



UNIVERSIDADE CATÓLICA PORTUGUESA

Pursuit of competitive advantage for
Online Travel Agencies:
Driving from price to value

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Faculdade de Economia e Gestão
2014



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Trabalho Final na modalidade Relatório de Estágio apresentado à
Universidade Católica Portuguesa
Para obtenção do grau de mestre em Gestão

Por

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Maio 2014

Acknowledgments

I wish to thank to all E-Travel people, for one of the best experiences of my life, especially to Marina Thomopoulou, who selected me to this internship, Teodora Teis, who taught me everything I wished to know, Maria Eneva, my closest friend, and also Philip Cotsis and Spyros Tsiaprazlis, for their cooperation and teachings.

I am very grateful to Susana Costa e Silva, my thesis advisor, for her guidance and support, without which I couldn't have overtaken the barriers that crossed along path.

I extend my thanks to my Mom and Dad, for their tips and support, to my Aunt, for her help with English revising, to José Tavares, for his company during the devotion time and to Cláudia Ferreirinha, for her help with formatting and tips.

Abstract

Keywords: Online Travel Agency, competition, differentiation, online marketing strategies, customization, loyalty.

The online travel industry is characterized by a fierce level of competition. Due to the design of its landscape, modern travel paradigms and touristic product's characteristics, Online Travel Agencies strive to have the lowest price in order to attract customers and gain market share. Thus, their services became very similar and commoditized. Starting from this topic, online marketing strategies and actions aiming at the creation of value by differentiation rather pricing were investigated. To sum up these strategies, the Online Travel Agency's online marketing role model was created. It was concluded that it is possible for Online Travel Agencies to provide a higher level of service able to provide a better brand positioning and customer loyalty that therefore might differentiate the agency from its competitors.

Resumo

Termos-chave: Agência de viagens *online*, competição, diferenciação, estratégias de marketing *online*, personalização, fidelidade.

A indústria turística *online* é caracterizada por um feroz nível de competição. Dado o esquema do seu ambiente competitivo, os paradigmas modernos de viagens e as características dos produtos turísticos, as agências de viagens *online* esforçam-se por providenciar o preço mais baixo com o intuito de captar consumidores e ganhar quota de mercado. Desta forma, os seus serviços tornaram-se muito similares e até indiferenciáveis. Partindo deste cenário, foram investigadas estratégias e ações de marketing que tivessem por objetivo a criação de valor pela diferenciação ao invés do preço. Para sumarizar essas mesmas estratégias foi concebido o modelo de ação estratégica *online* para agências de viagens. Foi concluído que é possível para agências de viagens *online* providenciar um alto nível de serviço que garanta um melhor posicionamento de marca e a fidelidade dos consumidores, e que por isso possa diferenciar a agência dos seus concorrentes.

Index

Acknowledgments	v
Abstract.....	vii
Resumo.....	ix
Index.....	xi
Index of figures	xiii
Glossary	xv
1. Introduction	17
2. Literature Review	19
2.1. Singularities of the touristic product	19
2.2. E-commerce of touristic products.....	20
2.2.1. The Impact of Information and Communication Technologies in the tourism industry 21	
2.2.2. The online advent.....	22
2.2.3. Selling the touristic product online.....	23
2.3. Online Channel vs. Traditional Channel.....	24
2.4. Competition Landscape in the online travel industry.....	26
2.4.1. Price Wars.....	26
2.4.2. The role of meta search websites.....	29
2.5. Problem and construction of the model.....	30
3. Model of Analysis	32
4. Methodology.....	35
5. Case	37
5.1. Generate traffic.....	38
5.1.1. Performance Marketing	38
5.1.1.1. Search Engine Marketing.....	39
5.1.1.2. Meta Search Marketing.....	40
5.1.2. Search Engine Optimization.....	42
5.1.3. Email Marketing.....	43

5.1.3.1.	Mailing List Creation	43
5.1.3.2.	Customized Email Marketing.....	44
5.1.4.	Social Media Marketing.....	44
5.1.5.	Networked-Based Marketing.....	46
5.1.6.	Affiliate Marketing.....	47
5.1.7.	Market Segmentation.....	48
5.2.	Conversion	49
5.2.1.	Competitive Pricing	50
5.2.2.	Yield Management.....	50
5.2.3.	Customer-centrism	51
5.2.4.	Features	52
5.2.5.	User-generated content.....	53
5.2.6.	Technology	54
5.3.	Cross-Selling.....	55
5.3.1.	Behavior Marketing	55
5.3.2.	Offline Connection.....	56
5.4.	Retain.....	57
5.4.1.	Trust Branding.....	58
5.4.2.	Dominant Seller Ideal.....	59
5.4.3.	Customer Support.....	60
6.	Managerial Findings.....	63
	References	67
	Appendixes.....	72
	Appendix I – Philip Cotsis’ (CEO) Interview Structure.....	72
	Appendix II – Spyros Tsiaprazlis’ (Commercial director) interview structure.....	73
	Appendix III - Maria Eneva’s (Online Marketing Executive) Interview Structure.....	74
	Appendix IV - E-Travel's organizational chart (E-Travel, 2013).....	75

Index of figures

Figure 1 - The Pre-Computerization Air Travel Industry Structure, (Source: Gasson (2003))	21
Figure 2 - Structure of the air travel industry following e-commerce expansion (Source: Gasson (2003)).....	22
Figure 3 - Transaction, revenue and commission flows in the channel (Source: (Vinod, 2009))	29
Figure 4 – Online Travel Agency Online Marketing Role Model.....	34

Glossary

GDS - Global Distribution Systems

ICT - Information and Communication Technologies

OTA – Online Travel Agency (OTAs for plural)

SEM – Search Engine Marketing

SEO – Search Engine Optimization

1. Introduction

Travel is an activity that remounts far back in time, having given rise to a huge industry of billions worldwide with worldwide supply and demand. As is common, with the advent of Information and Communication Technologies in the later century, tourism has also driven to the online channel.

Both suppliers and intermediaries now struggle in a fierce competition to sell their services through e-commerce.

Due to the touristic product's characteristics, especially its intangibility, the sale of touristic products and services rely quite on information and personal touch. If by one hand information flux gets fluid with Information and Communication Technologies, personal touch is not much affected. Therefore, Online Travel Agencies rely far too on price to compete.

Reselling hotel rooms, air tickets, cruises, ferry and car rentals, Online Travel Agencies have limited action in terms of differentiating their services online.

While traditional travel agencies typically sell holiday packages, offer travel counseling and advising, providing excellence in personal touch aspects of the sale and serving clients that do not want to bore too much with the booking process, Online Travel Agencies serve clients that are more independent and determined and time and price sensitive.

It is possible to assert that the online travel industry competition's landscape is intense. Firstly because the entry in the online travel industry is not as difficult as it is in traditional channels, due to the online-business model it requires and the ease of international expansion. Second because suppliers started to sell directly to consumers, and other players like meta search engines entered the market listing different providers for each customer's search.

Starting from these premises, it is easy to understand why Online Travel Agencies rely so much on price to face competitors. In fact, there is a paradigm about how the prices of travel products online are expected to be lower, which can by default orientate the demand in this direction.

The result of the price wars that from this situation derive is the commoditization of the services provided by Online Travel Agencies online.

In fact, it is possible to perceive that Online Travel Agencies provide similar services and features on its websites and strive to attract consumers by displaying a lower price.

Considering this price-based competition how can OTAs differentiate from its competitors?

To answer this question, it is presented a series of online marketing strategies and actions that should be synergistically aligned in order to pursue a competitive advantage by differentiation rather than the lowest price.

Those strategies were reviewed by previous authors, as well as driven from practical context, either by personal experience or from interviews made at an Online Travel Agency, while suggestions have been also made starting from the data collection.

For a better compilation of these strategies, it was created the Online Travel Agency's online marketing role model, divided into four stages (Generate Traffic, Conversion, Cross-Selling and Retain) that group marketing strategies and actions which in turn should be aligned with three pillars (Network, Technology and Customization).

This model and its development is intended to approach ways that Online Travel Agencies are suggested to follow in order to differentiate itself by adding value to its value chain, rather than striving to reduce costs and compete by providing a lower price than its competitors.

2. Literature Review

There is a considerable amount of scientific work in the fields of tourism and e-commerce. It was considered for this thesis work to select some publications about these two main fields of study to frame the context that led to this thesis' main research question.

The aim of this chapter is to show how both demand and supply react in the online marketplace and to depict the competitive landscape of the online travel industry which consequently guide to the problem that will be approached in this thesis work.

2.1. Singularities of the touristic product

The touristic product itself has some singularities that distinguish it from all the other industrial products and even services (Ruschmann, 1999).

Starting by being intangible, the touristic product is harder to commercialize because it cannot be tested by the consumer before its consumption (Ruschmann, 1999), neither can generate stocks, while its consumption requires the customer to get to the product instead of the inverse (Beni, 1997). Also the benefit - the core product - is the whole experience driven by its compound and aggregate nature: "it begins with the acquisition of the touristic attractions, continues with the transportation, accommodation, gastronomical experiences, recreation and entertainment services and finally the joy of the whole course" (Beni, 1997).

This experience that drives from each purchase of a touristic product is individual to each customer which makes the demand heterogeneous

(Ruschmann, 1999). This means that tourism stakeholders must idealize their products as opportunity-based products in which at each moment of sale there is only that opportunity to sell.

