	Sim, com	Sim	Não	Não	Não	
94			72																		28			Não	Sim, progr	Sim	Sim	Não	Sim	Sim		Sim, com	Sim	Não	Sim	Não	
95			25				25		25												25	Euroson Holidays		Não	Não, nenhum dos dois		Não	Não	Não	Sim		Não, isso	Sim	Não	Não	Não	
96			7		7				7	6				7			33	13		20				Não	Não, nenh	Não tenho	Não	Não	Não	Sim		Sim, com	Não	Não	Sim	Não	
97	0	0	40	0	30	0	0	0	25	0	0	0	0	0	0	0	0	5	0	0	0			Sim	Não, nenh	Não tenho	Não	Não	Não	Sim		Não, isso	Não	Não	Não	Não	booking
98	3		15		20		5		30	4							15			5	3	on protravel solutions		Sim	Sim, progr	Não tenho	Não	Não	Sim	Não		Sim, com	Sim	Não	Não	Não	
99			60				20		20															Não	Sim, progr	Não tenho	Sim	Não	Não	Não		Sim, com	Não	Não	Sim	Sim	
100	3		44		14		14		20			2	2				1							Não	Sim, progr	Sim	Sim	Não	Sim	Não		Não, eu nã	Não	Não	Não	Sim	
101	9	0	23	0	14	3	17	0	12	2	0	0	3	0	0	0	0	0	0	0	17	Fleetway,	Há uma en	Não	Sim, impul	Sim	Não	Não	Sim	Não		Não, eu nã	Não	Não	Sim	Não	
102																								Não		Sim	Sim	Não	Não	Não		Sim, com	Não	Não	Não	Sim	
103			100																					Não	Sim, ambo	Não tenho	Não	Não	Não	Sim		Não, eu nã	Não	Não	Sim	Sim	
104	5		80				5	5		5														Não sei	Não, nenh	Sim	Não	Não	Não	Sim		Não, isso	Não	Não	Não	Não	
105																											Não	Não	Não	Não			Não	Não	Não	Não	
106			100																					Não	Sim, impul	Não	Sim	Não	Sim	Não		Não, isso	Não	Não	Não	Não	
107			80				10		10															Não sei	Sim, progr	Sim	Não	Não	Não	Sim		Não, eu nã	Não	Não	Não	Não	
108	1		50		20	1	5		15					5		1	1	1						Não	Não, nenh	Não tenho	Sim	Não	Sim	Não		Sim, com	Sim	Não	Não	Não	
109	3		22		5		16	11	20											2	21	Sidetours, Viajes Fist		Sim	Sim, ambo	Sim	Não	Não	Sim	Não		Sim, com	Não	Não	Sim	Sim	booking
110	2	0	38		4		23	1	13				1	2		3	1	8	0	4				Não	Sim, progr	Sim	Sim	Não	Não	Não		Sim, com	Não	Não	Não	Não	sitemir
111		15	58				10			7										8	2			Não	Sim, ambo	Não tenho	Sim	Não	Não	Não		Sim, com	Não	Sim	Sim	Sim	
112			100																					Não	Não, nenh	Não tenho	Não	Não	Não	Sim		Não, eu nã	Não	Não	Não	Não	
114		5	45		2		13			10							5			6	14	Jet2holidays, click2pc		Não	Sim, ambo	Sim	Sim	Não	Não	Não		Sim, com	Sim	Sim	Sim	Sim	
115		5	65				7													8	15			Não sei	Não, nenh	Não tenho	Não	Não	Não	Sim		Sim, com	Sim	Sim	Sim	Sim	

APPENDIX 3. MARKET SHARES OF DISTRIBUTION CHANNELS: COMPARISON THE ALGARVE 2018 AND EUROPE 2017 (FULL CALCULATION)

Appendix 3 – Market shares of distribution channels: comparison the Algarve 2018 and Europe 2017 (full calculation)

