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Rate Parity's role in hotel revenue management

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Abstract

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Revenue management has gone through many changes during its existence. Especially after the emergence of the internet and the online distribution of hotel rooms, hotels needed to change their pricing practices. Rate parity was created as a result of these changes. Therefore the purpose of this thesis is to find out what kind of a role rate parity has in today's and tomorrow's revenue management in Finland.

In the beginning of this thesis an introduction to revenue management, pricing and online distribution of hotel rooms is given. Then the key topics that are the basis of this research are introduced. These topics include rate parity and the different players in the online distribution landscape such as online travel agencies and meta search engines.

The research was conducted with semi-structured expert interviews. The respondents who were interviewed are revenue management professionals with many years of experience in the field. All of the seven respondents were interviewed during October 2014. The inductive approach was chosen as the as there is a lack of existing literature on both rate parity's role and the relationships between online travel agencies and hotels.

The results indicate that currently rate parity is in a big role in hotel revenue management in Finland. Managing rate parity can be challenging but there are also advantages. Rate parity is likely go through some changes in the future. On the other hand when the change will occur and the extent of the change is not clear.Furthermore the relationships between online travel agencies and hotels are good at the moment. Currently these two parties can collaborate in an equal manner. However online travel agencies were criticized for their extremely high commissions. It is likely that these relationships will continue to improve but this improvement won't affect the agreements offered by the online travel agencies any time soon.

Keywords
Rate parity, revenue management, online travel agencies

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1 Introduction

Revenue management in hotels has developed in a rapid pace during the past 15 years. The increased use of internet has had a big impact on the distribution of hotel rooms. Online channels such as online travel agencies and hotel websites are still experiencing big growth in booking volumes. If put together the online travel agency and hotels' own sites account for almost half of all leisure bookings. (Freed 2013) Therefore online pricing strategies have become a big part of revenue management of hotels. With the changes in online distribution and pricing, rate parity has become one of everyday topics in hotel revenue management.

As hotels were slow to react to the online distribution of hotel rooms the online travel agencies started to dominate. The changes to the distribution of hotel rooms required the hotels to come up with new pricing strategies. One of the strategies developed was rate parity. Rate parity was created so that the hotels could have power over their pricing. Although rate parity was first introduced from the hotel side, it is now required in the contracts offered by the online travel agencies. (Freed 2012)

Rate parity and its relevance have been much discussed during recent years. Some don't see that rate parity is losing its importance and wish to see it end. There have been multiple court cases regarding rate parity and whether rate parity clauses are against the laws of competition. There are constantly new cases on rate parity and already one of the major reservation sites in Germany was ordered to stop placing rate parity clauses in their agreements. (Van Bael & Bellis 2014)

As rate parity is such a current topic, the focus of this research is on rate parity and its role in hotel revenue management. The relationships between online travel agencies and hotels are also a very recent and much debated topic and therefore were chosen as the second main topic. The hotels haven't been happy with the extremely high commissions the online travel agencies are charging and the hotels are desperately trying to shift booking volumes back to the hotels own website.

Rate parity and the online distribution of hotel rooms are under constant change as new players enter and change the distribution landscape. The author developed an interest towards revenue management during her studies and therefore chose revenue management as the topic for the thesis. Rate parity was chosen specifically due to the fact that it is such a current topic and there are so many different aspects affecting it.

1.1   Objective

The main objective of this thesis is to find out what kind of role rate parity plays in todays and also tomorrow's hotel revenue management in Finland. Thus the objective is to determine what the importance of rate parity is on different levels of revenue management. Rate parity has been a much debated topic during recent years. There have been discussions on whether rate parity is losing its relevance and whether it is needed anymore. However, if rate parity ceases to exist what will it mean for hotels? Furthermore the meta-search engines make it easy for travelers to search for the best rate available and compare rates. These easily comparable rates put a strain on hotels' rate parity and pricing strategies. Therefore the aim is to determine the need for possible new pricing strategies in the future.

Also, the relationships between online travel agencies and hotels have been quite strained and there is a constant power struggle for business between the two parties. The aim is to determine how the revenue managers see these relationships today. Furthermore if there are some issues, the objective is to find out how they could be fixed.

This research will give the industry an insight on the relevance and current situation of rate parity in hotel revenue management. Currently there are many different players affecting rate parity. There has also been a significant amount of discussion on rate parity and whether it is losing its importance. Rate parity has also been discussed because of the many on-going court cases that deal with rate parity as being anti-competitive and against the laws of competition.

To begin with this thesis studies existing theories on hotel revenue management, online travel agencies and rate parity. The history of hotel revenue management and online

distribution are explained in order to give the reader a thorough overview of the topic. Secondly the key topics are discussed further and the latest developments are presented. There is a lack of theory on the topics studied as they are constantly evolving. Hence the topics are studied from the industry expert's point of view.

1.2   Research questions

The research question studied for this thesis is: What is the role of rate parity in today's and tomorrow's hotel revenue management in Finnish hotels?

This research concentrates on three main topics; revenue management, rate parity and online travel agencies. Revenue management as a whole is a large topic to study with many sub-topics, so the emphasis will be on rate parity and its current role in the hotel industry. Rate parity was chosen as the main topic because it has been much discussed during recent years and there is very little research conducted on rate parity.

The relationships between online travel agencies and hotels have been discussed lately. It seems that especially the hotels have been unhappy with how online travel agencies are running their business. This research also tries to find out how hotel revenue managers see the co-operation with OTAs and whether there are some issues that need to be solved.

Consequently two additional questions were formed in order to fulfill the set objectives of the research:
   - How do revenue managers see hotel-OTA relationships in Finland?
   - If there are issues how could they be solved?

1.3   Key concepts

Hotel revenue management: Revenue management allows the hotels to become more profitable. It is a set of revenue maximization strategies and tactics created to improve the profitability of the business. (Forgacs 2010, 3) Revenue management can be seen as a set of strategies and tools for gaining more revenue and operating profitably.

Rate parity: Rate parity means giving the same price for the same room night regardless of the distribution channel (Forgacs 2010, 79). Basically it means that the same room night, with the same sales conditions, for the same room category is sold at the same price in all distribution channels.

Price transparency: Price transparency is defined as the ability to observe prices. Because of the Internet, price transparency has become a feature of all products and services offered online. This transparency has enabled the customers to evaluate hotel's prices across different distribution channels. (Tranter et al. 2009, 123)

Distribution channel: Channels through which hotel rooms are sold. These channels include both electronic and non-electronic channels. (Tranter et al. 2009, 110)

Online travel agency: Acts as an intermediary between the consumer and the hospitality product or service provider. OTAs can also be referred to as third-party websites. (Tranter et al. 2009, 105) Examples of OTAs include Expedia, Booking.com and Hotels.com.

Meta search engine: Meta search engines are also called as referral sites. These sites search many sites for the best price or deal available. Examples of meta search engines include Trivago and Kayak. (Tranter et al. 2009, 106)

Best rate guarantee: Guarantees that a costumer will receive the lowest rate from the organization in question. If a consumer is to find a lower rate the organization will

match this price. (Tranter et al. 2009, 318) Many hotels have started best rate guarantee programs in order to drive business from OTAs back to brand.com websites.

2 Revenue Management & Pricing

This chapter attempts to give the reader an overview of how revenue management was developed and how it was introduced to the hotel industry. The purpose of this chapter is to introduce the basic concepts and topics behind this thesis. Revenue management is a relatively new concept in hotel management as well as the online distribution of hotel rooms. Pricing and its principles are discussed in this chapter as well. Furthermore the online distribution of hotel rooms has affected today's pricing practices and those developments are introduced.

2.1 History and development of revenue management

Revenue or yield management was developed in the 1980's. The term yield refers to a return on effort or investment. The development of yield management began with the evolution of the airline industry in the United States. The Airline deregulation Act released in 1978 opened the market for multiple new airlines which consequently created tough competition. As the competition stiffened the airlines resorted to price cutting which led to a price war. This strategy of price cutting proved to be very destructive on the long-term for most airlines. This realization resulted in the creation of yield management as airlines began to offer only a limited amount of low-priced seats while maintaining higher fares to the remaining seats.

The focus was shifted to the optimization of the revenue generated rather than trying to fill the plane no matter what the cost. The Global Distribution System was developed during the same period which facilitated the use of yield management techniques. American Airlines is considered as the first company to use yield management methods with its GDS, Sabre. (Fyall, Legohérel & Poutier 2013, 2)

Revenue management is the strategic and tactical decisions that companies take in order to maximize revenues and profits. It can also be described as the art of selling the

right product to the right customer for the right price at the right time. It is used for managing capacity in a profitable way. Revenue management chooses clients based on their profile and potential contribution, therefore the door is always left open for the 'best' customers who bring in the biggest contribution. Moreover it is utilized as a decision-making tool to help reduce and forecast potential risks.

Revenue management focuses on forecasting demand, distribution channel management and inventory control. These aspects need to function flexibly as there are bound to be dynamic changes such as walk-ins, cancellations and no-shows. (McMahon-Beattie & Yuman 2011,11) Revenue management's ultimate goal is to maximize revenues. Revenue management has similarities with many other disciplines such as marketing, information technology, finance and sales. Most commonly revenue management can be found from marketing or sales domains. Revenue management is not a strategy in itself but it represents a big part of the marketing strategy. (Fyall, Legohérel & Poutier 2013, 4)

As the economy has changed from manufacturing to a service industries economy revenue management has been adapted to many businesses. Currently revenue management is applied very widely in many industries such as car rentals, cruises, energy companies and even retail. (McMahon-Beattie & Yuman 2011,12)

Revenue management can be applied in industries that have the following characteristics; fixed capacity, a perishable product, fluctuating demand, possibility for price segmentation and product segmentation. Revenue management is widely used in big companies operating in the fields of air transport, shipping, hotel business, car rentals and media agencies. It is mostly used in larger companies that deal with big volumes of sales. (Fyall, Legohérel & Poutier 2013, 7)

Revenue management systems have developed in a rapid pace. Although there are some challenges that revenue management faces such as the blurring distinction between business and leisure travellers. This is caused by the fact that more business travellers book in advance and search for low fares and therefore have become more

price-sensitive. Today's customer has access to more information and choices than before. The consumer can easily compare prices for products and services with only a couple of clicks. (McMahon-Beattie & Yuman 2011,43)

Due to these changes organizations are starting to use cost and relationship management to support their strategic goals. Businesses now realize that there is a need to be more dynamic in order to keep up with the rapidly changing environment. Cost management has become more and more important and it already has a strategic role. Cost control can no longer be based on intuition but there needs to be a structured effort for managing costs in relation to revenue performance. (McMahon-Beattie & Yeoman 2011, 43)