When seasonality is added to the equation it's possible to understand how challenging it can be to manage a marketing plan in a touristic business (Beni, 1997).

2.2. E-commerce of touristic products

As it was previously discussed, touristic products are not material so its consumption desire by the consumer highly depends on their perception of the destination and its features. That perception is pursued by communication systems and their ability to generate a real virtuality on the mind of the customers (Arruda & Pimenta, 2005). After all, the "travel agency industry is centered on the communication and processing of information" (Kaynama & Black, 2000). Information and Communication Technologies¹ can process faster and broadly the information required to promote touristic sales.

Two major events bridged the touristic product from traditional to electronic channels: The implementation of Global Distribution Systems² in its supply chain and the online advent with the emergence of e-commerce.

¹ Hereinafter referred to as ICT.

² Hereinafter referred to as GDS.

2.2.1. The Impact of Information and Communication Technologies in the tourism industry

Due to the singular characteristics of the touristic product presented before it is easy to understand the impact the ICT have on its supply chain.

If before the process of purchasing airline tickets was complicated and slow (View Figure 1), at this time the booking process was getting straightforward and faster.

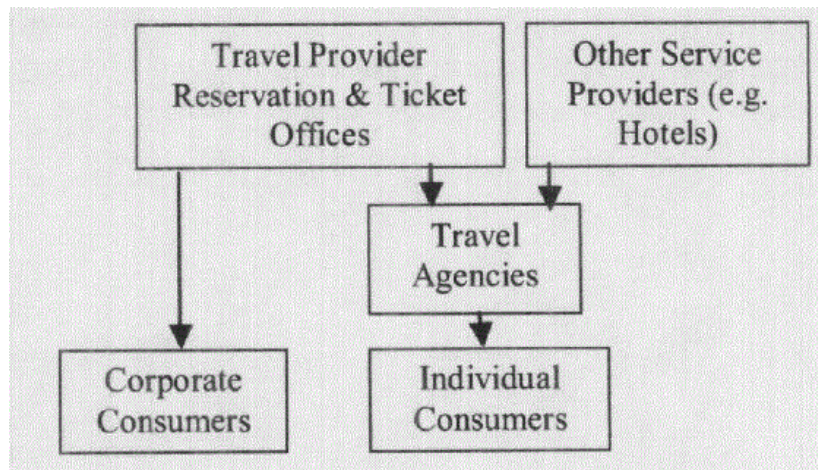


Figure 1 - The Pre-Computerization Air Travel Industry Structure, (Source: Gasson (2003))

As stated by Gasson (2003): “the role of the travel agent changed as time went on, from knowledgeable travel and destination expert, to an intermediary, who saved the customer time and effort in booking a whole package of travel-related products and services”.

It is possible to affirm that the flux of information was at that time multidirectional: customers were more informed and price-sensitive and these systems also provided important information to stakeholders (Amaro, 2013; Gasson, 2003).

2.2.2. The online advent

The “revolution” initiated by the ICT’s developments in the tourism industry (Mayr & Zins, 2009) was emphasized by the internet and the outset of the online commerce.

As stated by Gasson (2003), “with the internet, online travel agents use new technologies to access the direct reservation systems of multiple services in real time, allowing individual and corporate customers to directly coordinate flight, car hire, hotel and other services”.

The transformations that the advent of the internet operated were without precedents: first there was a disintermediation in the supply chain as now suppliers were able to easily reach the consumer directly, and second the competition was now much higher because of the cut of costs that online operations brought and the easiness to enter the new channel that was still in expansion (Gasson, 2003; Kim & Lee, 2004). Internet also maximizes time flexibility in purchasing and privacy and gives the opportunity to stakeholders to develop and deliver new products and services for new customers and markets niches (Ku & Fan, 2009), as it is possible to view in Figure 2.

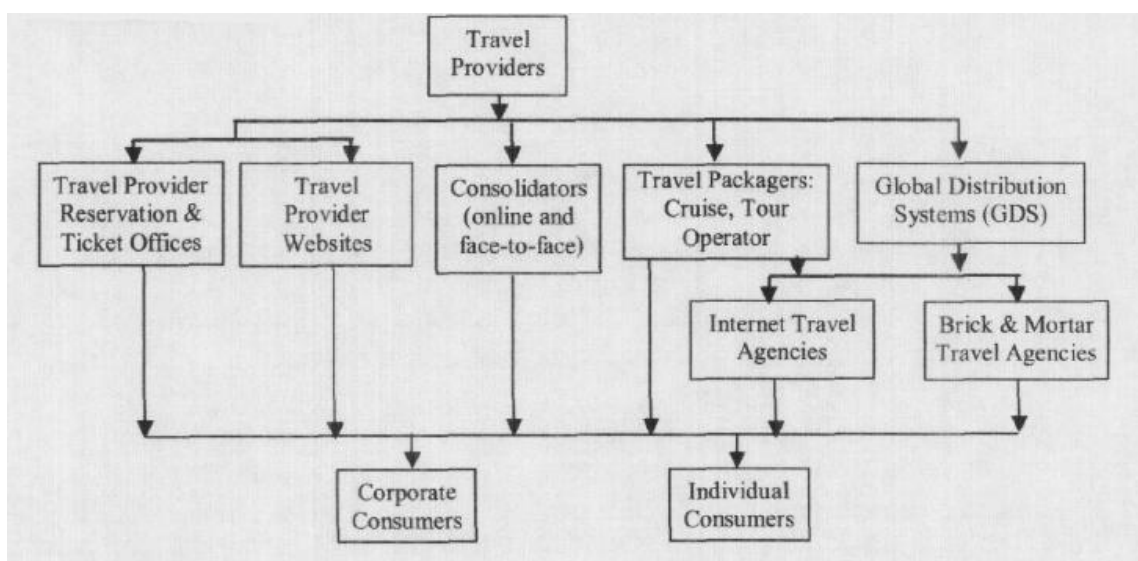


Figure 2 - Structure of the air travel industry following e-commerce expansion (Source: Gasson (2003))

2.2.3. Selling the touristic product online

What could be perceived as a big challenge to tourism service sellers with the emergence of e-commerce was no doubt a great opportunity. While other industries, like the textile one, were striving to take down the obstacles that the online channel placed to the selling of their products (the need to experiment, touch, fit and other features were mainly concerned by the textile customers at the moment of purchasing) (Jeong, Fiore, Niehm, & Lorenz, 2009), the touristic product with its virtual characteristics was benefiting a lot with this new channel.

In fact, Internet is better suited for intangible rather than tangible products and services (Vijayasathy, 2004). And also Vinod (2011) claims that there is an expecting continuous growth of the online channel in tourism industry for the next years, expanding to new developed countries as well.

Some authors explained the success of this online channel: the transparency it gives to customers, now able to conveniently search for the best value for their travel needs; the new "Y generation"³ used to operate ICT as main market demand; the access to data about customers generated in a real time basis (Consumer Generated Media); the capabilities of customer retention and personalization that the internet tools can offer; new multi-line selling facilities; cost savings in relation to traditional channels; ease of construction of new decision support model systems to enhance sells; real-time control of marketing efficiency; better profile scanning of the customer; new optimal tools for advertising; better interaction with customers in order to evaluate companies websites in their perspective; and optimization of business data and conversion rates (Vinod, 2011); the elimination of distance and time constrains and the

³ "The generation of people born during the 1980s and early 1990s. Children born during this time period are characterized for having had constant access to technology (computers, cell phones) in their youth" ("BusinessDictionary.com," n.d.).

unique interaction features with the final customer it provides; the ability to inexpensively store vast amounts of information at different virtual locations; the ability of powerful and inexpensive means of searching, organizing and disseminating such information; the ability to serve as a transaction medium; the ability to serve as a physical distribution medium; and the relatively low entry and establishment costs (Chakravarthi & Gopal, 2012).

2.3. Online Channel vs. Traditional Channel

Personal communication is still a reliable way of surpassing the uncertainty that the customer faces about travel, being a main factor of preference to the customer towards the selection of a channel for his transactions (Elhaj, 2012), and that made brick-and-mortar travel agencies very popular since they first appeared. Also word-of-mouth is still considered to be one of the most effective publicity channels existing (Hill, Provost, & Volinsky, 2006).

With the arise of e-commerce, new players step into the travel industry: besides the born of Online Travel Agencies⁴, also suppliers had the opportunity to match their upstream distribution channel partners, and deal directly with the end-customer (B. Anckar, 2003). This new channel was seen as a threat by established traditional travel agencies as it added a whole new level to the competition in the industry (Kaynama & Black, 2000).

The advent the Internet of this new channel drove much of the demand for touristic products with it, and the main concern in the early years of its existence was what would be the future of the traditional travel agencies, making lots of them to compete in both direct and indirect channels – the so called “hybrid agencies” (Kaynama & Black, 2000).

⁴ Hereinafter referred to as OTAs.

However, it is important to notice that they both serve different customer profiles and travel needs and the “high value of face-to-face contact, competent personal counseling and lack of high search costs for the consumer still assure to the traditional channel an important role in the travel industry” (Mayr & Zins, 2009).