	Algarve (Portugal) (n=50)	Europe 2017*	Czech Republic*	Finland*	France*	Germany*	Greece*	Hungary*	Italy*	Netherlands*	Norway*	Spain*	Sweden*	Switzerland*	(P-EU)^2	(P-CR)^2	(P-Fin)^2	(P-Fr)^2	(P-Ger)^2	(P-Gr)^2	(P-Hu)^2	(P-Ita)^2	(P-Nth)^2	(P-Norw)^2	(P-Sp)^2	(P-Sw)^2	(P-Switz)^2
Direct - Phone	8.5	18.5	15.1	28.6	26.3	20.8	17.6	9.2	18.1	12.4	11.8	7.9	16.5	18.3	99.9	43.5	403.8	316.7	151.2	82.7	0.5	92.1	15.2	10.9	0.4	63.9	95.9
Direct – Mail/fax	0.3	2.0	0.6	0.2	1.6	2.1	0.9	0.5	1.4	6.0	1.8	1.3	0.2	1.7	2.7	0.1	0.0	1.6	3.1	0.3	0.0	1.1	32.0	2.1	0.9	0.0	1.8
Direct – Walk-in (persons without reservations)	3.1	4.4	4.3	4.0	8.5	3.7	5.6	3.4	4.3	2.7	2.8	3.2	3.5	5.1	1.7	1.4	0.8	29.1	0.4	6.2	0.1	1.4	0.2	0.1	0.0	0.2	4.0
Direct – Contact form (without availability check)	6.2	6.0	9.3	4.9	3.7	5.3	4.4	6.2	10.2	2.6	8.0	3.3	3.5	6.9	0.1	9.3	1.8	6.5	0.9	3.4	0.0	15.7	13.3	3.1	8.7	7.5	0.4
Direct – Email	11.7	16.0	18.8	15.7	10.3	18.0	8.4	15.5	24.7	11.7	20.0	6.4	19.0	18.9	18.9	51.1	16.4	1.8	40.3	10.6	14.8	170.2	0.0	69.6	27.6	54.0	52.5
Direct – Real time booking over own website with availability check	5.3	8.2	8.2	11.6	12.5	10.9	6.5	5.8	5.5	10.5	13.2	9.9	12.0	8.2	8.4	8.4	39.6	51.7	31.3	1.4	0.2	0.0	27.0	62.3	21.1	44.8	8.4
Destination Marketing Organization (DMO)/trade associations	0.1	0.9	0.3	0.5	0.7	0.4	0.1	0.2	1.9	0.5	0.3	1.3	0.8	1.4	0.6	0.0	0.1	0.3	0.1	0.0	0.0	3.1	0.1	0.0	1.3	0.4	1.6
National Tourism Organization (NTO)	0.1	0.5	0.1	0.0	0.4	0.2	0.2	0.7	1.0	0.1	0.0	0.1	0.1	1.1	0.1	0.0	0.0	0.1	0.0	0.0	0.3	0.8	0.0	0.0	0.0	0.0	0.9
Tour operator/ Travel agency	29.1	7.8	10.0	4.5	3.8	2.7	25.5	13.7	8.1	3.2	12.7	15.3	7.2	3.8	451.7	363.0	602.8	637.7	694.4	12.6	235.7	439.0	668.3	267.4	189.1	477.5	637.7
Hotel chains and cooperation with CRS	0.2	1.0	0.6	1.6	2.5	0.4	0.0	0.6	0.2	0.4	0.1	2.2	1.3	0.6	0.6	0.1	1.9	5.2	0.0	0.0	0.1	0.0	0.0	0.0	3.9	1.2	0.1
Wholesaler (e.g. Hotelbeds, Tourico, Gullliver, Transhotel, etc.)	11.0	1.9	1.6	1.1	1.1	1.0	3.1	2.9	1.2	0.9	1.1	7.8	0.4	0.7	83.3	88.9	98.5	98.5	100.5	62.8	66.0	96.6	102.6	98.5	10.4	112.9	106.6
Event and Congress organizer	2.9	1.9	3.2	2.3	1.9	1.8	0.4	3.4	0.6	0.9	1.8	5.1	1.6	1.3	1.1	0.1	0.4	1.1	1.3	6.4	0.2	5.5	4.2	1.3	4.7	1.8	2.7
Online Travel Agency (OTA)	16.6	26.9	25.6	18.2	22.4	27.8	23.6	32.3	20.3	44.8	15.8	30.8	24.7	27.7	106.9	81.7	2.7	34.1	126.3	49.5	247.7	14.0	797.4	0.6	202.7	66.2	124.0
Global Distribution System (GDS – Amadeus, Travelport incl. Galileo and Worldspan, Sabre)	0.3	1.9	1.2	3.3	2.0	3.4	0.8	1.1	0.3	1.8	9.5	4.2	7.8	1.1	2.4	0.7	8.7	2.7	9.3	0.2	0.6	0.0	2.1	83.7	14.8	55.5	0.6
Social Media Channels	0.2	0.5	0.8	0.5	0.3	0.3	1.1	0.4	0.9	0.6	0.1	0.2	0.5	0.2	0.1	0.4	0.1	0.0	0.0	0.8	0.0	0.5	0.2	0.0	0.0	0.1	0.0
Other distribution channels	4.2	1.6	0.5	2.9	2.2	1.1	2.0	4.1	1.5	1.1	1.0	1.1	0.9	2.9	6.9	13.9	1.7	4.1	9.7	4.9	0.0	7.4	9.7	10.4	9.7	11.0	1.7
														Σ(Pt-country)^2	785.2	662.5	1179.5	1191.2	1168.8	242.1	566.3	847.2	1672.1	610.1	495.4	897.1	1039.1
														St. dev	7.0055	6.4346	8.5858	8.6285	8.5468	3.8898	5.9495	7.2768	10.223	6.175	5.5646	7.4878	8.0588

* Source: Adapted from Schegg (2018: 19) & data from present study