2.2   Revenue management in hotels

The hotel industry was one of the first industries where revenue management was applied. Hotels had always used a form of revenue management by adjusting room rates based on seasonal demand and giving discounts to high-volume customers. This however was managed manually without a computerized revenue management system. (Parker, Stuart-Hill & Tranter 2009, 23)

In the late 1980s revenue management was in the early stages of development within the hotel industry. The major American hotel chains such as Marriott, Hilton and Sheraton had started using their first revenue management systems. Revenue management could be easily applied to hotel industry because of the similar characteristics in their products such as intangibility and perishability of the product, limited capacity, fluctuating demand and price elasticity. (McMahon-Beattie & Yeoman 2011, 10)

However the hotel industry faced some initial problems while applying revenue management. One of the issues was the lack of adequate technology which made it difficult to run and analyse data. Another problem was caused by the lack of data regarding hotel guests. Hotels hadn't captured information about their guests and didn't know

who their guests were or even why they were staying at the hotel. (Tranter et. al 2009, 23)

Currently revenue management is well established in the hotel industry worldwide. In Finland revenue management is not quite so well known. Jere Talonen who is a spokesperson for revenue management in Finland was interviewed for Talouselämä magazine in January 2014. Talonen criticizes that in Finland hospitality companies are not able to respond to the expectations of those customers who are willing to pay more. He feels that hospitality companies are playing it safe and not differentiating their products or services enough by only offering price reductions or cheap prices. He argues that customers are not interested in the costs but the benefits and the perceived value. Talonen feels that the hotel industry needs to become more focused on hospitality, introduce more additional services and package those to the right channels in order to reach the right customers. (Talonen 2014)

Already in 2012 Talonen stated that companies can not foresee the future well enough and use that information to gain new profitable customers. Companies in Finland lack perseverance and settle too easily for simple solutions. He feels that there is a need for increased business knowledge throughout the organization. It is crucial to offer the right customers the right products and services at the right prices through the right channels. Talonen states that the hotel room prices on average are terrible compared to Stockholm or Saint Petersburg where the competition is much tougher. (Talonen 2012)

2.3   Pricing

Effective pricing is the foundation of successful revenue management. Its strategic importance has grown considerably in recent years. Pricing has both tactical and strategic aspects. Tactical pricing deals with short-term decisions such as daily or weekly pricing decisions. Strategic pricing takes into account the long-term aspects of rate management with an objective of increasing revenue by gaining a bigger market share. (Forgacs 2010, 77) The most commonly used pricing revenue management tools in

the hotel industry are dynamic pricing, price discrimination, rate parity and best rate guarantee.

Pricing and the positioning of a company are directly linked. However pricing is not a free element but it needs to be in line with several marketing choices such as positioning or adaptation to client segments. Pricing should directly affect the consumer's purchase decisions. It is vital to have a thorough understanding of demand in order to be able to determine the optimal price and pricing variations. (Fyall, Legohérel & Poutier 2013, 20) Both the seller's and buyer's perspectives need to be considered while pricing products or services. (Hayes & Miller 2010, 38) Demand, competition and costs analyses create the basis to pricing. Especially the analysis of costs is an important element while determining the optimal selling price.

What exactly is price? Price is a concept which can be defined as the value a company puts on its products and services. Price is also one of the four foundations of marketing (4Ps). Price is often linked to revenue generation. However it is not advisable to compete solely on price because price reductions can be easily copied by competitors. There are other ways to generate demand and gain more revenue in a sustainably way. According to a research, price was the third most important driver of purchase decision for business travellers who stayed in economy hotels. However price was the main driver for the same segment who stayed in upscale hotels. Leisure travellers who stayed in economy hotels ranked price as the second value driver when leisure guests staying in upscale hotels ranked it as number one. This shows that price isn't always the most important factor while making a purchase decision. (Forgacs 2010, 78)

2.4 Dynamic pricing

Varying prices is one of the key characteristics of revenue management. Dynamic pricing is about constantly changing and monitoring the prices. Dynamic pricing is based on flexibility. For example it means that a hotel can change its room rates on a daily basis or even within the same day in case adjustments are necessary. Dynamic pricing is

based on the fact that the right rate to charge for a room is what the customer is willing and able to pay. In case a revenue manager underprizes, the company is losing money and by overpricing they might lose business.

One example of a pricing principle which applies dynamic pricing is demand-based pricing. The idea is that during low demand periods the prices offered are also lower. When demand increases the lower rate categories will be closed and higher rates will be put in their place. (Forgacs 2010, 47)

Dynamic pricing can be a very powerful tool in maximizing hotel performance. However is it crucial to understand the demand of the market, the demand for the hotel's competitive set and also the projected demand for the hotel in question. Sudden changes in demand must be taken into consideration in pricing and prices need to be adjusted accordingly. It is important to understand the pricing decisions and customer segments of your key competitors in order to make the appropriate changes in prices for your hotel. (Forgacs 2010, 49) Dynamic pricing differs from other pricing strategies because it requires constant updating, organizational structure and flexibility and proper systems in order for it to function in the best way possible. Dynamic pricing can not be separated from revenue management or pricing as it has elements from both (Yeoman & McMahon-Beattie 2011, 115).

2.5   Online distribution's effect on pricing

The economic downturn in 2001 caused a big drop in demand in hospitality products and the hospitality companies were desperate to fill their rooms. Thus the companies turned to internet channels of distribution for help. The popularity of these channels grew very quickly and soon they already brought in significant volumes of business. For the first time the customers were able to see the pricing structures of companies. This new transparency in pricing caused by the internet forced hoteliers to rethink their pricing strategies. Many hoteliers adopted the practice of rate parity across distribution channels. (Tranter et al. 2009, 234)

The internet has changed hotels' pricing practices in a big way as it has made the consumers stronger and much more knowledgeable.

Internet can be considered as an effective channel where hospitality companies are able to sell their products at a relatively low price in order to maximize revenue. Hotels can use online pricing approach to dispose of their unsold rooms at the last minute. However these last minute reductions can also result in confusion and dissatisfaction among the customers about the hotel's pricing strategies. As already mentioned, the hotels are also losing control over their own inventory because of the large volume of hotel room nights that are being sold online. This development has increased the bargaining power of OTAs to demand the best rates from hotels. (Fyall, Legohérel & Poutier 2013, 201)

2.6   Price transparency

Price transparency is defined as the ability to observe prices. Because of the Internet, price transparency has become a feature of all products and services offered online. The availability of prices in various channels has enabled hotels to observe their competitors' pricing strategies in a more accurate way. Based on their observations they can develop their own pricing strategies or follow the competitor's strategies.

However this transparency in pricing has also enabled the consumer to assess prices across several channels. Different prices that are charged for the same products on different channels confuse the consumers. Too many different prices can lead the customer to wonder what he or she is paying for. This has been the main reason for creating rate parity. (Parker, Stuart-Hill & Tranter 2009, 23)

Perceptions of trust and fairness are big issues because of the internet based systems. These systems allow multiple prices to be charged for the exact same service or product which can be confusing from the customer point of view. The purchase conditions behind the rates aren't always explained which makes it difficult for the consumer to make comparisons between different offers. This opacity in pricing creates mistrust in consumers. (McMahon-Beattie & Yeoman 2011, 44-46)

3 Rate parity and the online distribution landscape

This chapter provides an overview to rate parity and the online distribution landscape. To begin with the term rate parity is explained and as well its current situation in the industry. Furthermore online distribution of hotel rooms is discussed as well as the major players in the online distribution landscape which are OTAs and meta search engines. Moreover the relationship between rate parity and meta search is briefly explained. Rate parity is a very current topic and changes to the online distribution landscape affect it. This chapter aims to give the reader further understanding behind the topic of this thesis and also gives some light to why this topic was chosen in particular.

3.1 Rate parity

Rate parity is defined as the practice of maintaining consistent prices across all channels of distribution. This means having the same room rate for the same room night for the same room type and with the same sales conditions in all distribution channels. Rate parity reduces customer confusion and also dissatisfaction as having the same rates across channels simplifies the booking process. Rate parity as a pricing strategy is focused on the hotel's own rate management practice. (Forgacs 2010, 79)

As mentioned in the previous chapter, rate parity was created in order to avoid price discrepancies between different channels of distribution and therefore minimize confusion among customers about hotels' pricing practices. Rate parity can guarantee fairness among all channels and at the same time helps to maintain hotel's relationships with its partners, because no channel is being favoured over another one. However rate parity has proven to be difficult to maintain.

The insistence on rate parity has changed during the years of its existence. Interestingly as the demand for hotels rose in 2003, it was the hotel franchisors who first wanted to have rate parity. The hotels were afraid that OTAs would start undercutting prices and therefore wanted to have rate parity to prevent them from doing that. Yet as hotels became smarter and presented tiered pricing for different room categories, the OTAs

began to insist on rate parity in their agreements. This was because the OTAs wanted to make sure that they have a fair chance of getting business. Nowadays even the smaller OTAs want rate parity in order to get the same rates as the big OTAs such as Expedia. Furthermore the big OTAs want to even have rate parity with the suppliers to prevent them from undercutting them. (Freed 2012)

If the customer finds rate disparity they are likely to take advantage of it. For example if a customer finds a lower rate through a third party website than the hotel's own website, they will take it. In order to fight the disparity many hotels have started "best rate guarantee" programmes that promise to give better rates than third-party sellers. These programmes have shifted booking volumes back to the hotel's own website from third parties. This change has been highly beneficial from the hotel's perspective as bookings made through hotel's own website bring more revenue. (Forgacs 2010, 79)

Rate transparency is closely linked to rate parity. Rate transparency is practically unavoidable for today's hoteliers. As customers have more access and tools to compare and look for rates has rate transparency and parity become increasingly important. This transparency poses a challenge for the hotel industry. It puts pressure on hoteliers to ensure that their rate structure has both integrity and parity. (Forgacs 2010, 79) Due to the transparency provided by the internet the rates are often diluted and there is a tougher competition on price. As the rates are visible for everyone there is constant pressure for hotels to keep the rates as low as possible. Furthermore consumers have been educated to expect a lower rate the closer they book to arrival. Another reason behind the price dilutions is the fact that hotels believe that the demand generated through making price reductions will make up for the rate reduction. (Estis-Green et. Al. 2012, 10)