While in one case (traditional channels) the tourist is seeking personal advisory services, competent staff, personal counseling, store atmosphere, efficient bookings, more options of paying conditions and promotions and direct marketing, in the online channel he is seeking for a more individual and more convenient handling, better deals, he is more innovative, impulsive and a convenience seeker (Mayr & Zins, 2009).

Price is a main differentiating factor between online and traditional travel agencies since the OTAs due in theory, to the absence of search costs, can provide better prices, while the traditional travel agencies charge higher due to the characteristics of the high-personal service they provide (Mayr & Zins, 2009; Nicolau, 2013; Vinod, 2011).

Another important factor that can by itself determine if a potential customer will buy through traditional or online channels is the internet security dimension (Kim & Lee, 2004; Ku & Fan, 2009) and the perceived risk by customers relating online shopping (Amaro, 2013).

While later researchers were valuating the hypothesis that in a near future all intermediaries would be driving their activities from traditional to online channels, Nicolau (2013) suggest that direct and indirect sales in the travel industry live together, and that relationship will last.

There is also evidence of the existence of the so called “Ropo Effect” (“research online, purchase offline”) (Rose, 2009), bringing consistent the idea that these two channels can work in a synergetic way as the customer uses the best of both to satisfy his needs.

By this way it is possible to conclude that despite being competitors, traditional travel agents and online travel agents have different designs and provide similar but different services' dimensions. While traditional travel agents can try to reach the online channel in which OTAs are experts, also OTAs can try to include a more personal dimension in their services, typical of the traditional channels, to gain more market share, as it is presented further in this work.

2.4. Competition Landscape in the online travel industry

Due to its characteristics, the plot of players and the paradigms of the demand, the competition of the online travel industry is high.

This competition is detailed in order to explain the common marketing practices OTAs in the online market.

2.4.1. Price Wars

The online travel market is characterized by a fierce competition (Clemons, Hann, & Hitt, 2002; Kim & Lee, 2004; Ku & Fan, 2009; Trottman, 2003; Vinod, 2011). Some authors suggest that the basis of this highly competition environment is based on the Search Costs theory⁵, as the market transparency

⁵ "The economic theory of search suggests that when customers are well informed about available prices and face few barriers to searching multiple providers, equilibrium prices will converge to marginal cost, eliminating price dispersion, even in markets where goods are horizontally differentiated" (Bakos, 1997).

provided by the flow of information online allow customers to be high price-sensitive, market conscious and informed and therefore sellers have to strive to provide low prices to beat their competitors (Chakravarthi & Gopal, 2012; Clemons et al., 2002; Johnson, Moe, Fader, Bellman, & Lohse, 2004; Lehmann, 2003).

Another determinant factor to be taken into account is the entry of suppliers in the final phase of the distribution channel, selling directly to end-customers and competing side by side with their intermediaries (Gasson, 2003; Kim & Lee, 2004).

As result of the online advent “customers are now more aware of tourism stakeholders’ pricing strategies, and it drives them towards an even more accurate perception of risk, and therefore increasing consumer power⁶” (Gasson, 2003).

Without the high-quality and personal touch of the traditional channel, both online travel agents and travel suppliers provide basically the same reservation services in a way that turns difficult to differentiate it from each other (Kaynama & Black, 2000; Ku & Fan, 2009), which added to the vanishing search costs drive the competing firms to offer undifferentiated products and charge the same competitive price (Clemons et al., 2002), leading to the commoditization of the travel products (Gasson, 2003).

OTAs supplier websites, reverse auction web sites, shopping bots, search engines, portals (Rao & Smith, 2006), tour operators, consolidators, meta searchers and corporate (Vinod, 2011) strive with each other to provide the lower price to the customer, since further services are similar among competitors and the customer selects his service-provider based on price (Gasson, 2003).

⁶ This phenomenon is called “Economics of Imperfect Information” (Philips, 1988).

Frequently online travel players engage in waves of deep discounting (Trottman, 2003), and when the aim of discounts is to get a rival's market share it might provoke a hostile repricing reaction (Nicolau, 2013).

These online travel industry's price wars are frequent because Internet technology tends to reduce variable costs and tilt cost structures towards fixed costs, creating significant pressure for companies to engage in destructive price competition (Chakravarthi & Gopal, 2012), which is enhanced by the ease of price fluctuations that travel industry's ICT provide (Gasson, 2003).

Keeping a competitive in the hostile price war environment of the online travel industry is a tricky job. Even more if it is considered that in an attempt to gain market share and brand awareness OTAs sometimes incur in losses just to have the lowest price shown in meta search engines (Cotsis, 2014; Lehmann, 2003).

OTAs face increasing levels of competition and, thus, experience an even greater need to evaluate the effectiveness of their websites (Ku & Fan, 2009) and differentiate their services from their competitors to pursuit a competitive advantage (Gasson, 2003; Kaynama & Black, 2000).

Furthermore, Nicolau (2013) claims that "prices are often considered to be an indication of quality, and attitudes to prices can also be related to the amount of risk the buyer feels is involved in the purchase decision: a person may be willing to pay a higher price to feel safer and to be sure of what he/she will obtain".

The profit of an OTA's operations is driven from a tangled web of commissions and transactions along the value chain, as it is possible to check in Figure 3.

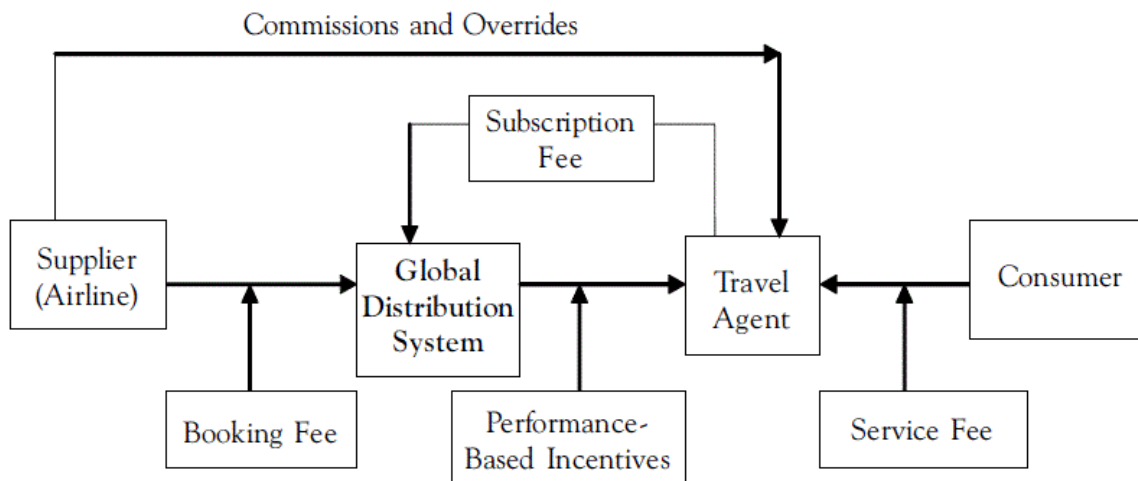


Figure 3 - Transaction, revenue and commission flows in the channel (Source: (Vinod, 2009))

2.4.2. The role of meta search websites

This competition paradigm in the online travel channel is enhanced with the role of meta search websites in the industry.

Meta search websites are service providers created with the aim to help customers by reducing their search costs and compiling information. Basically, meta search engines do not process booking transactions, neither provide the full range of services and destination content typically found on an OTA website (Christodoulidou, Connolly, & Brewer, 2010). Rather meta searchers provide results based on customers' selected search parameters, showing partner OTAs and/or suppliers' retail websites and other essential information, referring the link directly to the source, where the booking process is taking place.

Thus, meta searchers are positioned upstream from OTAs in the online travel supply chain.

Meta search engines represent a two-faced coin for OTAs: on one hand they are listed among their competitors and positioned generally based on the lower

price criteria which lead to customers' preference for rivals' products; on the other, they can benefit from this tool by watching closely their competitors prices for each route.

Meta search websites enhanced the fiercely competition landscape in the online travel industry by intensifying the price differentiator in the comparison between competitors' services.

2.5. Problem and construction of the model

Given the context of the online travel competition, it is hard for OTAs to build a strong brand image, capable of catch the preferences of its customers, if products are so commoditized and price is the only reference of decision in the customer mind.

Considering this price-based competition how can OTAs differentiate from its competitors?

Cotsis (2014) considers that there are four main stages of the OTA's online marketing process: generate traffic, convert visitors to buyers, sell other products to buyers and retain those customers.

For each one of these stages, it was carried out on a selection of marketing actions and strategies aimed at the achievement of differentiation from the OTA towards its competitors.

The same actions and strategies are in turn aligned of what previous researchers consider as being critical dimensions for an OTA to succeed (Amaro, 2013; Elhaj, 2012; Jeong et al., 2009; Johnson et al., 2004; Kaynama & Black, 2000; Ku & Fan, 2009; Vinod, 2011).

Furthermore, it is believe that for the pursuit of such level of differentiation, able to break the price mindset that drives demand in the online travel industry,

it is necessary to include three main pillars that synergistically and ubiquitous control for improvements along the OTA's value chain: Technology (Broederick, 2007; Dellarocas, 2003; Gasson, 2003; Johnson et al., 2004; Kaynama & Black, 2000; Peterson, Balasubramanian, & Bronnenberg, 1997); Networking (Christodoulidou et al., 2010; Elhaj, 2012; Hill et al., 2006; Kaynama & Black, 2000; Tague, 1999); and Customization (Chakravarthi & Gopal, 2012; Clemons et al., 2002; Hill et al., 2006; Jeong et al., 2009; Kaynama & Black, 2000; Nicolau, 2013).

