



Università della Basilicata
L.M. Natural & Cultural Resources Economics

Distribution Channels in Destination Marketing and Promotion

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Tourism Destination Marketing & Management

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Introduction

Tourism **distribution channels** have attracted a tremendous amount of attention in the last decade owing to the important role that they play in the tourism industry

The structure of the tourism industry distribution system not only affects the **choices available** to the consumer, but also the **business models** and **marketing strategies** adopted by the various channel participants

The impact of information technology since the advent of the World Wide Web has significantly changed, and even transformed, the **structure of tourism distribution**



Introduction

A review of previous literature on tourism distribution channels reveals that **research** in this area has been **fragmentary** in nature, **limited** in scope and narrow in perspective.

Studies dedicated to **consumers'** use of distribution channels in information searching for and **consumption** of tourism products and services

The majority of research in this area has largely focused on issues from a supply-side perspective by giving emphasis to **suppliers and intermediaries** as well as the relationships between these intermediaries in their efforts to reach consumers

The purpose of this study is to:

- (i) examine the **evolution** of tourism distribution channels from a historical perspective;
- (ii) understand the **major structural changes** of tourism distribution channels since the advent of the Web;
- (iii) examine the **role of information and communication technology** in the evolution and transformation of tourism distribution channels.



The Intermediation Terminology

'Disintermediation' is commonly used to refer to the partial or complete replacement of an intermediary or the functions it perform

VS

'Reintermediation' is used to refer to the process in which intermediaries are reasserting their intermediary role

'Cybermediaries' to refer to those electronic intermediaries that are new to the industry

'e-mediaries' is usually used to encompass new electronic players and traditional ones, such as computer reservation systems (CRSs), global distribution systems (GDSs), and videotex systems

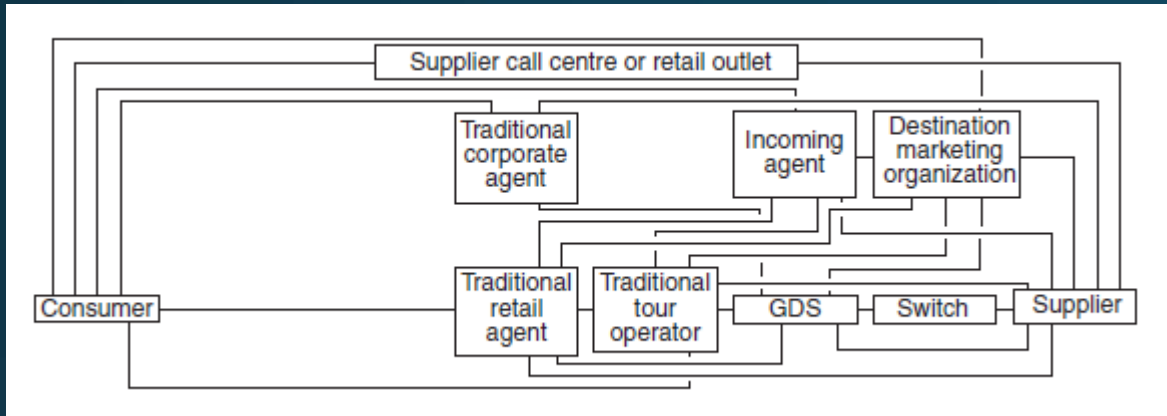
'Electronic commerce-able' (EC-able) intermediaries conduct business not only in traditional ways, but also by means of electronic commerce

VS

'Electronic commerce-only' (EC-only) intermediaries begin their participation in the industry by means of the Internet and continue to participate primarily by electronic means