Is rate parity something worth having? Some believe that it doesn't serve hotel properties' best interests. There are in fact several aspects that work against rate parity. One factor is that rate parity limits hotels from managing prices. It is not possible to lower prices for more price sensitive segments and leave prices higher for business travelers

for example. Another negative aspect as mentioned before is that some hotels run into rate parity because of the OTAs who demand parity in their agreements. It can also be very time-consuming to make sure rates match in different systems. OTAs don't always have the same system capabilities with the hotels so it can be frustrating for revenue managers to constantly monitor the rates. Furthermore having rate parity can be in some cases very unprofitable as OTAs tend to charge high commissions from bookings leaving the hotel with only a small amount of profit. This is a big problem especially as hotels are losing market share to OTAs. (EyeforTravel 2013)

However there are reasons why rate parity exists and why hotels are using it. Having rate parity can help keep the brand equity on the same level as it ensures there are no cheaper rates available on dissimilar markets. It helps the manageability of pricing across channels and aids the management of rate matrix. Rate parity simplifies thing as without parity, it would be very difficult to manage pricing to different levels of distribution. Price parity can as well create customer confidence as random price levels cause hesitation and confusion among customers. Rate parity helps to bring structure to the industry and in many cases helps to prevent price undercutting among competing hotels. Ultimately rate parity provides a foundation for effective revenue management. (Estis-Green & Lomanno 2012)

Using indirect distribution channels is much more expensive than using direct channel for the hotels. Based on this fact, hotels should be able to set more expensive rates to indirect distribution channels due to the higher distribution of costs. However because of rate parity agreements this kind of pricing is impossible. This has been one of the major issues with rate parity when thinking about the hotels. (Demirciftci 2007, 28)

As mentioned above hotels run into rate parity agreements when dealing with OTAs. These agreements require the hotels to have rate parity in all rates that the hotel sells publicly so that the hotels can't undercut prices they give to OTAs. This signifies that a hotel can't price any distribution channel cheaper even if it would be more beneficial for the hotel to drive business through that channel in order to avoid commission

costs. Furthermore these rate parity agreements give both the hotels and OTAs an equal chance to acquire a booking. However there are ways through which the hotel can work their way around rate parity. For example the hotel can offer opaque rates only to their own customer or CRM lists. Opaque rates are discounted rates which the hotels can use to get rid of unsold inventory. It is also possible to give similar rates but with value adding services included, such as free meals. By using opaque pricing the hotel can gain bigger profit with lower costs. (Evercore 2014, 2)

Rate parity has been a controversial and complicated topic for some years already. Some find rate parity solely restricting as it limits hotels from managing prices. Some don't appreciate the fact that the hotels need to have rate parity if they want to co-operate with OTAs. OTAs today monitor closely the rates that a hotel has across different distribution channels. If one channel shows a preferential rate, the hotel could face terrible penalties. (EyeforTravel 2013)

Although OTAs require rate parity in their contracts, according to RateGain's latest report on hotel pricing and parity for Europe there are variations on the consistency of rate parity between locations. The degree of rate parity between OTA's and brand websites was researched from June 2014 to August 2014. London and Paris have the most consistent parity across all hotel categories with 15%-50% of hotels maintaining rate parity. Also the majority of OTA sites have lower rates compared to the hotel's own website. This was especially the case in locations such as Amsterdam, Madrid and Prague. (RateGain 2014)

Such a report on rate parity couldn't be found on Finland alone. All in all there is a very limited amount of information on revenue management in Finland. Furthermore rate parity hasn't been researched in Finland before. This proves that there is definitely a need for this type of a research.

3.2 Controversy over rate parity

As presented in the previous chapter rate parity has been a debated topic over the last years. Rate parity seems to be a topic that people have opposing opinions on. Furthermore there have been several investigations all over the world on rate parity and whether it is legal. Most of the allegations address the fact that rate parity agreements are against the laws of competition.

For example the Office of Fair Trading has examined allegations concerning reservation sites such as Booking.com and Expedia who allegedly insisted on rate parity from hotel chains and as a result prevented competitive discounting. This investigation started already in 2010 by the CEO of discounting site Skoosh and was closed in 2014. The OFT decided to allow OTAs to continue giving discounted rates to customers who have signed up for a membership or previously booked through a specific channel. Also other legal rate parity disagreements continue in Germany, Scandinavia and the United States. (Freed & Baker 2013)

In 2013 the German Federal Cartel Office (FCO) decided that rate parity clauses between HRS Hotel reservation service and hotels in Germany were against competition law and therefore ordered HRS to remove them for their agreements. In addition the FCO found that the clauses in question also hindered market access as well as hindered competition between different booking portals. The FCO has also begun investigations into Booking.com and Expedia due to the similar clauses presented in their contracts. (Van Bael & Bellis 2014)

Some people in the travel business see rate parity as price fixing. They support this claim by the fact that suppliers and OTAs are using their power in the market to prevent the competition from lowering prices for an identical product. This issue is being looked into in several countries by anti-competitive authorities, which goes to show how difficult and messy selling and pricing hotel rooms has become. Moreover there is concern regarding the emergence of rate clauses which are included in hotel-OTA contracts. In these clauses the OTAs demand that hotels can't offer lower rates to costumers through the hotel's own booking system or website. (Kelly 2014) Only time will tell

whether these continuous investigations will change the role of rate parity or whether it will cease to exist completely.

3.3 Online distribution of hotel rooms

Before the era of the internet, the majority of bookings were done through reservation offices or travel agencies. As the use of internet grew, the booking volumes shifted to online channels. In the mid 1990's online travel agencies such as Expedia started to offer travel products such as hotel rooms directly to customers. Hotels were a bit reluctant to offer online bookings and it took time before they fully understood and grasped the potential of internet. For example in 1998 only 50% of major hotel chains provided online reservations. (Forgacs 2010,88; O,Connor 2003, 92)

The fact that the development of online distribution of hotel rooms was slow from the hotel side had negative effects on their business. The OTAs were ahead in development of online distribution and were able to offer cheaper prices on their sites than on the hotel's own website. This caused price disparities among the distribution channels which hurt the perceptions of the consumers of the hotel. (Gazzoli et al. 2008, 376)

The internet has changed how business is run in a big way. The significance of online hotel distribution has grown rapidly during recent years. This is why it has also become an important part of hotel revenue management. Online distribution has both helped and harmed the hotel business. On one hand it has helped hotels dispose of their unsold rooms at the last minute but on the other hand online channels can cause confusion and negative perceptions about the hotel's pricing practices.

Also the fact that there is a vast amount of online channels has decreased the hotels control over their inventory. Such a high volume of rooms are being sold online which has increased the bargaining power of OTAs to demand the best rates from hotels. Many OTA's market themselves as always having the best rates available (Fyall, Legohérel & Poutier 2013, 14)

Today's hotels have an immense amount of channels to choose from. This is why hotels have to be spot on with their distribution strategy to in order to get the most out of these channels. It is crucial to have the optimal channel mix to achieve the maximal revenue. Each channel has its distribution cost. These costs can vary between 10% and 50% of revenue. While making channel decision it is important to take these costs into consideration as well. Direct distribution channels bring the most profit as the distribution costs are much lower as well. Managing channel costs closely as well as choosing the optimal mix of distribution partners can perfect the hotel's distribution strategy. Furthermore a good channel mix and distribution strategy can lead to optimal results at both brand and hotel level. (Estis-Green & Lomanno 2012, 6)

The online environment is a tricky environment to be operating in because of constant and substantial changes to online hotel distribution. The online landscape is also an extremely competitive environment with OTAs, supplier websites, tour operators and meta search engines. In the travel sector the big players on the internet are increasingly centralized and there are only a couple of players that control the field. (e.g. OTAs and Facebook) OTAs for example are really well positioned and can control the traffic that increases the demand for hotels. These companies have massive amount of money to invest in marketing strategies and are easily able to attain an almost monopoly position. For hotels this means increasing costs of acquiring demand which makes it difficult for them to make acceptable profits. In order for hotels to compete and regain control of pricing they need to manage an array of marketing channels and take control of its customer relationships. (Estis-Green & Lomanno 2012, 6)

3.4   Online travel agencies

As mentioned in the previous chapter, before the era of the internet traditional travel agencies acted as intermediaries between hotels and travellers. The emergence of internet has changed the relationships between hotels and travel agents. The traditional agent-principal relationship is gone. Nowadays OTAs act as more than just intermediaries and more as business partners or vendors.

The proliferation of internet has strengthened the role of OTAs to the extent that they pose a threat to the traditional distributors. OTAs have become big organizations serving the hotel industry through only online channels. Some examples of the largest OTAs include Expedia.com, Orbitz.com and Priceline.com.

One reason behind the popularity of the online travel agencies is the fact that they are very customer-centric. Also the fact that the public has become more confident doing online purchases has increased business for OTAs. For example both Expedia and Hotels.com gained 4% more reservations on 2009 compared to year 2008. (Guillet, Lee & Law 2013, 96)

Although online channels are not very profitable due to high commissions, it's crucial for hotels to be present on the internet because most customers begin their search for accommodation online. Several travellers use a number of sources while making their travel arrangements with almost half using more than one device for making bookings. OTAs such as Expedia win the customer over with their low prices and big promotions. (Freed 2013)

OTAs operate with several different business models. Two of the most common models include the merchant model and agent model. The merchant model is the most successful internet business model for selling hotel rooms. The concept the merchant model uses has been utilized for years. The model is based on an agreement between the hotel and the merchant where the online agency is able to sell negotiated capacity allotment until a certain date. The hotel sells the inventory at best available rate (BAR) to the agency and the agency adds its own mark-up on top of the price. Traditionally this mark-up is between 20-30%. Some examples of OTAs operating with merchant model are hotels.com and Expedia. (Forgacs 2010, 90)

The agency model is solely based on commissions. There are no capacity or rate restrictions. If a customer finds a room night on an OTA site, the hotel pays commission in return for the sold room. This model gives more control for the hotel over their price and availability. (Forgacs 2010, 90)

These online companies invest vast amounts of money in advertising in order to create a positive brand image in the minds of the costumers. OTAs attempt to persuade customers to believe that the best rates and services are offered through their websites. (Demirciftci 2007, 38) Therefore it is difficult for hotels to keep up with OTAs because hotels don't have the resources to put the same effort into advertising their own hotel website.

3.5 Meta search engines

A meta search engine is a tool for comparing prices offered by different OTAs. Meta search for travel products has been around since the early 2000s but only recently it has become a massive trend in the travel industry. Some of the biggest meta search engines for tourism products include Kayak, Trivago and Google Hotel Finder. (Goulden 2014) It is not possible to make actual bookings through these sites as they are developed only for making comparisons between different sites.