It is believed that following the four stages, with the respective marketing strategies and actions supported by the three pillars, as a role model is the solution to the question driven by the problem stated.

3. Model of Analysis

Following the previous chapter's problem statement concerning the high level of competition in the online travel industry and how it is based on pricing strategies, it was thought to be relevant the creation of a model – Online Travel Agency Online Marketing Role Model (view Figure 4) - that could explore the relationship of certain concepts and apply them (Veal, 2006) indicating the path for differentiation of an OTA along its online marketing processes, and in that way present an alternative to the established price-based competition.

The model is considered to be holistic as it approaches a general view of the phenomenon observed, being composed by four stages (Generate Traffic, Conversion, Cross-Selling and Retain (Cotsis, 2014)) that are intended to describe the sequential, yet cyclical, process of creating value to the OTA in its online processes.:

1. **Generate Traffic** - Getting the customer to visit the website;
2. **Conversion** - Take the customer to buy, converting him from a simple web navigator to a buyer;
3. **Cross-Selling** - Convince the customer to buy other products, complementary or not;
4. **Retain** - Convert the customer in a loyal customer.

Each stage is composed by specific marketing strategies and actions that, despite might having some impact in other stages, are designed with the objective of attending the purpose of the section they are in. These marketing strategies and actions are the constructs aimed to test the proposal that the present model hypothesizes (Durrheim & Painter, 2008):

- Generate Traffic: Performance Marketing (Brewer, Christodoulidou, & Rothenberger, 2005; Broederick, 2007; Cotsis, 2014; Rao & Smith, 2006), SEO, Email Marketing (Rao & Smith, 2006), Social Media Marketing

(Eneva, 2014), Network-based Marketing (Hill et al., 2006), Affiliate Marketing and Market Segmentation (Clemons et al., 2002; Rao & Smith, 2006);

- Conversion: Pricing (Cotsis, 2014; Lehmann, 2003), Customer-centrism (Cotsis, 2014), Features (Jeong et al., 2009; Kaynama & Black, 2000; Ku & Fan, 2009; Yang & Lester, 2004), User-Generated Content (Cotsis, 2014; Vinod, 2011) and Technology (Gasson, 2003; Johnson et al., 2004; Kaynama & Black, 2000);
- Cross-Selling: Behavior Marketing (Chakravarthi & Gopal, 2012; Johnson et al., 2004; Kim & Lee, 2004; Tsiaprazlis, 2014) and Offline Connection (Cotsis, 2014; Elhaj, 2012);
- Retain: Trust Branding (Nicolau, 2013; Rose, 2009), Dominant Seller Ideal (Cotsis, 2014) and Customer Support (Kaynama & Black, 2000).

Additionally, the model reflects the multidimensionality (Law, Chi-Sum, & Mobley, 1998) of three pillars (Network, Technology and Customization) that affect all stages and consist of the essence of the level of differentiation required to the effectiveness of the hypothesis tested.

Those pillars are connected synergistically to each other and represent the dimensions that are ubiquitous present in the four stages.

- **Network** - The Network dimension regards the Business-to-Business relations that the OTA has with other players, partners and stakeholders of the distribution chain and industry, as well with non-business related outsiders;
- **Technology** - Technology regards the ICT employed by the company as well as all the technological improvements that can add value to its value chain, distribution chain and that affect the whole industry and sector;

- **Customization** – The customization dimension is defined by the personalization of the offer regarding customer specific and individual needs, as well as segmentation targeting.

The strategies and actions of each section of the model explained further are enrolled to these pillars' purposes and each one can be enrolled to more than one pillar.

This modeling lead to the creation of the Online Travel Agency Online Marketing Role Model presented in Figure 4.

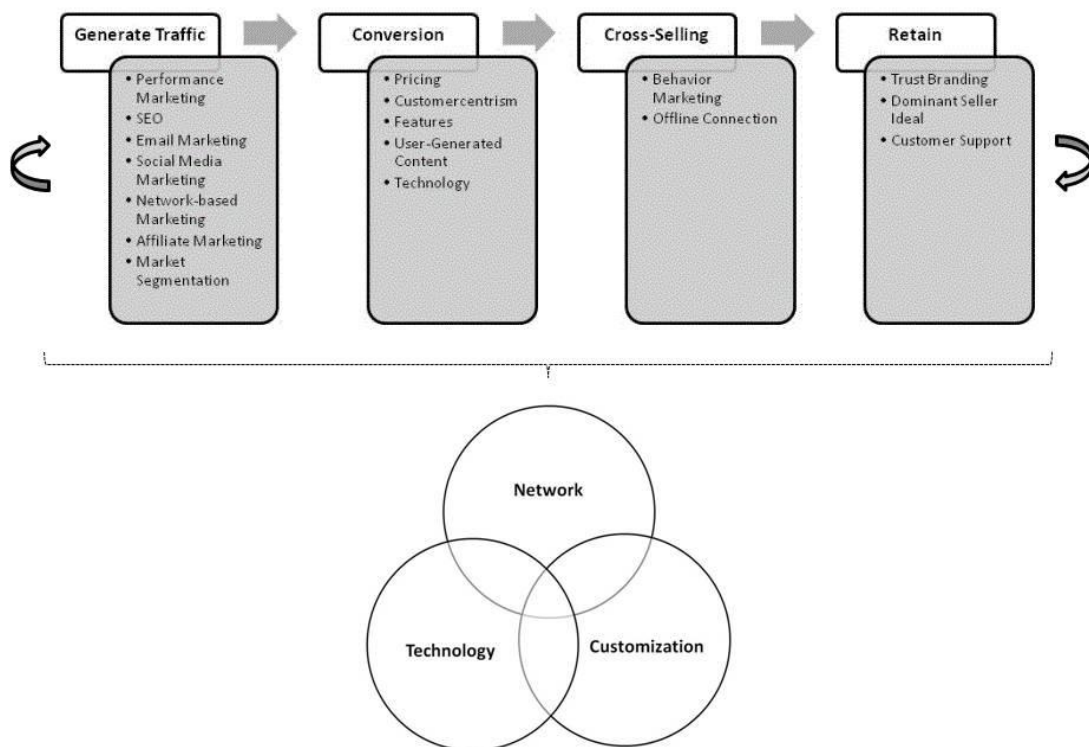


Figure 4 – Online Travel Agency Online Marketing Role Model

4. Methodology

This thesis was based in a depth qualitative approach (Collis & Hussey, 2003).

Due to the purpose of this investigation it was considered that, rather than a quantitative approach that would measure the effect of certain hypothesis, it would be more proper to engage in a more subjective and observatory approach (Collis & Hussey, 2003).

This thesis work was developed while enrolled to an internship program in an online travel agency of considerable dimension further introduced. The presence of the author inside a major player inserted in the subject of research guided the investigation through the study-case method (Yin, 1994).

In fact, it seemed appropriate to drive the investigation to the study of the particular phenomenon introduced by the problem stated, approaching its solution in its real-life context (Yin, 1994).

However, in a certain way this investigation approaches the action-research method as new solutions are provided to practical problems (Blichfeldt & Andersen, 2006). In fact, some hypotheses are suggested, and a conceptual model was created with the intent of compiling them (Durrheim & Painter, 2008). Yet, because the lack of observation and testing of these hypotheses to evaluate results the case study method is more suitable to define this investigation (Blichfeldt & Andersen, 2006).

The formulation of hypotheses drove from research in previously selected topics:

- The online travel industry environment and the interactions between different players and stakeholders along its value chain;

- The behavior of the demand in the particular online channel regarding the touristic product with its singularities;
- The online travel industry competitive landscape;
- The OTA's online marketing strategies aiming the creation of value to its services and products;

It was believed that interviews best fitted the intents of this thesis investigation and the case-study method regarding evidence collection (Yin, 1994). The semi-structured interview was thence chosen as in that way it could be explored certain details that were not considered before, or explore new ideas (Veal, 2006). Also, the interviews followed the "in-depth interview" particularities, as a friendly environment was created and personal insights were considered as relevant for investigation purposes (Veal, 2006; Yin, 1994).

In that way interviews were addressed to people from E-Travel: Philip Cotsis, CEO (view appendix I), Spyros Tsiaprazlis, Commercial director (view appendix II) and Maria Eneva, Online Marketing Executive (view appendix III).

The interviews' questionnaires were designed contemplating the formulation of hypotheses and accordingly to the position people occupied inside the organization. In that way, to Philip Cotsis were addressed questions regarding the online marketing role model of an OTA, brand image, creation of value and differentiation; to Spyros Tsiaprazlis regarding networking, the online transactional scheme and internal forces of the organization; and to Maria Eneva regarding segmentation, competition in the industry and internal weaknesses.

The Online Travel Agency Online Marketing Role Model, created by the author is intended to sum up this thesis investigation.

5. Case

As previously stated, this thesis work was conceived in the internship mode as part of Universidade Católica Portuguesa's Master in Management program.