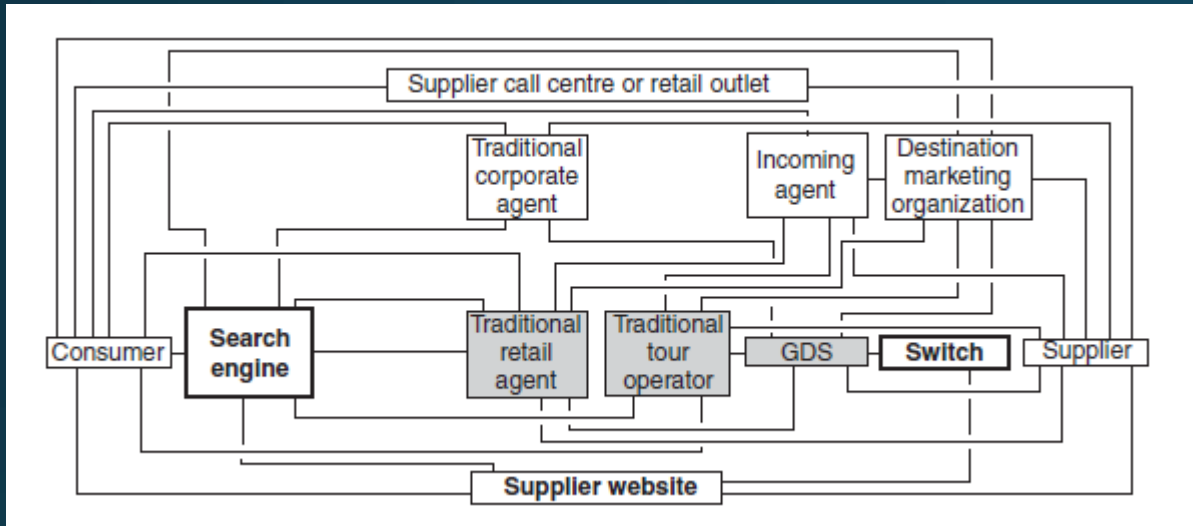
Structure of tourism distribution channels: pre-World Wide Web era



- Consumers
- Traditional retail travel agents
- Traditional corporate travel agents
- Traditional tour operators
- GDSs
- Incoming travel agents
- Switches
- Destination marketing organizations (DMOs)
- Suppliers



Structure of tourism distribution channels: early World Wide Web era (1993–1998)



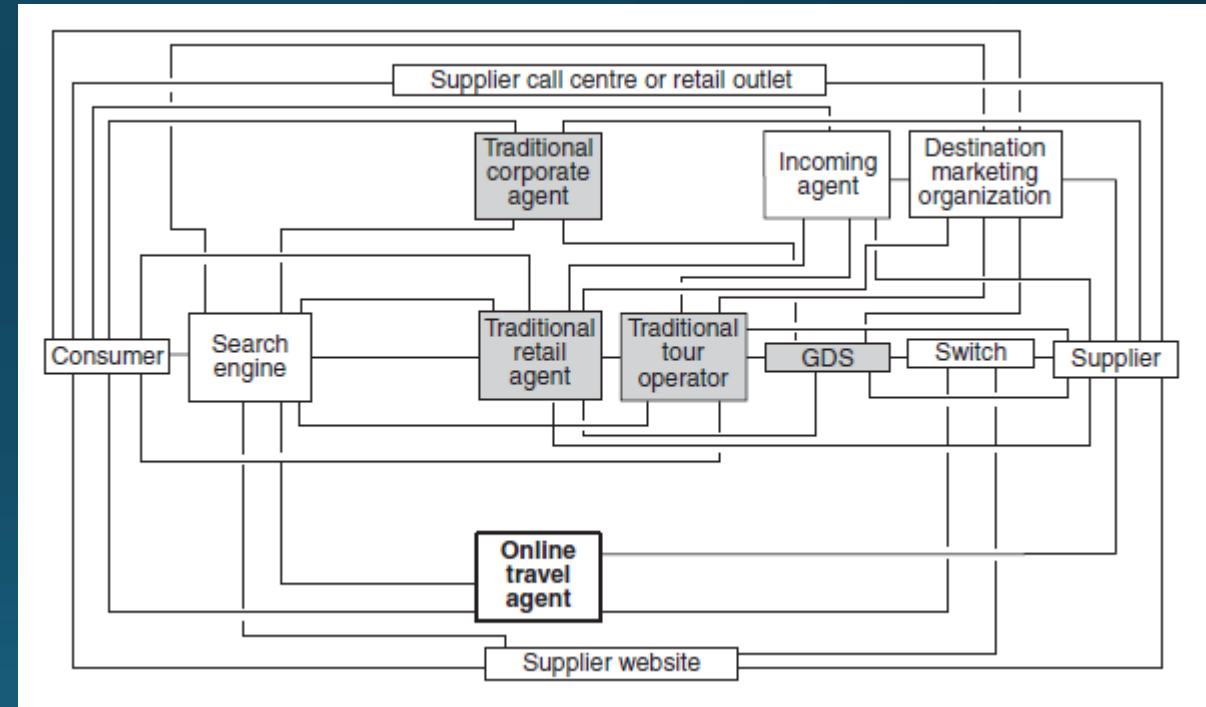
The commercial usage of the Internet became significant in the 1990s, as companies began **leveraging the benefits of the communication protocol of the World Wide Web**, which was made freely available to the public in 1993