As a result of the emergence of meta search, many new third party intermediaries have entered the distribution landscape. These intermediaries (e.g. Google, Facebook & Apple) will become so called gatekeepers as they grow into being the preferred points of sale for customers to shop for travel products. The gatekeepers are powerful financially and have the potential of attracting large number of business. It is possible that more than half of hotel bookings could go through third-party intermediaries before reaching the hotel. (Estis-Green et al. 2012, 2)

The online travel search has become increasingly centralized during recent years. Two of the biggest OTAs keep on buying smaller search engines. For example Priceline bought Kayak, a flight and hotel search engine and Expedia bought the German meta search engine Trivago. These few players have a lot of power and resources at their disposal. (Edleson 2013) These acquisitions will further intensify competition in online distribution especially in Europe. It also means that with Trivago investment Expedia wants to be more aggressive in the European market, especially on the hotel booking side. (Tsuruoka 2013)

The value these meta search engines provide for consumers can't be denied. Through introducing real-time availability and pricing as well as permitting rate shopping, the consumers now have everything they need to book their stay in one place. It has been extremely important for hotels to know their guests and their online purchasing behavior in order to get booking conversions to go up. Tripadvisor has recently conducted a study where 50% of the respondents agreed that meta search engines and other price comparison sites save time and help finding the price to match their budget. (McCartan 2013)

Expedia and Priceline's interest in meta search goes to show that more and more consumers worldwide want to facilitate their travel shopping and save time and money. By having the best travel deals in one place, the consumers don't need to search for several websites in order to make price comparisons. Meta search functions particularly well for hotel bookings because of the fragmented nature of the market. Meta search is becoming increasingly attractive for customers worldwide who encounter an information overflow from competing websites. (Tsuruoka 2013)

3.6   Meta search and rate parity

Meta search can be seen as good or a bad thing when considering rate parity. Meta search can help to find price discrepancies across different distribution channels for a specific property. It also gives an outlook on overall rate behaviour in a certain market during a certain time. Currently when rate parity is still very much in use, the OTAs are indistinguishable from their competitors from a pricing perspective. Rate parity also prevents OTAs from competing with price in order to gain bigger market share. Therefore rate parity helps to build brand integrity which results in costumer confidence as well as protects the direct channel of distribution. If rate parity ceases to exist or rate parity agreements become looser, the value of meta search will increase massively. (McCartan 2013)

If hotels are co-operating with meta search engines it is important to be mindful of rate parity. Hotels that put more expensive rates to meta search platforms and therefore

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have rate disparity, jeopardize having their hotel's own website drop below the more inexpensive links from OTAs. Consequently this makes the hotel lose important business. It is of key importance that the hotel is situated high in the meta search result listings since almost half of the clicks go to the first position on the list. Although meta search is costly for the hotels and the competition is tough, these channels bring appreciated traffic to hotels. (Mayock 2014)

4 Customer perspective

This thesis has its emphasis on the hotel perspective of revenue management and pricing. The concept of revenue management is not so well known among the average consumers and consumers don't always understand revenue management policies. Due to OTAs and changes in online distribution, customers can now see hotel's pricing structures more clearly than ever. This chapter attempts to give an overview of how customers see revenue management and pricing.

4.1 Customer perspective on revenue management

Although revenue management is a widely accepted method of maximizing revenues, there have been studies concerning the customers' perceptions of fairness of revenue management. According to a research by Choi and Mattila, revenue management practices might alienate customers because of perceived unfairness which consequently led to decreased customer satisfaction. (McMahon-Beattie & Yuman 2011,43) Revenue managers should make sure the prices charged are considered as fair. However it is difficult to determine what is fair because ultimately it is the individual buyer who decides that level. (Hayes & Miller 2011, 139)

Trust is also one of the most important factors influencing customer's perceptions of revenue management. Price discrimination which is widely used in revenue management systems may weaken the trust in a business as buyers feel they haven't been treated equally with other buyers. Trust will be earned if customers fully understand the choices and restrictions on purchase. The more transparent and well explained the rev-

enue management decisions are, the more satisfied the customer is as well. (McMahon-Beattie & Yuman 2011, 56)

4.2 Customer perspective on pricing

As stated earlier while discussing the fairness of revenue management, lack of openness in pricing creates mistrust in customers. Several pricing studies propose that customer reactions on changing prices don't just depend on the extent of change but also on buyer's perceptions on the motivation and circumstances behind the change. Generally an increase in price which resulted from an increase in seller costs was considered as fair whereas it was considered unfair if the increase stemmed from increased customer demand. (McMahon-Beattie & Yuman 2011, 61) Naturally if pricing is considered unfair the satisfaction also decreases. This dissatisfaction can have a big impact on a hotel's performance as the brand image is directly affected by it.

Value creation plays a significant role in pricing perceptions. In order to determine the optimal price one must understand the value drivers of the customers. When the price and the value are in line it creates trust and satisfaction in the costumers. Customers have the tendency to go for the lowest price offered. (Tranter et al. 2009,)

Overall customers believe that they deserve decent prices and also that hospitality companies should make profit at the same time. However if this relationship becomes favourable for the company, customers may start to see the pricing practice as unfair. Mattila and Choi have conducted a study on hotel revenue management's impact on customer perceptions of fairness. According to the study if the hotel's pricing policies were thoroughly explained during the reservation phase, it enhanced customer perceptions of fairness in pricing. (Choi & Mattila 2005, 448)

To sum up the more the hotels open up their revenue management and pricing policies to the customers, the more satisfied the customers will be. Hotels should educate their customers on the dynamic nature of the business to achieve greater trust from the cus-

tomers. However it can be difficult to communicate the pricing principles to customers as there are hundreds of different reservation possibilities and the information should be available in every channel of distribution.

4.3 Summary of the conceptual framework

Presently revenue management is well established into the hotel industry. The online environment has affected revenue management and pricing practices in a big way. Managing online distribution is in a major role in hotel revenue management as booking volumes on the internet are still increasing. Revenue management today faces challenges such as the quick development in technology which affects the online distribution of hotel rooms.

As the hotels were slow to react to the changes to the internet, the OTAs gained an advantage over the hotels. Even though rate parity was first insisted upon by the hotels, later the OTAs took control and started requiring rate parity in their contracts. Currently the hotels are trying to shift the power back from the OTAs by introducing their own best rate guarantee programmes.

Rate parity as well as the online distribution of hotel rooms is in turmoil. There are several court cases that are being investigated regarding rate parity and whether it is anti-competitive and breaks the laws of competition. Rate parity and whether it is relevant anymore has been discussed. Furthermore it has been discussed who has the pricing power in the complex world of selling hotel rooms online. There are several players in the industry which are affecting rate parity and online distribution of hotel rooms.

On the other hand customer perception has also had an important role in the creation of rate parity. Rate parity can be seen as fair from the customer point of view as it creates customer confidence in the hotel's pricing practice. Overall the customer point of view shouldn't be forgotten when applying revenue management and pricing practices.

5   Research methodology and data collection

The aim of this chapter is to introduce the entire research process and also to justify the chosen data collection and analysis methods. This research is conducted as a qualitative research. The data collection was done in the form of interviews with industry experts. Secondly inductive approach is used in order to analyse the data.

5.1   Qualitative research

Qualitative research uses techniques that attempt to gain an understanding of attitudes, interests and opinions related to the topic. It provides complex descriptions on how people experience the research issue. Qualitative research is unstructured and it focuses on narratives, images and concepts rather than numerical values. The emphasis is on understanding rather than measurement itself. (Bradley 2010)

Qualitative research is often done on a certain group of people. One major goal of qualitative research is to find concordance among the respondents. The researcher attempts to find agreements and similar answers from the respondents through interpretation, experiences and perceptions. Qualitative research methods don't need to be extremely structured which makes the replication of the findings very difficult. (Kumar 2011)

When researching rate parity's role in hotel revenue management, expert interviews seemed like the most appropriate approach. The research on the industry opinions on rate parity has been very limited especially in the case of hotels in Finland. The relationships between OTAs and hotels are quite a new topic and there is a limited amount of research on the topic. Both topics are also very current and there are constant news about rate parity.

5.2   Inductive approach

The main purpose of the inductive approach is to build new theory as there is a lack of existing theory on the topic. The starting point to inductive research is the identifica-

tion of problem or question that needs an answer. After the collection of data the focus is on finding patterns, connections and relationships from the data. Based on these connections, the researcher attempts to create meaningful explanations or theories. (Brotherton 2008, 16)

No existing hypothesis can be found in the beginning of the research and the researcher is not sure about the type and nature of the research outcomes before the study is fully completed. In inductive approach there is no theory at the beginning of the research. Theories can be developed on the basis of the data analysis. An example of the theory creation pattern:

Figure 1. Inductive approach

Inductive approach emphasizes deep understanding of the research context, there is less need to generalize information and the more flexible structure of this type of research allows changes in the research emphasis as the research goes on. (Wilson 2010, 8-9)

5.3 Justification of research methods

The objectives of this thesis had on emphasis on understanding rate parity as well as the relationships between hotels and OTAs. Therefore qualitative approach to research was chosen for this thesis as it serves the topic in question well. There is also a lack of theory on the topics mentioned above. Hence it was decided that the research will be done with industry professionals who can provide valuable insights on rate parity and OTA-hotel relationships. The individuals who were interviewed deal with rate parity on a daily basis so they were considered the best option for providing information on

what the situation of rate parity is currently and where it is headed. To collect the information from these professionals, expert interviews were the most appropriate method of data collection.

There are two possible ways how qualitative data is analysed; deductive and inductive approaches. Deductive approach in based on existing theory and the objective is to find hypothesis from this theory. Therefore this approach was not suitable for this thesis as there is a lack of existing literature on both rate parity's role and OTA-hotel relationships. As a result the inductive approach was chosen for this thesis in order to reach the objectives set in the beginning. Moreover the inductive approach is more suitable because of the flexible nature of the interview analysis.

5.4 Data collection

The following chapters attempt to explain the data collection process as a whole. The data collection method and process should always be carefully planned as these choices highly affect the end results of the thesis. (Brotherton 2008) As mentioned earlier the chosen data collection method was semi-structured expert interviews because it was the most appropriate for the purposes of this thesis.