The host company - E-Travel - is an online travel agency established in Athens, Greece, in 2005 and it is considered to be one of the best succeeded online ventures in Greece (E-Travel, LinkedIn). It was co-founded by Nikos Goulis, which is E-Travel's Managing Director, and by Philip Cotsis, its CEO and Chairman (E-Travel, 2013) (View appendix IV - E-Travel's organizational chart).

Initially selling hotel bookings and operating within the Greek and Cypriot markets, E-travel initiated its international expansion by 2008 when it was already selling also flight bookings, starting by geographically close countries like Romania and Russia (E-Travel, 2013). E-travel launched different websites to accomplish its market segmentation strategy and local approach.

By 2010 E-Travel's larger revenue was coming from the Russian market, In our days E-Travel is present in more than 14 markets, covering all Central and South-eastern Europe (Google, 2013), being the leading travel agency in Russia, Greece, Cyprus, Romania and Bulgaria by 2013 (Google, 2013).

Regarding products and services, E-travel provides its customers with flights, hotels, car rentals, ferry crossings and travel insurances (Google, 2013), being flight bookings its major source of revenue accounting 98% of gross sales (E-Travel, 2013). By 2012 its gross sales volume reached € 178 million (LinkedIn, n.d.).

E-Travel is defined by its founders as being a modern company, that incorporates in its systems modern management ways, attracts valuable people, encouraging individuals to make their personal contribute to strategic matters in a bottom-up logic, and with the commitment of creating long-term

relationships with its customers by offering valuable products and services regarding their interests.

In this chapter the OTA's online marketing role model is detailed, conceptualizing the terms used, and explaining the aim of each strategy and operation suggested.

For reading easiness and for coherence with the aim of this thesis work, each strategy and operation is not technically particularized. The main purpose of this investigation is to suggest innovative and value-adding marketing and managerial actions regarding the research question invoked before.

5.1. Generate traffic

In the "Generate Traffic" segment of the role model are described with the intent of pulling customers to the OTA's website. Publicity and advertising online marketing strategies are addressed.

5.1.1. Performance Marketing

In the words of Cotsis (2014), Performance Marketing includes the actions that result in marketing gains proportionally to the investments made. In sum, the amount of investment in Performance Marketing is close to the gains with that specific strategy.

5.1.1.1. Search Engine Marketing

Nowadays a large number of web navigators access websites indirectly by accessing the links displayed by search engines after they operate a search using key words, being indispensable for online based companies to control for their visibility in search engines' search results (Broederick, 2007).

One way to achieve that is through Search Engine Marketing⁷ (Hereinafter referred to as SEM), although building a successful SEM campaign in a search engine can be complicated task.

First, because it depends on the established keywords that will trigger the ad which may be different from those typed by the searcher, and second because it works based on bids for each keyword, which means that the OTA should maintain a portfolio of keywords that maximize the total profit across all keywords (Rao & Smith, 2006).

This results in a big challenge to the marketing team, as it need to manage cleverly its search engine's campaign in order to be effective in terms of conversion, since in case of having "bounce visitors"⁸, the OTA is incurring in a loss.

To fill in this gap when building SEM campaigns it is suggested:

- The utilization of a real-time model to analyze competition in order to identify competitors' stronger campaigns;

⁷ "Internet marketing method that focuses on purchasing ads which appear on the result pages of search engines such as Google. Many search engines offer ways for individuals or businesses to purchase ads, which typically appear above or to the right of the content on the search result pages. Typically, the higher the fee one offers to pay for an ad, the higher the ad will appear on the page, depending upon how much competition there is to appear on that page. Depending upon the agreement, one may pay a flat fee for a given length of time, or may pay a given fee for each click that they receive to their ad" ("BusinessDictionary.com," n.d.).

⁸ "Bounce visitors" are visitors who enter a site and depart without taking any action (Broederick, 2007).

- The use of a Customer Knowledge Management⁹ system with the aim to understand the path that potential customers incur before they engage a purchase;
- Create clever and trustable ads that won't make the visitor think it is spam or web trash, and make him click it among others;
- Construct or improve software aimed to better place the ads.

Learning the environment and the market in which the OTA is present is always a good way to pursuit good marketing objectives, but having automatic systems would be a greater improvement since they could reduce human effort and save costs (Broederick, 2007). In that way, software building has great potential in SEM campaigns.

5.1.1.2. Meta Search Marketing

With growing importance in the online travel industry, meta search engines, as seen previously, deserve OTAs attention.

Also like OTAs, travel meta sites strive to be top-of-mind and the first stop in travel planning (Christodoulidou et al., 2010). Some OTAs may perceive this as a threat and either prefer to go alone or to prevail their interests in rigid and strict contractual agreements, although this can be considered not wise as meta searchers are currently a predominant player in the value chain a valuable route to increase accessibility (Kaynama & Black, 2000). It is essential for an OTA to work together with meta searchers, in a way that minimizes opportunistic

⁹ A strategic initiative employed by companies to acquire intelligence from their customers as it relates to their organization. Companies using CKM will effect organizational and behavioral changes based on knowledge obtained from their customers ("BusinessDictionary.com," n.d.).

behavior (Tage, 1999), and both parties can benefit (Christodoulidou et al., 2010).

Generally OTAs are sorted by lower price igniting price wars and intense competition. To bridge this, it is suggested:

- To keep a competitive pricing, actualized in a real-time basis and taking into account the competitors' price;
- To build a high brand awareness and recognition that customers can identify as reliable;
- To have features that enhance the overall quality of the selling product and increase the high-quality service attached to it, that causes the consumer don't minding of paying more than the cheapest price to have a better quality service and warrantee of trust (in case the focus OTA doesn't have the cheapest price);
- To detect competitors' price obfuscation techniques and pressure meta search web sites to force them to remove it or exclude the competitor;
- To negotiate a favorable contract focusing in commissions per purchase, able to safeguard the OTA in terms of loss facing their competitors, while safeguarding also the meta searcher by charging higher to its best sellers.

This can be seen as value-adding strategies to cooperate with meta search websites, but an even more innovative one is suggested by Cotsis (2014): Pressuring meta searchers to include supplier's rates made by customers in their websites. Beyond enriching the website content providing another decision element to the customer, this would also provide the focus OTA another overcoming factor over its competitors besides price.

Because service quality is acknowledged to play an important role in customer loyalty in the travel industry (Kaynama & Black, 2000), and a bad experience for a customer while purchasing online causes deep negative impacts on the provider (Oldenburger, Lehto, Feinberg, Lehto, & Salvendy,

2008), having user-generated content in the meta searchers' websites would benefit the OTA.

In fact, Kaynama & Black (2000) state that the best way to increase visibility is to have a special agreement with the most used Internet search tools.

5.1.2. Search Engine Optimization

Another way to enhance a website visibility in search engine's results is through Search Engine Optimization¹⁰. While SEM does that by sponsored ads, SEO has the aim to organically control for a higher position in the search engine's search result.

In a quest for better positioning utilizing SEO techniques some websites sometimes mislead what would be their target's needs. Website optimization should include decisions that focus on what should be the best for the visitors of that particular website (Google, 2010). It is suggest that SEO should then contemplate two objectives:

- Regard their customers' interests by enriching the website in a way that can benefit customer experience and services provided;
- Conjugate those modifications with the known optimization strategies that can boost the rank position in search engines' results.

¹⁰ Hereinafter referred to as SEO.

5.1.3. Email Marketing

Email Marketing is one of the most popular media for advertising (Rao & Smith, 2006) and a powerful personal marketing tool to attract visitors to a website, consisting in promotional material addressed to customers' personal email contacts.

5.1.3.1. Mailing List Creation

The main struggle of Email Marketing is the necessity of a previous interaction with the customer, in order for the company to have his email contact in its mailing list, which generally happens after a first transaction between the customer and the company.

However, some OTAs found the solution to this hitch by applying a mandatory registration in the website to each visitor, implying the email contact retention to the company. This practice brings two main advantages: first it can filter visitors that have the will of simple browsing and gather information from those who have a strong will of purchasing the product, second it provides the company with the opportunity to target another potential customer with its promotional emails even if he hadn't buy before from the company.

The inconvenience relating this mandatory registration is that potential customers may skip the website if they find the process too complicated and time-consuming (Tsiaprazlis, 2014).

E-Travel provides what can be considered as the optimal solution as it offers the possibility to register or log in, which can facilitate more the process as the system will use the client information, and also skip it, allowing convenience-seeking customers to save time with it.

5.1.3.2. Customized Email Marketing

Having a large mailing list however is not enough to achieve a good Email Marketing strategy. Actually, nowadays, promotional emails fall very often in the spam folders of their recipients.

Usually, potential customers are not seeking or even interested in large-scale mailing and commoditized newsletters (Kaynama & Black, 2000). Once more customization reveals itself to be a good way to pull visitors to the website.

To pursue this it is necessary a focus on attention to Customer Intelligence¹¹, in order to adapt the offer to a particular customer or group of customers. Kaynama & Black (2000) claim that “detailed customer profiling would improve the empathy dimension of service quality since marketers could seamlessly tailor the content to individualized preferences”.

Another way of customization is to allow the customer to select what he wants to be informed of. For example, E-Travel created called “Price Alerts”, that allow the customer to receive an email if for a desired route there is a trip that has specified parameters determined by him.