Structure of tourism distribution channels: online travel agents (1995–2002)

Online travel agents joined the fray in 1995, when the Internet Travel Network (ITN) became the first such online agent to attempt to disintermediate traditional travel agents.

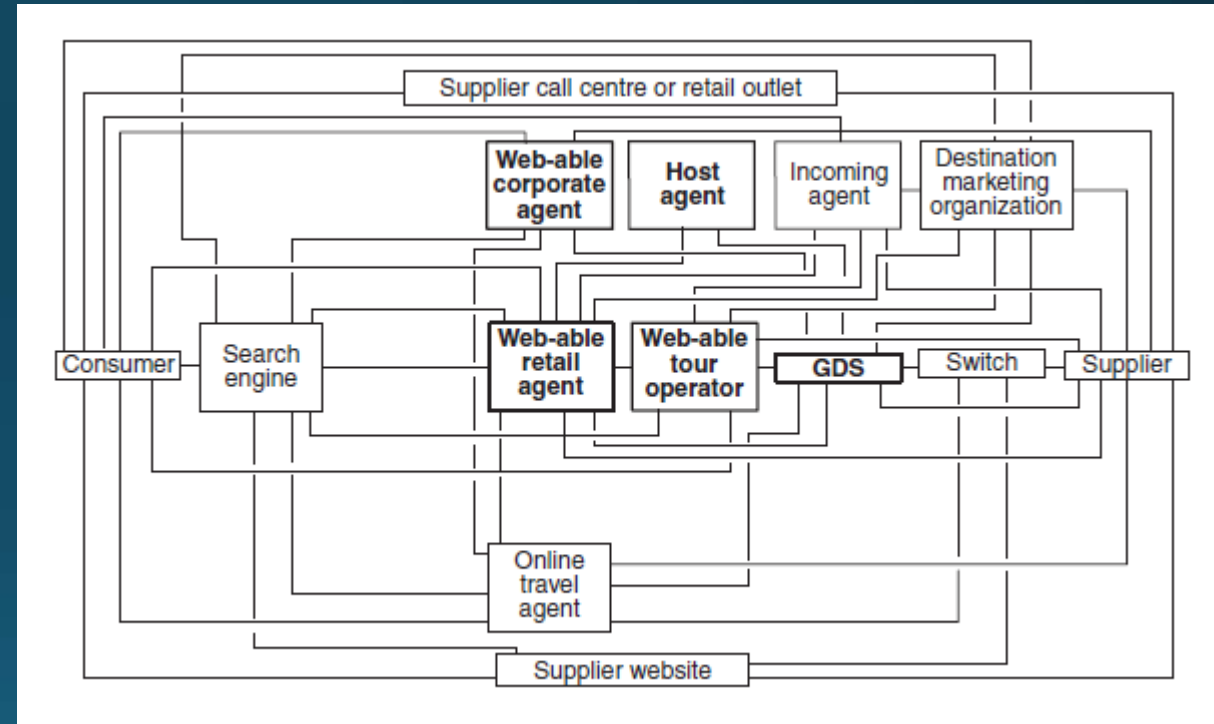
The online travel agent lastminute.com was founded in 1998 with the purpose of **selling airline seats and hotel rooms that were otherwise likely to go unsold** (Anderson and Earl, 2000; Buhalis and Licata, 2002)