5.4.1 Semi-structured expert interview

The data collection process for this research was done by semi-structured interviews with industry experts. In expert interviews the interviewees' personality is of less interest and the emphasis is on their expertise and capacities. This form on interviewing is designed for specific groups of interviewees. It is important for the interviewer to restrict the interview and the interviewee in order to gain the best results. Expert interviews can be used for theory or typology generating purposes which is the case in this thesis. (Flick 2014)

One of the advantages of semi-structured expert interviews is the flexible nature of the process of data collection. This flexibility allows the interviewer to probe and explore issues in a more thorough manner. Interviewing is seen as a desirable method of data

collection especially if in-depth data is required. Expert interviews can also provide unique inside information on the topic. (Brotherton 2008, 152)

The semi-structured interview is a good data collection method for this research because it is structured enough to address specific topics, which in this case are related to the research questions. The semi structured interview leaves space for participants to introduce new insights to the focus of the study. It also allows reciprocity between the interviewer and the interviewee which in return allows the researcher to ask additional questions or clarification on the topic. (Galletta 2013, 24)

5.4.2 Formulation of the questions

One interview structure was created for this research and only one set of questions. The questions were formed based on the main themes of the literature review and also the objectives set in the beginning of the thesis writing process. Some interviews were conducted in person but because of schedule difficulties some were done in the form of online survey. The same set of questions was asked both in the survey and in face-to-face interviews. It was quite challenging to come up with questions that the research would benefit the most from. It was also difficult to assess whether the chosen questions would give the anticipated answers.

The interview consisted of 11 questions. The questions were divided into several topics. The main topics of the interview questions were rate parity, the relationships between OTAs and hotels and finally customer perspective on rate parity and revenue management. In the beginning of the interview the background of the interviewees was asked in order to create respondent profiles. These profiles help to explain the purposes behind the respondents' answers. There were four sub questions for the respondent profiles. Overall there were four questions regarding rate parity and its current and future role in hotel revenue management. Furthermore there were four questions about the relationships between OTAs and hotels and also what kind of co-operations OTAs offer. Finally there was one question regarding the customer perspective on rate parity and revenue management. The interview can be found as an attachment.

The process of formulating the questions began with reading through the literature review and finding the main themes. As the main themes were rate parity and hotel-OTA relationships, four questions were created for each topic. Moreover the question on customer perspective was added to give the interviews additional depth.

5.4.3 Data collection process

The interview invitations were sent between 29th September and 1st of October 2014. All the possible interview candidates were sent an invitation letter including the questions. The invitation contained information about the confidentiality of the research and also whether the respondents will receive the results. Also there was a brief introduction on the research topic. The length of the interview was not specified in the invitation.

The respondents were given the option of choosing the time and the place that worked best for their schedule. However a deadline for the interview was also given. The structure of the invitation to the interview can be found from attachment 1.

Some of the interview candidates were suggested by the supervisors and some were found after doing some research. One candidate was already an existing contact through work. Overall 13 emails were sent out to the chosen candidates. Because of tight schedules it was difficult to find a time to conduct some interviews. Therefore two participants answered an online survey. From these thirteen possible candidates, eight gave a positive answer. However one candidate was too busy at the end of the day to answer the questions.

The interviews were conducted between 2nd of 13th October 2013. The interview times and places were agreed upon by email. Due to time constraints some interviews were done through an online questionnaire instead of a face-to-face interview. Overall five interviews were conducted face-to-face and two through the online questionnaire. Four of the interviews were conducted in Finnish and one in English. All five of the face-to-

face interviews were recorded with the permission of the respondents. The interviews were also transcribed within 24 hours of the interviews in order to maintain the reliability of the results.

The focus of the interviews was on rate parity's role in hotel revenue management. Another main topic was the relationships between OTAs and hotels. Therefore the interviewees were selected based on their experience in the field of revenue management and distribution in hotels. Some of the interviewees worked independent hotels and some in chain managed hotels. As mentioned earlier, some of the contacts were suggested by the thesis supervisors, some were found after some research and one was the author's existing contact through work.

5.5   Limitations

This research is conducted from the hotel perspective and therefore it lacks the OTA's point of view. It would give more of a full understanding on both rate parity and the OTA-hotel relationships if the OTA representatives had been interviewed as well. Furthermore all the interviewees operate in hotels in Finland which limits the research results to Finnish market only. If industry professionals working in other markets had been interviewed it would give insight on what the situation is in different countries.

One limitation of this study is the use of two different methods of collecting data. Due to hectic schedules two of the respondents answered the interview questions through an e-mail questionnaire. The answers from these interviews don't have the same in-depth nature as the other face-to-face interviews. Although after sending the first set of questions, a couple of additional questions were sent based on the answers. Due to the use of different data collection methods, the depth and quality of the answers vary.

Another limitation is the fact that all but one of the interviews were conducted in Finnish, therefore for the results the interviews needed to be translated to English. Every word can't be translated exactly from Finnish to English and that is why the translation might have a slightly different meaning compared to the original answer. Furthermore one interview was conducted in English and therefore the original questions needed to

be translated. This might cause the interview questions to be slightly different from the original set of questions as some meaning can be lost in the translation.

6 Results and findings

The respondents were all interviewed individually and all of the respondents were already familiar with the topics discussed during the interview. Most participants worked in revenue management in hotel chains. Moreover a couple of respondents worked in individual hotels. All the respondents had several years of experience in the field of revenue management.

The results are analysed according to the main themes of the interview. Firstly the respondent profiles are introduced. Secondly the results from the main themes are discussed. These themes are revenue management, OTA-hotel relationships, rate parity and customer perspective on revenue management. Most of the questions addressed rate parity and OTA-hotel relationships as those are the major topics in this research.

6.1 Respondent profile

The first questions of the interview were used in creating a respondent profile which can be seen from table 1 below. The current position, the type of hotel the respondent is employed in and their experience in the field of revenue management are identified in the table. The respondents were numbered from 1 to 7. This numbering is used while discussing the results and to help identify individual responses from one another.

Respondent	Position	Work place	Years with RM
1	Revenue Manager	Hotel group	4
2	3rd Party & Distribution Manager	Hotel group	11
3	Revenue Manager	Hotel group	8
4	Rev Manager & Chef Concierge	Independent hotel	4
5	Revenue & Front Office Manager	Independent hotel	5
6	Hotel & Revenue Manager	Hotel group	15
7	Revenue & Distribution Manager	Hotel group	7

Table 1. Respondent profile (Himanka 2014)

6.2 Revenue management

According to the respondents today's revenue manager's job description entails a lot of different aspects. When asking about whether the respondents' jobs include other responsibilities besides revenue management, almost all said yes. These responsibilities ranged from being a part of the executive group to managing the reception. According to the respondents, the job of a revenue manager is very versatile and requires many skills. It was said that today's hotel revenue management consists of distribution management, pricing and also managing the relationships between different partners. Especially managing distribution had an important role in many of the manager's jobs. Analysing, making conclusions and creating strategies for the future were mentioned as important aspects of revenue management.

In today's revenue management it is important to have the correct systems that facilitate the manager's every day work. It was mentioned that channel managers help to manage rates as well as room inventories. One of the managers mentioned that her job entails helping hotels with their property management systems and she also makes the possible changes to between different systems.

The respondents said that in the future revenue management will develop towards total revenue management where the pricing of all departments of the hotel is controlled. It was also mentioned that good revenue managers will be able to stand out and make more profit in the future due to changes to rate parity. One challenge which was brought up by the respondents was the fact that the distribution channels are able to put more money into developing technological solutions than hotels. Therefore hotels are likely to fall behind.

6.3 Relationships between OTAs and hotels

When the respondents were asked about the relationships between hotels and OTAs, all of them seemed to have their own opinion on the matter. All of the respondents are in contact with the OTAs on a regular basis. Usually the respondents contact OTAs

when there are some sorts of problems or questions. Some of the revenue managers mentioned that they have meetings several times a year with the OTA representatives. Generally all the revenue managers are in contact with OTAs at least on a weekly basis. Only one respondent said that he isn't in direct contact with the OTAs often.

6.3.1 Current status of the relationships

According to the respondents the relationships between OTAs and hotels are currently quite good. The co-operation was described as natural and some respondents didn't see any problems with OTAs. Respondent 1 thought that the relationships are great nowadays with the big OTAs such as Booking, Expedia and HRS. The respondent felt that there is an open dialogue between hotels and OTAs and that the relationships need to be good because the OTAs bring in a lot of business. It was also mentioned that OTAs are a positive thing because they provide visibility to hotels on an international level. The hotels need the OTAs as they bring in a lot of business and exposure. Especially the small hotels that don't have their own marketing organization need OTAs as it is the only way for them to gain visibility internationally.

One good thing about the co-operation with OTAs was that it is easy to contact them. It was said that the biggest OTAs have a Finnish team working for them which makes the co-operation easy. They also reply quickly and help out always when needed, especially the big OTAs keep in touch with the hotels well. Although it was mentioned that they need to try to help the best they can because the competition is tough even between different OTAs.

Interestingly respondent 2 said that they have started and broadened co-operation with certain OTAs which had been extremely stubborn and difficult to deal with in the past. The respondent mentioned that now they OTAs starting to feel more like partners. Several respondents also had noticed that the OTAs are not as aggressive nowadays as they have been before. The respondents felt like the OTAs have started to listen to the hotels more and have realized that the hotels can fight back. One example that was mentioned in several answers was that Scandic had pulled rooms from one OTA about a year ago. Other hotels have also fought against this OTA during recent years to lower

the commissions. Pulling rooms from sale was said to be the only way to make the OTAs negotiate.

One major issue related to the OTAs were the extremely high commissions. It was said that OTAs are very expensive for the hotels but the respondents didn't think hotels would survive without the immense amount of marketing and visibility they provide. The respondents felt that hotels are dependent on OTAs in a sense which gives them more power. Respondent 3 explained:

> "I don't think we would manage without the big OTAs such as Booking or Expedia. I don't see them as a negative thing or as our enemy or that they want to take something from us. They need us and we need them."

It was also mentioned that although the OTAs bring a lot of business and the co-operation is good, it comes at a high expense for the hotel and the objective is to drive booking volumes to the hotel's own website. Respondent 5 however felt that the OTAs take more than they can actually give. Although they bring in a lot business, the commissions are so high and the OTAs provide the same visibility to all the hotels that make deals with them.

The respondents brought up the fact that if the co-operation doesn't work with certain OTAs then the hotels simply won't work with them. In that sense the hotels seem to have a choice over who they work with. Especially the respondents from individual hotels seemed to have the ability to choose which OTAs to work with. Furthermore it was mentioned that all the OTAs work a bit differently and the relationships with some are more strained than with others. One respondent described the relationships as passionate and sometimes a little out of control. The respondent explained that sometimes one needs to monitor and guide things.

6.3.2 OTA-hotel relationships in the future

Some respondents commented on the future of the relationships between OTAs and hotels. In general it seemed like the relationships are getting better all the time. However respondent 2 said:

> "The relationships are going into a better direction and I believe that the development continues but I don't believe the change will show in the contracts very quickly."