5.1.4. Social Media Marketing

Due to the large and still increasing number of users of social media networks, and also the large number of companies that are present in Social

¹¹ Customer intelligence (CI) is broadly defined as an effort to collect and analyze data about customer behavior. Frequently CI is associated with customer relationship management (CRM) system that gathers and uses CI data in a strategically way. Because CRM and CI tools are often comprised of sophisticated technologies, IT professionals involved in CI may require certain skills or certifications (Cory, 2014).

Media Networks, it is indispensable nowadays for any business to be present in these platforms, especially for online-based businesses (Eneva, 2014).

On one hand, Social Media Networks provide another source of customer intelligence gathering; on the other it represents a unique platform of direct interaction with the customer.

However, being present in Social Media Networks is not enough for those who seek a pursuit value in their operations. In fact, many OTAs use Social Media Networks just as a customer feedback facility (Eneva, 2014).

It is suggested that Social Media Network can be very useful in terms of:

- **Market Segmentation:** If the OTA decides to pursue a more local-responsive approach when internationalizing, and adapted social media platform working with the national language of the focus market would bring a lot of benefits;
- **Brand Awareness:** Social Media Networks are excellent platforms to ignite branding strategies as they connect the company to its customer's networks; also it is a platform to promote special offers, promotions and also viral marketing campaigns;
- **Networking:** Social Media Networks allow companies to work close to their partners and launch joint campaigns, exchange potential customers' profiles and make bidirectional referrals;
- **Customization:** Because Social Media allows the interaction between companies and their customers while offering the possibility to the companies to gather information about their customers, customization has a lot of potential on this platform.

5.1.5. Networked-Based Marketing

Given the importance of word-of-mouth (Hill et al., 2006), and uncertainty and loss aversion paradigms related to travel (Nicolau, 2013), despite being a beyond-of-control method of publicity, since it depends on the will of the customer to recommend the product to other one, there are ways to control for positive word-of-mouth, or at least leverage it.

One way to accomplish that is the creation of rating and feedback features in the OTA's website (Dellarocas, 2003), or pressuring its partners along the value chain to create similar features to allow the customer to compare the feedback of previous consumers about different competitors.

Another one is the utilization of Network-based Marketing¹² that has the aim to explore the potential market beyond prior customers' network neighbors¹³. There are three complementary modes to accomplish that (Hill et al., 2006):

- Explicit advocacy: When individuals become vocal advocates for the product or service, recommending it to their friends or acquaintances.
- Implicit advocacy: When individuals advocate products by their own adoption of a product. Even if they do not speak about it, because they are popular, their adoption is influencing other consumers to buy it;
- Network targeting: When companies directly target prior purchasers' networks by identifying them and launching marketing campaigns.

All these modes can be capitalized by OTAs. For example, the explicit mode is being used when a particular OTA launches a campaign on a social network in which the participants, to win a prize, have to gather as many votes as possible, but to vote people must be linked to that OTA.

¹² Network-base marketing refers to a collection of marketing techniques that take advantage of links between consumers (networks) to increase sales (Hill et al., 2006).

¹³ Network neighbors are potential consumers, that are acquainted to prior consumers (Hill et al., 2006).

Also identifying influential individuals and pursue them to use the OTA's services would control for the implicit advocacy mode (Hill et al., 2006).

Network targeting has even bigger potentialities, since the OTA can directly target the network neighbors of their prior customers and identify consumer patterns along prior customers' networks. Econometrics can be used to identify likely adopters (Hill et al., 2006), and then use the common acquaintance as reference to promote the OTA's services.

This would lead to more customized approach with a high rate of success.

Networking with key partners can be also valuable to OTAs in terms of network-based marketing strategy. Forging agreements with other companies and accessing its networks is a common practice in the e-commerce environment (Hill et al., 2006).. One example of this would be the registration of customers in the OTA's website by using information of partner social media networks. Despite facilitating the process to the customer, it would immediately provide the OTA with vital information about that particular customer and his networks.

5.1.6. Affiliate Marketing

Another way of networking in the e-commerce environment is through Affiliate Marketing.

Affiliate Marketing is a very useful method of increasing website visibility, brand awareness and visits. However, selecting the right affiliates – publisher that advertises and redirects to the OTA's website - can be a hard task as marketing intelligence has to be gathered in order to forecast which websites are more related to the OTA in the customer's perspective, so they can generate accessibility.

Despite the partner selection, for a value-adding Affiliate Marketing strategy it is suggested:

- That OTAs should negotiate with their affiliates an exclusivity agreement relating to other competing OTAs;
- That OTAs should consider to outsource Affiliate Marketing to Affiliate Networks;

By negotiating an exclusivity agreement, the OTA is guaranteeing that the visitor of the affiliate website is only seeing its publicity and from no other competitor. Having this kind of exclusivity with key partners with the ability to generate a large amount of visits can be pivotal to beat the competitors.

With outsource of Affiliate Marketing to Affiliate Networks, OTAs can increase the potentiality of this marketing strategy as they are saving marketing intelligence gathering costs, and charging a specialized player to select affiliates, display the advertisements and measure its performance.

5.1.7. Market Segmentation

The bigger the company is, more resources can be allocated to each department and costs become fewer, especially in an online-based company as an OTA (Tsiaprazlis, 2014).

OTAs can grow in size by two ways: either by expanding to new markets, either by increasing market share in already present markets (Cotsis, 2014).

For an online-based company geographic expansion to new markets is not as costly as it is for a manufacturing company, for example, because there is no need of Foreign Direct Investment. In fact, usually OTAs expand to new markets by creating a new webpage for that specific national market (Rao & Smith, 2006).

However, this is not as linear as it seems because much more has to be done for companies to successfully pursue a market segmentation strategy. Mainly it has to do with decisions about local responsiveness (Cotsis, 2014). To deliver a high quality service to the markets they are in, OTAs should guarantee that the augmented product they sell is adapted to fill the local needs, which incurs in higher costs. For example, being present in the Japanese market is not enough if the customer care department doesn't have Japanese speaking people to deal with customers' complains and issues (Eneva, 2014).

Generally, market segmentation in online travel business has only to do with geographical market segmentation by countries. However, it is suggested that OTAs should use other criteria for segmentation purposes in order to stretch their product lines and deliver a more customized offer to their clients. In that way, having different websites for different products and services would target different customer segments (Clemons et al., 2002) and attract more customers with the same specific needs. Targeting offer to niches is considered by Gasson (2003) as a way for OTAs to differentiate their offer.

In fact, reach and target groups of customer with "social similarity" (Hill et al., 2006) bring benefits in terms of customized-oriented marketing approach (Clemons et al., 2002).

5.2. Conversion

In the "Conversion" stage of the role model are described actions with the aim of taking the website's visitor to actually buy the products offered. In that way, any directly purchasing publicity on the website and/or features and factors that ease the purchasing decision to the customer are considered to be part of the "Conversion" stage.

5.2.1. Competitive Pricing

Pricing is a “conversion” action because it helps in the customer purchasing decision. As it was already addressed, in this particular online travel industry, especially in certain platforms as meta search engines, price is actually the first main differentiator between competitors and factor of decision to the customer.

Keeping a competitive price is essential for an OTA that, despite its will to differentiate by offering a more expensive high-valued service, wants to beat its competitors.

Understanding how profit is generated in the OTA activity is important to comprehend which direct and indirect variables can the agency control to pursue a competitive price.

Once again networking is crucial to pursue a fair competitive price. Due to the complicated transactional scheme having trust-based relationships with suppliers, GDS and meta search engines can increase the revenue streams and at the same time lower transaction costs. Negotiating favorable performance incentives can be essential for end-year profitable results.

With the same importance is competition analysis: checking competition shown prices for key routes on meta search engines is a daily task at an OTA. However, this may have human and time costs. The development of an automated system to instantly check competition prices shown in such search engines would benefit the value chain of an OTA (Tsiaprazlis, 2014).

5.2.2. Yield Management

Due to the travel industry’s seasonality the profitability should be adapted to the fluctuations of the demand. Tourism stakeholders then use Yield

Management¹⁴ techniques to “coordinate timing, price, and consumer buying patterns to achieve the best return” (“BusinessDictionary.com,” n.d.).

Demand estimation is driven by three types of data (Rao & Smith, 2006):

- Customer shopping data, that include customer personal data from previous purchases;
- Results display data of previous searches;
- Customer action data about the purchase decision.

Competition data, which includes industry data from national and international statistics offices and information gathered from competitors’ websites, is also important to Yield Management (Rao & Smith, 2006).

What follows the demand estimation is deal evaluation for revenue planning which has the aim of maximizing total retail revenue of unit margins plus volume incentives across all suppliers and markets (Rao & Smith, 2006).

Despite these models can be outsourced, many companies develop their own models that better suit their preferences. Estimation models and Yield Management are prepared accordingly to the expected amount of sales for each period of the year.

5.2.3. Customer-centrism

The majority of Online Travel Agencies take the fares provided by airlines and the rooms provided by hotels and resell them online with the publicity they find suitable. As it is been argued in this thesis work, customization is a major factor for OTAs that will add value to their product and differentiate themselves from their competitors.

¹⁴ Yield Management refers to “techniques aiming to estimate demand along the year and then support profitable inventory negotiations with suppliers (Rao & Smith, 2006).

Customer-centrism is a marketing philosophy that helps to accomplish this, by defending that instead of selling the product while pulling customers to it, products should be designed according to customers' needs and then pushed to them (Cotsis, 2014).