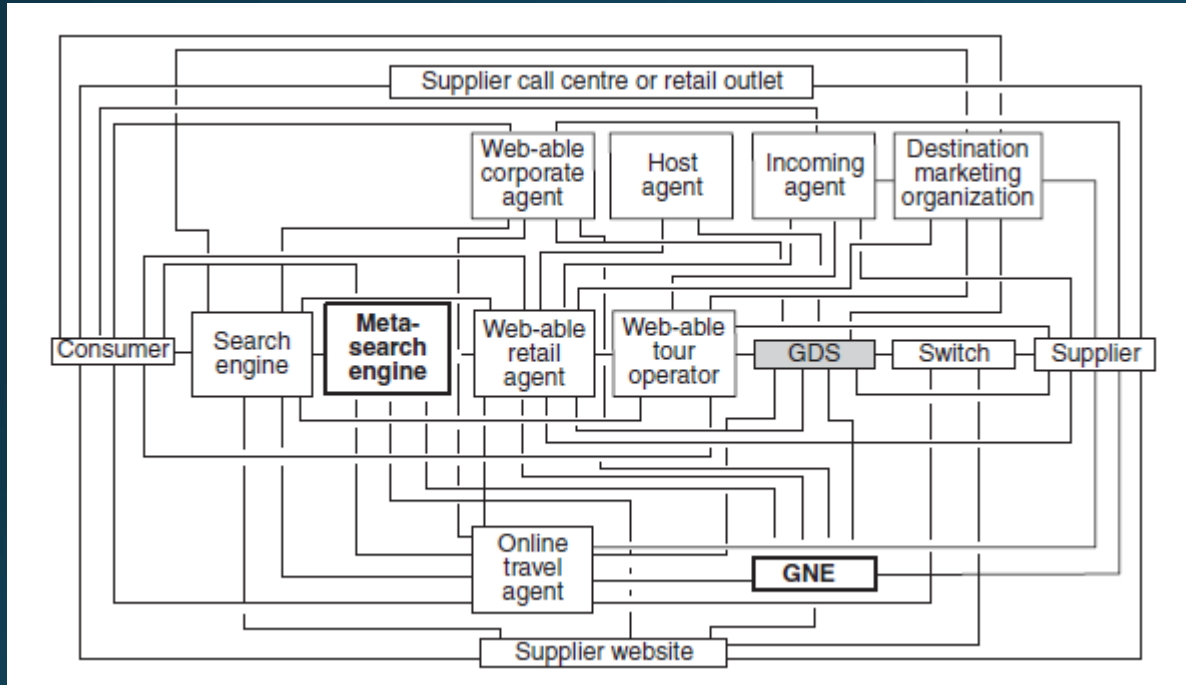
Structure of tourism distribution channels: reintermediation efforts (ongoing)

- ❖ Another group of traditional intermediaries, **tour operators**, participate in disintermediation and reintermediation efforts, including those facilitated by the Web.
- ❖ Tour operators perform an **aggregating function**, consolidating travel services into packages. Tour operators themselves have engaged in **vertical integration**, becoming suppliers of air travel with charter airlines on one end of the chain and owners of retail travel agencies on the other end.
- ❖ Regarding the Web, tour operators became **Web-able** by selling to consumers directly via their own websites





Structure of tourism distribution channels: meta-search engines and GNEs (2000–2005)



In 2000, an additional layer of intermediation arrived in the form of a new category of cybermediaries, ‘**meta-search engines**’, when SideStep launched its meta-search webbrowser toolbar plug-in product; SideStep later launched its meta-search website in 2005