It was mentioned also that even though the relationships are good at the moment and will continue to be so, the hotels will always be the underdogs.

Furthermore it was mentioned that the economic situation will affect the hotel-OTA relationships. If the economic situation gets worse the more hotels will become dependent on the OTAs which in return gives them more power. However if the economic situation gets better the respondents felt like the hotels will be able to hold their ground. Overall it wasn't quite clear what will happen to these relationships as there are so many aspects that affect them.

When asking about what kind of co-operation OTAs offer, the respondents identified several different forms. The OTAs offer the hotels different kind of campaigns, discounts and offers for the hotels. The objective of these campaigns is to bring in more business. However respondent 7 didn't like the fact that the OTAs ask for discounts from the hotel and a bigger commission in order to give their loyal customers a less expensive price. This price however will go to anyone who has ever made a reservation through that channel.

Moreover the OTAs offer reporting as well as different kinds of packages. According to the respondents the most important form of co-operation is marketing. Their marketing helps the hotels sell their rooms as well as gain international visibility. The respondents also mentioned that the OTAs offer rate parity surveillance and loyalty pro-

grammes both for the hotels and the customers. Although the OTAs offer many forms of co-operation, they seem to come at a high price for the hotel.

6.4 Customer perspective

Although the emphasis of this thesis is on the hotel perspective of revenue management and rate parity, the customer perspective shouldn't be forgotten. Therefore the respondents were asked how they think the customers see these practices. The respondents seemed to agree that the general public doesn't really know what revenue management is and don't understand how hotel's pricing works.

6.4.1 Customer perspective on revenue management

When asking about the customer perspective on revenue management the respondents seemed to agree that the customers don't really know what it is. It was said that revenue management is an unknown concept to the average consumer. The average customer sees that the prices fluctuate but might not understand the reason for it. Respondent 3 thought that the customers don't know what revenue management is and that they don't even need to know.

However it was mentioned that customers who travel more or travel for a living know what revenue management is and understand how it works. Respondent 6 said that business travellers don't really care about the prices or revenue management. Several respondents noted that the customers seem to understand revenue management better when it comes to airlines but not so well when talking about hotels. In general the respondents felt that the customers are starting to slowly understand hotel revenue management more and more.

Another interesting aspect that came up was the fact that it is not always the best and safest choice to book through the cheapest option available. The respondents mentioned that customers tend to go for the cheapest price without considering whether the OTA is safe to book from or not. However respondent 2 thought that the customers are slowly starting to realise that it can be risky to choose the cheapest price. Fur-

thermore it was said that customers can be a bit lazy to read the sales conditions and other information regarding their booking. This in return adds confusion towards hotels revenue management and pricing practices.

6.4.2 Customer perspective on rate parity

According to the respondents rate parity was seen as a positive thing when thinking about the consumers. It was said that it is a good thing because rate parity ensures the customers that they will pay the same price. Rate parity also makes their life easier as they don't have to go through as many websites while making a reservation. In general most respondents said that the customers don't know and some don't care about rate parity. Rate parity can be a confusing concept but at the same time it ensures and soothes the consumer that the price he or she is paying for is fair. Respondent 1 mentioned the people who travel more understand rate parity's possibilities and benefits. However the average traveller doesn't know what it is and don't realise the protection it provides.

Moreover it was said that some people don't care about rate parity but there are also those who try to find rate discrepancies and take advantage of them. Meta search engines have made rate shopping very easy for the consumers. Interestingly many of the respondents mentioned meta search engines when talking about customer perspective on rate parity. Several respondents considered meta search engines as confusing for the customers because these engines give visibility to price discrepancies and those OTAs who buy their rooms from tour operators. It was said that it is easier to have rate parity across channels as customers don't understand why there are differences in prices in different channels. Conversely respondent 4 believed that meta search engines are good for the customers they give customers a choice of comparison and provide them a list with all hotels available.

6.4.3 Customer perspective to dynamic pricing

When asking about how the hotel communicates dynamic pricing the respondents seemed to agree that they don't communicate it in any specific way. It was explained that the dynamic nature of the prices can be seen in the price fluctuations but hotels don't really explain their pricing anywhere. However the hotels communicate their pricing when there are some campaigns or price reductions for a specific period. For example for summer holiday campaigns the prices are marketed as "starting from", this indicates that the prices change. The hotels also sell dynamic pricing to contracted partners such as companies. The companies get a certain percentage off the daily rate. Furthermore it was discussed that the hotels don't tell the customer the different prices for different arrival dates.

When customers ask about the price fluctuations the common response according to the respondents was to tell the customers that the prices vary according to the season and the occupancy. Respondent 6 mentioned that customers are slowly starting to ask for the daily rate and therefore understand that the prices fluctuate. The respondent said that the change has been slow and heavy but people are starting to realise how pricing works in the hotel business as well. Conversely respondent 5 said that very often they have to explain the guest how the price varies and changes. Moreover the respondent mentioned that some hotels have different prices every day when some are more stable. It is up to the hotel to decide how dynamic the prices are.

6.5 Rate parity

The term rate parity was more than familiar to all of the respondents. Rate parity seemed to be a very thought-provoking topic. The respondents had different opinions on rate parity and whether it is a positive or a negative thing in hotel revenue management. According to the respondents rate parity as it currently stands has both pros and cons.

6.5.1 Advantages of rate parity

One of the advantages of having rate parity that was mentioned was the fact that it is easy to control the rates the hotel gives to its partners. Especially if the channels are directly linked it facilitates managing rate parity and the parity will exist between those channels. According to the respondents during recent years especially technology has helped dealing with rate parity. For example respondent 2 replied that there is no problem with OTAs whose extranet they update directly, they give them a certain price and rate parity exists between those channels. Respondents 1 and 2 both mentioned that having channel managers really helps the management of rate parity.

Another positive aspect brought up by the respondents was the fact that rate parity is clear both for consumers and the hotel. Respondent 2 also said that rate parity makes it possible for hotels to do business profitably with OTAs. The respondent clarified that hotels can co-operate with OTAs more equally because having rate parity means that the OTAs can't start making price reductions which would mean that hotels would have to respond in some way.

Respondents 5 and 7 felt that rate parity currently is working quite well and people working in hotels are starting to understand it and its significance more and more. On the other hand respondent 1 mentioned that rate parity has been in a static stage since he started working in revenue management. It also came up that rate parity is a good thing for other channels except for the hotel's own website. This is because the hotels would like to price their own site cheaper and drive more business to that channel. Although another respondent didn't see rate parity as a problem for all channels including the hotel's own website because after all it is the hotel who decides the price level.

Many of the respondents thought that rate parity is a good thing but they listed several problems that are related to it. For example respondent 3 said:

> "If all the systems are working as intended, managing rate parity is very easy. We decide the price and the same price goes to all of our contracted channels."

The respondent also mentioned that rate parity is a good thing if it works as intended. This shows that rate parity is easily managed if everything works although there are some underlying problems.

6.5.2 Challenges related to rate parity

In today's revenue management, the respondents recognized that rate parity is difficult to maintain. The reason behind that is the fact that all channels have to have rate parity whether it's an OTA or the hotels own sales department. There needs to be rate parity between all the prices that are sold publicly and that is what has caused problems for hotels. According to respondent 2 hotels were the ones who insisted on having rate parity but later when hotels became more and more dependent on OTAs, the OTAs started to require rate parity in their agreements and these agreements made managing rate parity a bit difficult for hotels.

According to the respondents one of the major problems to rate parity is caused by tour operators. Especially the big hotel chains with a lot of rooms to sell are dependent on tour operators. Traditionally these operators sold to leisure market but they have started to sell to other markets as well. It was said that these tour operators are problematic because the hotels sell rooms to them at a lower price and the tour operators sell these rooms forward to online travel agencies although it's not allowed. This is problematic because it causes rate discrepancies. Respondent 2 explained that

> "Rate parity is a negative thing for us because it is very difficult to supervise where these prices meant for tour operators end up and what the final price that is charged is."

According to the respondents this is a problem that will be there as long as hotels cooperate with tour operators. It was mentioned that the hotels can find out which tour

operator is selling rooms to OTAs by making a test reservation. After this the hotel can contact the tour operator about the violation. Although tour operators are causing lower rates to end up being sold online, OTAs don't react to these rate discrepancies as aggressively as they know that hotels can't do anything about it.

One thing that had become worse according to the respondents was the fact that these tour operators have started selling to other tour operators. Therefore the distribution chain becomes very long. According to the respondents this causes reservations to go missing along the way or the reservation reaches the hotel a long time after the reservation was made. Some of the respondents told that the customers have even lost their money by booking a room through an unreliable OTA.

However, only the respondents who work in hotel chains considered tour operators as a problem. The respondents from independent hotels didn't mention having problems with rate disparity due to tour operators. For example respondent 5 directly said that they don't have this problem at the hotel the respondent works in, but the respondent has seen this issue while working for other hotels.

Some respondents saw meta search as a negative thing considering rate parity. According to the respondents meta search engines such as Trivago give visibility to these OTAs who can price lower because they buy from tour operators. It was also said that meta search engines create the impression that rate parity doesn't exist. Respondent 2 found it funny that all the big OTAs own Trivago, Kayak etc.

The respondents also recognized that maintaining rate parity can be time consuming. It was mentioned that partially this was because of the rate discrepancies caused by tour operators who sell to OTAs. Respondent 2 said that it can be very challenging and time-consuming to find out why a channel is selling cheaper and what the problem with it is, especially when these discrepancies happen often. An additional problem that was mentioned is the channels that are not directly linked to the PMS system. Without the direct link different room classes sell at different paces and it's not possible to constantly follow and update the system.

Another negative aspect which came up from the respondents' answers was the fact that because of rate parity agreements, doing any tactical campaigning is quite impossible. Both respondent 2 and 7 agreed that campaigns have not been taken into consideration in rate parity agreements. It was said that it's not possible to do a campaign on just one site e.g. the hotel's own website. If a hotel wants to do a campaign it's not possible to do it on just one site but the hotel has to give the same price to all the channels causing the campaign to become more of a general price reduction across channels. It was said that one really needs to think carefully whether it will be beneficial to do a specific campaign and if it will reach the desired outcome.

Furthermore one of the respondents stated that rate parity is dangerous and restricting the freedom to price. Moreover respondent 1 saw rate parity as restrictive. The respondent thought that rate parity constricts not only his work but also the competition. The respondent also mentioned that rate parity allows him to evaluate the competition much more effectively because he knows what binds them.

One aspect that was brought up by the respondents was the court cases regarding rate parity that are currently going on in several countries.