Marketing intelligence again is essential to pursue customer-centrism as it provides the company with crucial information about the customer and his needs. With that information OTAs can adapt the product by, for example, congregating more suitable segments to improve sold routes, adjust prices, according to seasonality of the demand.

But in addition, OTAs can sell designed and customized packages online as some traditional travel agencies already do, being those packages constructed based on perceived trends and popular similar products purchased, as well as direct particular customized products to segments of customers based on similar behavior patterns.

5.2.4. Features

For the OTA's website to be pleasant enough for a customer to engage a purchase it has to provide some utilities and features that are considered indispensable.

Among the features that most influence consumers' attitude towards buying travel products are: easy access, price, less effort, delivery time, identity theft, sales assistant (Yang & Lester, 2004); proper design and presentation (attractive images, layout, white space and navigational aids), content and purpose, accessibility, navigation, easy-to-use interface, currency and accuracy of contents, personalized email response (Kaynama & Black, 2000); convenience,

environmental impact, product quality, privacy, safety, shopping enjoyment (Ku & Fan, 2009).

The features of an OTA website are considerably related with the technology employed. Providing the website with high-technological features can be a valuable asset to offer to the customer and help in his purchasing decision.

Enhancements like optimal search features, interactive maps, trip history portfolios and other, are motive of preference for the customer.

It is considered that if an OTA's website can provide to its customers with such customized and unique enhancements, they could use the website not only for purchasing purposes, but also for shopping related experiences (Jeong et al., 2009), and even for personal motivations. That would materialize customer retention to an optimal level.

5.2.5. User-generated content

Positive feedback of previous customers is the ideal way for companies to boost sales (Vinod, 2011) and promote trust and confidence among potential customers. New customers usually rely on verdicts of previous experiences mentioned through user-generated content.

Media platforms that allow clients to comment and rate the services they had purchased and the experience they had can be even considered as part of the product, because this kind of content can help customers to virtualize the product throughout the whole previous experience, having another quality factor to consider rather than price (Cotsis, 2014).

User-generated content can be a differentiator factor facing the competition as not all of the OTAs are currently using it.

Also there is no information about the utilization of user-generated content with airlines, which represent the main slice of sales of OTAs. Letting the customer rate airlines based on certain parameters like punctuality, service and price would add value to the augmented product and provide the OTA with customer intelligence.

5.2.6. Technology

For OTAs, to have a good technological support is vital for the economical health of the business and viability of its operations (Gasson, 2003).

The Information Technology department in the OTA has a predominant role as it is responsible to be in the forefront in online travel related technologies, being responsible for technological research and developments.

Also, as more consumers search and shop for travel accommodations electronically, the servers could become overwhelmed so the technology costs of maintaining and updating these services might increase in the future (Christodoulidou et al., 2010), which means that there should be awareness about server maintenance in order to prevent failures in the system due to high traffic volumes.

Actually, a crucial aspect of technology is the ease and speed of the transaction aspect as it is one that customers value most.

Another issue that has to be taken into account is error and failure of that respective process. If during a transaction anything fails, the customer will probably abandon it and won't purchase again through the same OTA (Oldenburger et al., 2008).

Also, when the customer gets familiar with one website's navigation and transaction process, and he is more experienced with it, then he is more likely to be loyal to that website (Johnson et al., 2004).

Providing the website with ease of navigation and accessible technology is therefore related with customer loyalty as well.

5.3. Cross-Selling

Getting the customer to purchase other products than the ones they are willing to buy is a common strategy in OTAs. It is usual for OTAs to sell simple flight seats at a low price and let the client to choose if he wants to increase its value by purchasing complementary items that enhance product quality such as travel insurance, special meals, seats close to windows, extra luggage, etc.

Further, OTAs also try to sell additional products that upgrade the whole travel experience. Exemplifying, if an OTA sells a flight ticket it can also suggest the client to purchase the hotel booking and the car rental at the same time to simplify his journey.

5.3.1. Behavior Marketing

One way to add value to cross-sell operations is through Behavior Marketing. This strategy has the aim of identifying customer behavior patterns in the online channel and direct related additional products when customers are processing a transaction (Tsiaprazlis, 2014).

In fact, there are more factors driving search behavior than the physical costs of search (Jeong et al., 2009) and OTAs should personalize their services according to the requirements of each customer's navigation patterns (Kim & Lee, 2008)¹⁵.

Networking with local partners is suggested as a way to drive the OTA's services to a higher level and pursuit differentiation. For example, offering to a customer - that has an history of traveling to cultural places - discounts and vouchers to local tours, guides and museum packages, could not only increase the profit of that transaction (considering that the agreement with other partners include some kind of commission to the OTA), but also enrich the customer experience.

This would also make the OTA to work similarly to traditional travel agencies which could increase its market-share and offer a whole new level of service to their customers.

5.3.2. Offline Connection

Traditional travel agencies represent a whole new market instead of representing a threat to the viability of online operations (Cotsis, 2014). In fact, lots of traditional travel agencies began to play simultaneously in the online channel. However, many of them fail because they lack the expertise of OTAs, companies completely designed to operate in the online channel.

¹⁵ Chakravarthi & Gopal (2012) call this phenomenon "Humanization of Technology - the intent from travel service providers of adopting technology that can identify and intuitively respond to customers' individual needs in order to deliver an exceptionally different experience".

In that way, there is an opportunity for both traditional and online travel agencies to join forces and create synergies to create value (Cotsis, 2014), if both specialize in different levels of service but partner with each other to complete it.

An example of this would be the utilization of the OTA's online reservation systems by the brick-and-mortar travel agency, and the sale of standard packages designed by it by the OTA.

This kind of agreement would benefit both parties (Elhaj, 2012) and represent a boost to the differentiation strategy pursued by the OTA to face its competitors. Mainly because it can surpass the barriers that the online channel presents to its players, but also because it would represent a huge gain on market share for the OTA and would enrich its level of service and product portfolio.

5.4. Retain

To gain the loyalty of customers is the aim of any brand. It means that in his next purchase the customer will have preference for that specific brand, because he associates the product quality and services provided as being better than the competition.

Sometimes customers identify themselves with the same values that the company claims and even emotionally use and prefer it, which represents the highest level of customer retention. However, the whole branding strategy must be designed to contemplate this purpose.

Building and maintaining a relationship with the end-customer gets easier with the Internet capabilities (Peterson et al., 1997), and the point is that Internet actually allows consumers to interact dynamically with suppliers and

destinations and often make requests that will enable OTAs to customize their products (Chakravarthi & Gopal, 2012). In that way it is correct to assert that OTAs must exploit this opportunity that comes from its online-based business model.

5.4.1. Trust Branding

Perhaps the bigger determinant of the customer's decision to buy travel products online is trust. That is driven by the product characteristics (Rose, 2009). Promoting trust and offering a secure payment ideal online is crucial for OTAs (Nicolau, 2013) willing to pursue a successful branding and customer retention strategy.

One way of promoting trust is by avoiding price obfuscation and being transparent in the transaction process¹⁶. In fact, many OTAs increase the price shown for a product along the transaction process, using a role of different techniques, like charging high credit card fees to the customer, offering a discount to the customer in the first page and then reducing that same value as a service fee, displaying a flight seat without luggage included and then charging for the luggage as an extra, ticking automatically travel insurances that are added to the final price, etc. (Vinod, 2011).

Price obfuscation promotes price wars and unfair competition in meta search websites, because it can lead one OTA to be ranked as having a better price than

¹⁶ Obfuscation is defined as “offering a low-quality product at a low price to attract consumers and then trying to convince them to pay more for a superior product, practices that frustrate search and tricking consumers into paying more for a product than it is worth to them or altering their utility functions in a way that raises equilibrium profits” (Ellison & Ellison, 2009).

other when in reality it does not. In the words of Cotsis (2014) “these techniques are not made in the interest of the customer, are intended to mislead them and promote a lack of trust about OTAs operations among the customers”. In his opinion having the same price shown on the landing page the same as in the final payment page is intended with the best interest to the customer and promotes trust for further purchases.

Another way to fight price obfuscation of competitors is to pressure meta search websites to include rules against it and denounce obfuscation practices.

Failures during the transaction and online fraud schemes let the customer to feel very unsafe about the online payment. Promoting a safe payment platform through the OTA’s website is then pointed as a solution to surpass this barrier.

Networking with credited bank institutions and online payment software is one way to achieve that. Most banks are creating systems that help the consumer to transact without the hassles of online fraud (Chakravarthi & Gopal, 2012; Gasson, 2003) and a large number of OTAs promote these features in the payment page during a transaction, aiming to gain the trust of their customers. If an OTA could provide an optimum security dimension on its website, then charging a higher price could not have a negative impact on the customer preference.

Generating positive feedbacks and customer’s reviews about its safe payment platform, and promoting itself as a reliable and transparent company is essential for an OTA to be recognized by its value

5.4.2. Dominant Seller Ideal

Having a high volume of operations and achieving scale economies is good for OTAs’ operations, but that is not only due to cost saving, profit leveraging

and keeping a competitive price. Branding through the dominant seller reference is also a result from volume operations and a leadership position among competitors (Cotsis, 2014). Reaching scale economies is also a grant of higher negotiation power (Christodoulidou et al., 2010).

Addressing the trust issue, if a new customer recognizes an OTA as being the market leader, it helps surpassing the trust barrier, as in his mind probably several people already tested it which define it as a reliable company.