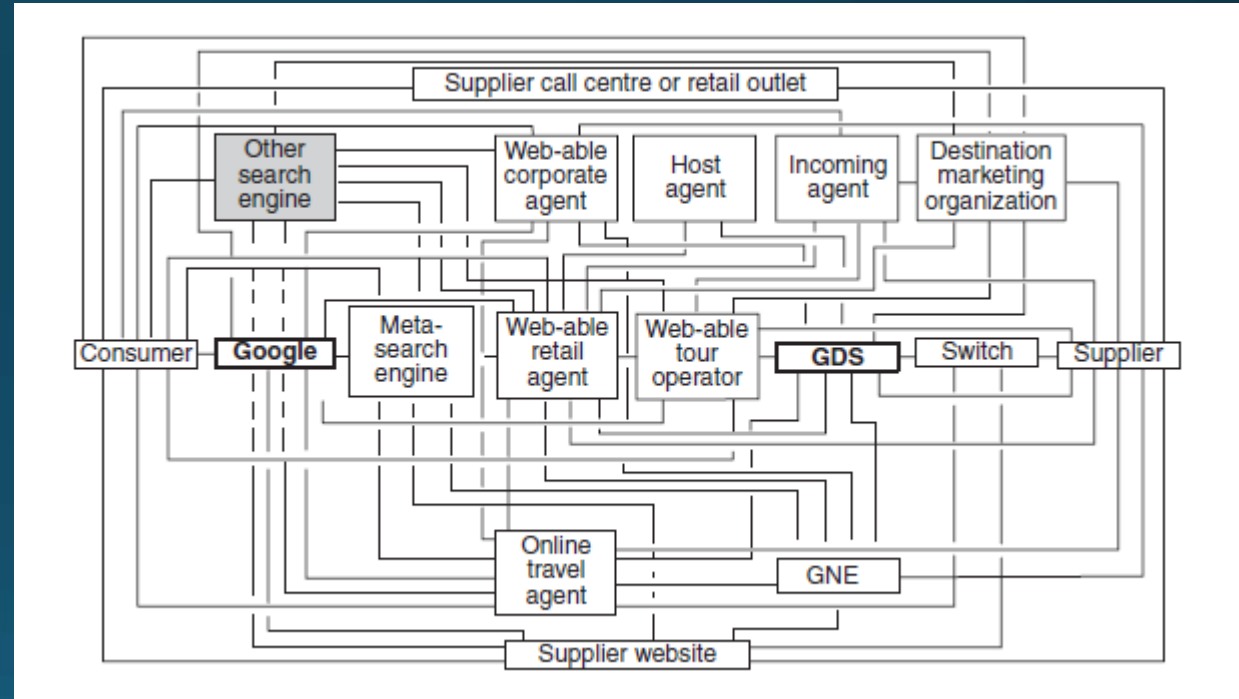
While small, traditional travel agents have recently enjoyed closer relationships with the airlines, the **GDSs** have faced another challenge that involved those suppliers, which started in 2005.

After their first unsuccessful attempt to disintermediate the GDSs, airlines again tried such a gambit by partnering with ‘**GDS New Entrants**’, also known as ‘Global New Entrants’, or ‘GNE’s’ (Longhi, 2008)



Structure of tourism distribution channels: GDSs and Google web browser (2005–2009)

- ❑ Google's introduction of the **Chrome web browser** could serve to disintermediate other search engines by guiding search traffic to the Google website
- ❑ It could also disintermediate the developers of other **web browser products**, depriving them of revenues generated by searches initiated from their browsers (Dignan, 2007).
- ❑ The lack of separate text boxes for typing URLs and search keywords in Google's web browser could lead to **consumers using keywords instead of precise Web addresses in that box.**





Discussion and Implications

- ❑ This study demonstrates the evolution and transformation of the tourism **distribution system** from a simpler system to a complex, **web-like network**
- ❑ The advance of information and communication technology has not reduced the number of intermediaries in the distribution channel, but rather has resulted in an **increasingly complex array of intermediaries**
- ❑ For the consumer, technology has brought **increased challenges**
- ❑ The issue of **human interaction** affects practitioners too, who could be well served to add value for consumers by heeding the observations
- ❑ Tourism distribution participants not only need to add value for consumers, but also to add value to **other participants with whom they have relationships**
- ❑ Distribution participants should consider the **benefits of cooperating** with other participants
- ❑ When there is competition among the intermediaries, **branding plays** an important role for competitive advantage
- ❑ The importance of **forging long-term relationships** with customers, timely responses to customer inquiries, personalized attention, the ability to track purchases via the website, monitoring the satisfaction of visitors through communications after a purchase, and explicitly communicating, in a clear manner, how consumers' private information will be handled
- ❑ To drive traffic to their websites, the various travel industry players must either enjoy **brand awareness** about their domain names, or ensure that their websites are ranked high in search engine output results.



Conclusion

- The **World Wide Web** has changed things dramatically, but the underlying theory and functions of **tourism distribution** remain the same.
- Power has shifted to a **new category of intermediaries**, search engines, and a revenue model based on advertising has grown in importance
- Customers should realize that while **Web technology** gives them the **capability to comparison shop**, this comes at the cost of time and effort
- Suppliers and intermediaries should not abandon all **human interaction** in an attempt to save costs with technology.
- Tourism distribution firms need to **protect their brands** from third parties
- Future research could explore the level of this difficulty by investigating **how likely consumers are to type a URL to go directly to a particular website or use a keyword search** to eventually arrive at the same location.