6.5.3   Current role and future of rate parity

When asking about the role of rate parity, the respondents were quite unanimous. Most of them agreed that rate parity has a quite a big role in today's revenue management in Finland. Some mentioned that it has a big role due to the fact that it requires constant work to maintain parity across channels. Respondent 1 thought that rate parity has a significant role and it is something that you need to take into consideration but it doesn't steer the work itself.

Moreover it was discussed that the hotels want to maintain rate parity because they want to promise that the guest will get the same price when they stay on a certain day. At the same time hotels are committed to rate parity which emphasizes its role. One

respondent said that having rate parity is an obvious thing in hotels in Finland since the hotels have to have rate parity if they are co-operating with an OTA.

When asking about the future of rate parity the respondents had different opinions on how it will develop and whether it will cease to exist. In general the respondents seemed a little unsure about what the future will hold for rate parity.

There were a few respondents who saw the end of rate parity as a positive thing. It was seen as a positive thing because then hotels would be able to drive their business through the channels which a more cost effective and which bring in more volumes. The fact that it would be possible to lower the hotels own website's prices was seen as a very positive outcome. Respondent 6 believed that the ending of rate parity would generate a better competition between OTAs and other distribution channels. The respondent mentioned also that the hotel's decision making power on pricing would increase and hoped that rate parity as a pricing strategy will end soon. It was said that the concept of rate parity needs to change and the hotels should be able to determine the prices for each distribution channel. Some respondents saw the end to rate parity as a great thing. It would allow good revenue managers to make more money than currently and revenue managers could concentrate and react to different thing.

However there were respondents who didn't see the end to rate parity as a positive thing. The respondents said that it would be pretty wild if rate parity ceased to exist. It would be quite impossible to control the prices and in a sense make revenue management much more difficult. Respondent 2 said that it would be debatable whether the hotels could compete with the OTAs without rate parity. The respondent said that end to rate parity could be quite disastrous to hotels depending on how the OTAs would react to the change. One risk that was mentioned was that many of the OTAs would change their business model to merchant model which would mean that they would

have their marginal to play with. According to the respondents this marginal could become too tight for OTAs and there would be pressure for the hotels to give a new, higher marginal.

Some of the respondents thought that rate parity will cease to exist in the future. However none of them were able to say when this will happen. The recent court cases were mentioned to be the reason behind rate parity's undoing. Several respondents mentioned the OFT case regarding Skoosh as well as HRS in Germany which is not allowed to put rate parity clauses into its agreements anymore. Respondent 1 explained the situation like this "Rate parity will cease to exist because it already happened in Germany and the German market is such a big market that eventually it will become an EU-standard." Furthermore it was explained that the more court cases there are regarding rate parity and the more rate parity is discussed worldwide, the more likely it will be that rate parity ceases to exist.

Conversely some respondents didn't believe that rate parity will end any time in the near future. According to some of the respondents rate parity can't cease to exist because a hotel can't get a contract with an OTA without committing to rate parity. Although it was mentioned that one can never know what the changes in technology will bring. For example respondent 4 didn't believe that rate parity will end but thought that rate parity will become more personalized.

Moreover there were respondents who weren't sure what will happen with rate parity. The respondents thought that it is difficult to know because there are so many different aspects that affect rate parity. One aspect that was mentioned was the on-going court cases related to rate parity. It was said that these court cases could loosen rate parity agreements in a way that one could price lower in certain channels. Several respondents also thought that OTAs will start to be more flexible in regards to these agreements. Another respondent thought that there will be more packages sold in the future and in that sense rate parity will be "hidden". These packages could include hotel room plus some extra services such as movie tickets.

7 Discussion on findings

The purpose of this research is to determine what kind of role rate parity has in today's and tomorrow's revenue management. In order to determine the role, the key findings need to be discussed further. Additionally when reading through the research questions of this thesis, it could be seen that the results presented in the previous chapter answer those questions fairly well. This chapter gives the reader an overview of the results and whether there are similarities between the findings and the literature.

7.1 Revenue management

Each of the respondents had experience in revenue management and revenue management is a part of their daily work. The job description of today's revenue manager is very versatile. Revenue managers often have other responsibilities besides revenue management itself. Moreover being a revenue manager requires various skills. Some of the most important aspects of today's hotel revenue management are distribution management, pricing and also managing the relationships between different partners. Particularly the significance of managing online distribution has increased in recent years.

The computerized systems such as channel and inventory managers play in big role in today's revenue management. These systems facilitate the manager's job massively and safe time. Especially managing rate parity would be much more difficult and time consuming if these systems weren't available. Furthermore, if rate parity agreements change or cease to exist it will have a big impact on hotel revenue management and pricing practices. Depending on the changes there will be a need to come up with new pricing strategies in the future. Therefore the revenue managers should prepare for possible changes.

7.2   Relationships between OTAs and hotels

Generally speaking the relationships between OTAs and hotels are currently in a good shape. The findings propose that there has been some friction between these two parties but currently the relationships are good and the co-operation is working. Previously the hotels have been forced to put up a fight in order to be heard by the OTAs. One example of this was Scandic hotel chain pulling rooms from sale from Expedia. These arguments have not been in vain since they have helped improve the relationships. Moreover there was a mutual understanding that OTAs are not as strict as they have been regarding rate parity violations caused by the tour operators and overall listen to the hotels more. It seems that there is more of an equal partnership between hotels and OTAs. The co-operation with the big OTAs especially has been easy according to the respondents.

The hotels need the OTAs to gain international visibility and to sell their rooms. The hotels are dependent on OTAs in that sense which gives the OTAs power. However, the OTAs were criticized for their high commissions and for the fact that although OTAs bring important business to the hotels, it comes at a high cost. Furthermore all the OTAs work differently and the collaboration works better with some OTAs than others. The hotels don't co-operate with OTAs that are difficult to deal with. Especially the independent hotels have the freedom to choose which OTAs to collaborate with.

In the future the relationships between OTAs and hotels will continue to improve. It appeared that OTAs are becoming easier to co-operate with and hotels will be able to do business with them even more equally. It seems that there exists a good business based relationship between the two parties and these relationships will continue to evolve even further. If the economic situation grows worse, there is a possibility that the hotels will become more dependent on OTAs causing the OTAs to gain more power. However if the economic situation gets better the respondents felt like the hotels will be able to hold their ground.

7.3   Customer perspective

According to the results the customers don't know the concept of revenue management. The average customer sees that the prices fluctuate but might not understand the reason for it. However the customers who travel more or travel for a living know what revenue management is and understand how it works. It was also mentioned that customers don't really need to understand revenue management practices. However if the customers know the restrictions and different choices upon purchase, it creates trust in the customers. The more transparent and well explained the revenue management decisions are, the more satisfied the customer is as well. (McMahon-Beattie & Yuman 2011, 56) Customers seem to understand revenue management when talking about airlines better than when talking about hotels. Additionally the customers are becoming more aware of revenue management and how it works.

Rate parity was seen as a positive thing for the consumers. Having rate parity simplifies the booking process for the consumer as there is no need to search through many web sites to make a booking. It also ensures the customer that he or she is paying a price that is fair. It is easier to have rate parity across channels as customers don't understand why there are differences in prices in different channels. On the other hand meta search can cause the impression that rate parity doesn't exist and different prices in some channels can cause confusion for the customers. Meta search engines have made rate shopping simple for the customers and they can easily compare rates offered in different channels. There are also customers who take advantage of rate discrepancies

Dynamic pricing isn't communicated to the customers in any specific way. The fluctuations in prices can be seen when making a booking but they are not explained any further. If there is a special campaign or seasonal price reduction then the pricing is communicated to the public. If the customer asks how pricing works, the price fluctuations are explained so that the prices vary according to the season and the level of occupancy. Furthermore people are slowly starting to understand how pricing works in the hotel business as well.

7.4 Rate parity

In general, the term rate parity provoked different reactions in different respondents. Each respondent had their own ideas and opinions on rate parity. Currently there are several issues that are making the management of rate parity difficult. It seems that the tour operators which sell to OTAs are causing rate discrepancies and therefore problems for the chain hotels. Currently there isn't much the hotels can do about this issue as the only thing they can do is to stop working with the tour operators. However this is not a possibility as tour operators bring in valuable business for the hotels. The internet is full of different kinds of OTAs and new sites are constantly created which makes handling this issue even more problematic. Another major problem in rate parity was the fact that campaigning is very difficult as it's not possible to do a centralized campaign for only a certain channel or channels.

Another recurring topic in the interviews was meta search. Meta search was seen as problematic as it emphasizes those websites that are breaking rate parity. Moreover meta search creates the impression that there is no such thing as rate parity as it shows the different prices available. Furthermore the literature suggested positive aspects to rate parity and meta search, it was mentioned that meta search can help to find price discrepancies across different distribution channels for a specific property. Meta search can also provide an outlook on overall rate behaviour in a certain market. (McCartan 2013)

Most of the respondents saw rate parity as a positive thing. It was mentioned that rate parity is easy to manage if all the systems work as they are intended. With channel managers it is easy to update the rates directly to all of the contracted channels. Furthermore having rate parity gives the hotel the power to determine the price level. On the other hand it is quite impossible to achieve rate parity fully because there will always be those sites that break parity. This is one of the reasons why rate parity has been criticized. RateGain's report on hotel pricing and parity supports the fact that rate parity is difficult to achieve fully as there was reported to be variations on the consistency of rate parity between locations in Europe. (RateGain 2014)

Rate parity makes the co-operation possible between hotels and OTAs and allows them to run business more equally. This is because rate parity ensures that the OTAs can't sell the rooms cheaper on their sites than what the hotel sells. If rate parity ceases to exist the hotels might not be able to compete with OTAs because the OTAs would be able to drive the prices down and have lower prices available due to the fact that they have a very different cost structure compared to hotels. The hotels would only be able to lower the prices to a certain point before selling rooms would become completely unprofitable.

The results propose that currently rate parity is in a big role in hotel revenue management. This is because a hotel can't co-operate with an OTA without signing rate parity agreements. In that sense the hotels are committed to maintaining rate parity. Moreover both hotels and OTAs are dependent on each other which makes rate parity unavoidable for hotels. Rate parity is in a big role because it needs to be kept up. Managing rate parity can be time consuming as it requires constant work to make sure all the rates match in all channels of distribution. It also takes time to find out why a certain channel is breaking parity.

According to the respondent's the future of rate parity isn't easily predicted. The respondents didn't have a unanimous view on what's going to happen to rate parity. There seems to be much uncertainty about the future of rate parity. Even though the revenue managers work with rate parity on a daily basis, they don't have an exact idea what will happen. Rate parity appears to be at a standstill at the moment. The respondents seemed to waiting for the next move with anticipation. One of the reasons why the future of rate parity is so difficult to predict is the fact that there are so many players affecting it.