Cotsis (2014) name this strategy as “dominant seller ideal”, and considers it to resume the most effective brand image for an OTA to promote. That brand image requires excellence in service quality, which consequently leads to attain of competitive advantage (Kaynama & Black, 2000)

5.4.3. Customer Support

As it was discussed before, the sale of tourist products relies considerably in information, communication and contact between employees and customers. On the online channel the process is a little bit different as this direct contact does not exist.

For an OTA that wants to add value to its operations, the way to bridge this gap is by providing a high-quality level of customer support. It is suggested that OTAs should include:

- Online chat log: Some OTAs are already providing a online chat log feature in their websites, letting the customer the ability to engage a real-time chat conversation with a customer care department employee who will promptly respond to his questions;

- 24/7 customer care telephone line: Having a phone line to help customers about any issue that may occur anytime is considered a valuable addition to customer support's operations;
- Local desks: If one OTA could provide local desk services to their customers it would definitely provide a high-level service to its customers as this kind of service is only associated with traditional travel agencies, as face-to-face contact is considered to be a main determinant when the trust issue of the travel industry is addressed.

However, these features are expensive and be must be managed wisely.

An online chat log would only be attending its purpose if it could give a promptly and immediate response to customers, which means that someone at the company should be assigned with this task as his main function.

The 24/7 customer care telephone line would also require a company's turnover able to permit the operability of the line without stops. This is especially important for OTAs that have a high level of internationalization that would need an effective response for different time zones.

Another important aspect of this line is the idiom of operability. If one OTA has the purpose to deliver a value-added level of service and expand internationally with a proper local-response, then language speakers of national idioms of the markets in which it is present are needed. Eneva (2014) claims that "being present in Japan and cannot answer properly to an angry Japanese shouting during a phone call is a big fail for an OTA that has the goal of differentiate by offering a high-level service".

To online-based business like an OTA, having local desks does not seem might be unreasonable, and engaging foreign direct investment is not extremely necessary for an OTA to successful follow an international expansion. However, some OTAs have reached a so big size that they not only are able to operate international desks, but they also need to do this if they have the will to properly build a local-responsive international strategy.

Nevertheless, and considering that an OTA would need large scale operations to pursue this profitably, another solution is suggested: following the previously addressed offline cross-selling strategy, networking with traditional travel agencies in order to have them working as partners and providing local face-to-face customer service is value creator.

This comes in the line of thought of differentiation by achieving high-level quality service by approaching the traditional channel's characteristic service while keep playing mainly as an online-based business.

In addition, for a customer care department to successfully run its operations three dimensions must be accomplished (Cotsis, 2014):

- Processes: because letting the customer wait too long for an answer, forgetting particular customer issues and having different patterns of customer care behavior are considered to be negative for the image of the company, outlining and designing the processes in a lean way is essential for the functioning of the department;
- Tools: for a brief and accurate response, not only well designed process are sufficient. Providing employees with cutting-edge technological tools is crucial to ease and lean all the processes;
- Training: finally, training the employees to get used to processes and being able to detect failures on them in order to improve and manage tools is very important for gearing this system.

6. Managerial Findings

This investigation started from the particularities of travel e-commerce and the online travel competition's landscape, focusing on OTAs' marketing strategies.

It was developed simultaneously with an internship program at E-Travel.

With that field approach it was possible to understand how fierce the competition between OTA's, hybrid travel agencies and suppliers was in the online environment. Since the beginning it seemed an industry in which operational actions of players were essentially about generating traffic to their websites and displaying a low price to drive the customer to engage a purchase.

Because products sold by OTAs are technically the same or very similar, their services look very commoditized, which in turn rely on price the only distinguishable factor between each other.

Taking that proposition, an investigation with the aim to find how OTAs pursuit differentiation could took place.

Following prior findings, it was possible to conclude that effectively there are ways for an OTA to differentiate from its competitors, despite the characteristics of the online business model in which it is inserted, turned it more challenging.

Thereafter it was identified a gap between the assertion of this conclusion by prior authors and an empirical exploratory research that could indicate a path that would materialize that conclusion. In that way, the scientific procedure of this thesis work consisted in a case-study summative compilation of strategies and actions that could serve as path for an OTA to achieve that differentiation.

In that way it was developed the OTA's Online Marketing Role Model that resumes the summarization of that proposal. The model, divided in four different stages coordinated sequentially as steps for an optimal online marketing procedure, lists different marketing strategies and actions.

It also includes three pillars with ubiquity presence over the all the model, that leverage the necessary value creation in order to pursuit the differentiation suggested.

The critical finding to be asserted is that, despite being costly and dependent on external factors, OTAs can pursue competitive advantage by differentiation, providing a high-level, high-touch quality service to its customers.

The path to achieve that level of service however, is complex and multi-dimensional. Rather than specific actions or strategies aiming at its creation, it is required for an OTA to have its whole value chain designed with that purpose. More than that, each element of the value chain must gear synergistically to that purpose. That is represented in this thesis by the four stages of the Role Model and the holistic approach of its three pillars.

One line that guided all the investigation was the contrast between the level of service provided by traditional channels and online travel agencies. In fact, traditional travel agencies provide a high-level of personal dimension that OTAs should match to pursue differentiation.

Customization allows OTAs to deliver a more personal offer to its clients despite the electronic model of its business. It requires the gathering of information of customers and potential customers, which actually is easier with ICT.

Identifying patterns of online behavior, segments of customers and accessing customers' profiles allow customized email marketing, network-based marketing, behavior marketing and the pursuit of a customer-centrism marketing philosophy. Despite that it also allows a personalized relation to each customer characterizing the OTA's customer retention by excellence.

Because the online travel distribution chain is characterized by a web of complex intrinsic relationships, networking to create partners is pointed as another value-adding pillar.

Networking gives to OTAs the opportunity to synergistically create value by improving performance marketing results, make the most from affiliate marketing and set a competitive price. The most valuable finding though is that networking with traditional channels provides a more hybrid service and engages in valuable cross-selling performances.

Technology by other hand is a pillar that has the ability to bridge the gap created by the lack of personal touch in OTAs' operations, as through technological features OTAs can enrich its shopping experience.

By maintaining technological investment, achieving innovative enhancements and networking with technology provider companies, OTAs can add differentiator features to its websites, create user-generated content tools with implications to marketing intelligence and enhance the level of service provided by the customer support department.

The matters addressed by this thesis work are useful for investigation on such themes as online travel competition, online marketing strategies and online travel agencies related subjects. The managerial findings addressed provide succinct guidance through pursuit of competitive advantage for OTAs.

In terms of theoretical findings, some comments have to be made. Vinod (2011) states that cost saving accelerated the incursion of brick-and-mortar travel agencies into the online channel, and that "some agencies may be instructed not to take reservations over the telephone if the trip can be booked online". Cost saving is not considered to be a crucial factor of entering into the online channel, as other forces like competition from OTAs, ease-of-use of the Internet, lower price and online reservation systems seem to be more important.

Also, Chakravarthi and Gopal (2012) claim that "direct marketing on the internet is cutting into the traditional intermediaries' business". This cannot be

taken too linear because intermediaries, even in the online channel, are experts in providing value to the booking process and service. In fact, Tsiaprazlis (2014) claims that suppliers still rely on intermediaries as they have more powerful marketing structures and are specialized in providing booking services, which airlines cannot afford so easily.

Kim & Lee (2008) concluded that personalization shouldn't be a priority to OTAs, being instead reputation and security dimensions. It was shown with this thesis, that personalization is a main booster to reputation and brand building, while it also helps surpassing the trust barrier, which contradicts that sentence.

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Appendixes

Appendix I – Philip Cotsis' (CEO) Interview Structure

1. What is the role model of E-Travel in its online operations?
2. I noticed that price is the main driver in the online competition environment of this industry. What can E-Travel do to attract customers and beat competitors rather than trying to pursue the lowest price?
3. What is the brand image you want E-Travel to present to their customers and how can you manage to get it?
4. What is E-travel's growth strategy for the medium-long term?

Appendix II – Spyros Tsiaprazlis' (Commercial director) interview structure

1. What are the main sources of profit that an Online Travel Agency like E-Travel has?
2. Does E-Travel works with sales forecast models? How does it work? (Are they home-made designed or outsourced?)
3. Working closely to key partners (like meta search websites) seems to be critical. Is there any way to take advantage of these agreements face the competitors?
4. Do Traditional Travel Agencies represent a threat to your business?
5. What can be pointed as the main strengths of E-Travel?

Appendix III - Maria Eneva's (Online Marketing Executive) Interview Structure

1. What are the main struggles that an OTA face in its operations?
2. What happens when you verify that the airline (or other supplier) is doing a bigger discount than yours? Should that happen at all?
3. Do you often enter in price wars with your competitors?
4. How to beat competitors that are already established in a particular market?
5. What advantages do Traditional Travel Agencies and Suppliers have face to Online Travel Agencies?
6. Why sometimes the suppliers change fare prices and what can you do to prevent or reverse that?
7. And what do you think that can be pointed as a gap in E-Travel that your competitors can pursue to beat you?
8. What do you see as an opportunity for E-Travel in the medium-long term?
9. And which would be the main threats?

Appendix IV - E-Travel's organizational chart (E-Travel, 2013)