However the findings suggest that if rate parity would cease to exist it would be because of the court cases that are going on around the globe. In addition it was clear that if rate parity somehow changes or ceases to exist, the changes will not happen in the near future. The respondents seemed hopeful that rate parity agreements will become less strict. If rate parity ceases to exist it would change the online distribution of

hotel rooms in a big way. It is debatable whether the hotels would be able to compete with OTAs if rate parity wouldn't exist. It would all depend on how the OTAs react to the change.

8 Conclusion

The objective of this chapter is to conclude the presented literature and research. This is done by answering the research questions and also evaluating the results presented. Moreover, this chapter introduces suggestions for future research as well as the learning process behind this research.

Research question 1: What is the role of rate parity in today's and tomorrow's hotel revenue management in Finnish hotels?

The results point out that rate parity is currently in a big role in hotel revenue management. The hotels that co-operate with OTAs are committed to rate parity because the OTAs require it in their agreements. Maintaining and keeping up rate parity can be laborious which is why it is in a major role in hotel revenue management. It is especially difficult to maintain rate parity because all the prices a hotel sells publicly need to be in parity. Moreover fully achieving rate parity is quite impossible especially for chain hotels because of the tour operators who sell rooms to OTAs at a cheaper price. There is no existing literature regarding the role of rate parity in hotels in Finland therefore the results from this thesis can't be compared to existing literature.

Rate parity's future is very hard to predict therefore it is difficult to say what kind of a role it will take. The results propose that rate parity will go through some sort of change although the extent of the change or when it will happen is debatable. There are different possible scenarios, for example rate parity agreements might become less strict allowing the hotels to price differently in certain channels. Another scenario would be that rate parity might cease to exist completely. There is also the possibility that rate parity is not changing in any way. The literature suggests possible change to rate parity. During recent years rate parity has been discussed continuously but rate

parity hasn't changed significantly. However there are a few countries where rate parity agreements were claimed as illegal.

Sub-research question 1: How do revenue managers see hotel-OTA relationships in Finland?

The relationships between OTAs and hotels appear to be good at the moment. Nowadays there is more of an equal partnership between the two parties and the co-operation is working. The relationships are especially good with the major OTAs such as Expedia or Booking.com. There seems to be a correlation between OTAs and hotels as the hotels need OTAs to survive and vice versa. The OTAs bring the hotels valuable international visibility and business that the hotels couldn't obtain otherwise.

The hotels seem to have regained some power back from the OTAs as OTAs listen to the hotels more. The OTAs have become less strict about rate parity violations, especially when these violations result from tour operators selling rooms to small OTAs at a cheaper price. OTAs are also otherwise easier to negotiate with and they listen to the hotels more.

There was no existing literature on the relationships between hotels and OTAs in Finland. Reading through the literature and different articles gave the impression that hotels see OTAs as a negative thing. For example Demirciftci (2007, 38) saw that OTAs attempt to persuade customers to believe that the best rates and services are offered through their websites.

The results propose that these relationships will continue to improve. Although the relationships are good at the moment, it's not likely that it will affect the agreements the OTAs offer to hotels. However if the economic situation becomes worse the more hotels could become dependent on the OTAs which gives them more control. If the economic situation improves the hotels will be able to have more power.

Sub-research question 2: If there are issues how could they be solved?

No significant issues arose from the results regarding OTA-hotel relationships. The relationships seem to be in a good place overall. However one thing that the OTAs were criticized on was the high commissions and that they although they bring in big volumes of business the commission are still too high. It appeared that many of the problems regarding OTAs stem from rate parity rather than from the fact that the co-operation with OTAs is difficult. Keeping up good relationships with OTAs will help overcome any future issues.

8.1 Recommendations

As mentioned before, currently there is so much going on with rate parity that it is difficult to say what will happen. In the meantime it would be recommendable to assess the hotel's current online distribution strategy and really look into which channels are beneficial and which aren't. The channels should be narrowed down to those which are really valuable and bring in significant business. The hotels should prepare for the possible changes to rate parity so that they don't fall behind the OTAs again. There should also be more discussion among the hotels about how they see rate parity and how they would want to see it evolve.

It is also important to keep improving the relationships between OTAs and hotels. Both parties need each other to survive so it is crucial that the collaboration is working. The hotels and OTAs shouldn't see one another as enemies or competitors but more as business partners. There needs to be more of an open dialogue between OTAs and hotels and they should really strive toward helping one other.

8.2 Evaluation of the results

Although the literature review is quite comprehensive and presents all the major topics required as the basis of this thesis, there is a lack of research regarding certain areas.

For example no research has been conducted regarding revenue management and rate parity in Finland. It was also difficult to find literature on rate parity and meta search. These are such new and constantly changing topics that there hasn't yet been much research on them.

When conducting the interviews it was important to keep focus on the main themes of the questions and guide the answers without affecting the respondent's opinion. The company, experience, personal experiences and opinions could clearly be seen from the respondents' answers. Especially rate parity was a topic that provoked strong opinions in some of the interviewees. Strong feelings about a certain topic can limit the validity of the answers therefore being the interviewer it was important to plan the questions well in advance.

It is also possible that the respondents didn't tell their full opinion or didn't answer completely truthfully to all the questions which of course directly affect the results. Furthermore it is possible that the respondents didn't fully understand the questions and that is why the response isn't what was expected. While making data analysis it is crucial to try to stay objective. It was sometimes difficult to try to remember to take all the opinions and points of view into consideration and not just the ones that the author personally liked.

Furthermore two respondents answered the interview questions through an email questionnaire so the depth of the answers is compared to the answers from face-to-face interviews. Only one interview was conducted in English therefore all the answers from the interviews needed to be translated for this thesis. Translating the answers might have caused some meaning to get lost as it's not always possible to translate every word as it is in the original language. As said one interview was conducted in English and therefore there is a possibility that the interview questions might have had slightly different emphasis compared to the ones in Finnish.

8.3 Suggestions for future research

During the process of writing this thesis it became clear that there isn't much research done on the topic as it is so current. Therefore it would be essential to conduct more research. It would be particularly interesting to read a research on how the on-going court cases regarding rate parity are affecting it. While writing the thesis it was sometimes difficult to stay on topic as there are so many aspects to rate parity which would be good to research further.

This thesis concentrates on the hotel perspective only; therefore it lacks the point of view of the OTAs. A couple of the respondents asked whether any representatives from the OTA side are interviewed for this thesis and they recommended that rate parity should be researched from their perspective as well. As a suggestion for future research, the relationships between the OTAs and hotels could be researched from the OTAs angle. This would give a more complete picture of where these relationships currently stand.

It also would be very interesting to study what would happen if rate parity ceases to exist both from the OTA and hotel perspective. It would be interesting to find out whether the hotels would be able to compete with the OTAs and what kind of new pricing strategies would arise. Clearly if rate parity would end the online distribution of hotel rooms would change in a big way.

8.4 Learning process

The actual thesis writing process started in May 2014. The author found the topic for her thesis from another student's thesis. The author had previous interest in revenue management and that is the reason for writing the thesis on rate parity. First the topic was first narrowed down to rate parity and the relationships between OTAs and hotels. After, the objectives were set accordingly to rate parity's current role in hotel revenue management in hotels in Finland as well as to rate parity's future role.

Writing the literature review started with extensive reading on revenue management and other relevant literature. The author had a limited amount of former knowledge on revenue management which made writing the literature review difficult and also slow. Sometimes it was hard to know which topics were relevant and which weren't. Finding the literature itself was a challenge as there seemed to be a lack of it, especially in the case of rate parity. Therefore some of the sources are not as recent as required.

The data collection method was suggested by the thesis supervisors. The interviews truly helped the author to see the overall picture of the topic and the author learned a lot from conducting the interviews. After the interviews were conducted it was easier to go back to the literature review and fill in some missing information. The author's interview skills significantly improved in the process. The process of analysing the data collected was quite time-consuming and required a great deal of concentration. It was especially difficult to stay subjective while analysing the data.

Overall the thesis writing process was very challenging but also rewarding at the end. It was surprising how time-consuming the process was at the end of the day. The author now has extensive knowledge on especially rate parity but also on the relationships between OTAs and hotels. Moreover the author now appreciates research work more in general and understands how much effort writing a research actually requires.

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Attachment 1. Interview invitation

Hei,

Olen Haaga-Helian ammattikorkeakoulun kolmannen vuoden opiskelija Hotel, restaurant and tourism management- linjalla. Työstän tällä hetkellä opinnäytetyötäni. Opinnäytetyöni aihe on Rate parity's role in hotel revenue management. Tutkimus keskittyy rate parityn nykyiseen ja tulevaan rooliin hotellien revenue managementissä. Toisena pääaiheena ovat hotellien ja online matkatoimistojen (OTA) väliset suhteet.

Haluaisin kutsua sinut haastatteluun keskustelemaan näkemyksistäsi rate paritystä sekä hotellien ja online matkatoimistojen välisistä suhteista. Haastattelun kieli on suomi. Ohessa lista kysymyksistä, jotka haluaisin sinulle esittää.

Haastattelun ajankohta ja paikka voidaan sopia toiveidesi mukaan. Haastattelu tehdään anonyyminä mikäli näin toivot. Halutessasi saat myös tutkimustulokset luettavaksi. Toivon saavani haastattelut pidettyä 19.10.2014 mennessä.

Kiitos mielenkiinnostanne!

Ystävällisin terveisin,
Mia Himanka
puh. +35408236833

Attachment 2. Interview questions

1. Haastateltavan tausta

    – Mille yritykselle työskentelet?

    – Kauan olet työskennellyt revenue managementin parissa?

    – Mikä on nimikkeesi?

    – Kuuluuko työnkuvaasi muutakin kuin revenue management?

2. Miten näet rate parityn nykytilanteen?

3. Millaista olisi, jos rate parityä ei olisi?

4. Kuinka suuressa roolissa rate parity on Suomen hotelleissa sekä sinun työssäsi?

5. Millaisena näet rate parityn tulevaisuudessa?

6. Millaisena näet online matkatoimistojen (OTA) ja hotellien väliset suhteet?

7. Kuinka paljon olet itse tekemisissä online matkatoimistojen kanssa työssäsi?

8. Mitä yhteistyötä online matkatoimistot tarjoavat?

9. Millaisena koet yhteistyön heidän kanssaan?

10. Millaisena asiakkaat kokevat revenue managementin ja etenkin rate parityn?

11. Millä tavalla hotelli viestittää dynaamisen hinnoittelun?