the average length of stay was two days. Just under half of the bookings were made in the week before the check-in date, and just over half were made, on average, 36 days in advance. The price of the hotels ranged from 50 to 495 Swiss francs (CHF) a night, with an average of CHF220. The researchers note that for the summer season, between May and September, as the Ascona-Locarno region benefits from a mild Mediterranean climate that makes September, as the Ascona-Locarno region benefits from a mild Mediterranean climate that makes

Investigating what hotel and customer characteristics were associated with which booking channel, the researchers note that those travellers who booked longer stays were more likely to book directly through the hotel website than through any of the indirect channels. They suggest that hotel managers could make use of this finding by offering “dedicated promotions” through DMOs to encourage longer stays, such as by offering “extra night promotions”. This would not only increase their revenue, but would also give DMOs an opportunity to “counteract the general trend towards shorter stays”.

Travellers who left it until the week before their trips to book tended to use OTAs, probably because that is when last minute offers were most likely to be found. As the trend for late bookings is increasing, the researchers suggest that hotel managers might benefit from offering “appealing last-minute promotions” to move bookings from OTAs to hotel websites. Bookings for larger parties were also more likely to be made through indirect channels, and hotels could consider facilitating large group bookings by adding “dedicated sections and promotions” to their own booking systems.

Domestic travellers and those who booked longer than a week in advance showed a strong preference for using the DMO channels, particularly the DMO website. As domestic travellers made up a large proportion of visitors, the researchers argue that DMOs might want to “consolidate the customer relationship with domestic tourists by offering special deals, perhaps combining ‘national transport with accommodation offers’.

**Customers and Channel Preferences**

**Hotels, Seasonality and Channel Preferences**

The researchers reveal that travellers who booked through hotels’ own websites paid, on average, a higher price per night than those who booked through other channels. There seemed to be little difference between the prices offered by OTAs and DMOs in the higher price brackets, but the DMO channels were cheaper for lower priced hotels. The researchers explain that this could be down to customers’ negotiating power, as there is a common practice of negotiating through DMO call centres, which tend to have “some flexibility in negotiating rates”.

Star rating also influenced the choice of booking channel, with lower rated hotels more likely to be booked through DMOs and higher rated hotels through OTAs. This would seem to suggest that lower rated and cheaper hotels could do more to benefit from the large market offered by OTAs, the researchers note. Furthermore, as many travellers will seek out the best price they can get, hotel managers would do well to implement “more effective pricing strategies” on their own websites to encourage more direct bookings.

The researchers found little evidence to suggest that making a booking in summer or winter affected travellers’ choice of booking channel, although they were less likely to use hotel websites for summer bookings.

**The Greatest Benefit**

Overall, the researchers suggest that hotels could increase their revenue by attracting more customers to book directly through their own websites, and by engaging with OTAs and DMOs to offer specific promotions aimed at particular groups of travellers. OTAs have the greatest share of the hotel booking market, and lower rated hotels should “increase their visibility in OTAs” as they offer “substantial opportunities to boost online sales”. The researchers conclude that DMOs benefit the hotel industry overall because they attract “specific segments of customers, thus creating an additional marketing opportunity”.

*The researchers collected 242 comments that were relevant to the research. By having analysed the content they then identified five broad themes, grouping the comments under those that related to “the Chinese hotel distribution market”, “the Chinese OTA market”, “globalisation of OTAs”, “new trends in the Chinese distribution market” and “recommendations for hotels in China”.*

**Chinese Hotels Must Act on OTAs**

Hotels in China have “little negotiating power” with online travel agents (OTAs) and could do more to resist their increasingly dominant role, suggest SHTM MSC student Lorraine Zhang, Associate Professor Basak Denizci Gullet and Assistant Professor Deniz Kukukusta in a recently published research paper. Yet this should not suggest that hotels can do away with “maintaining a healthy relationship with this important distribution channel”, the researchers warn. In a wide-ranging study the researchers also find that the competition between OTAs is even more intense than it is between OTAs and hotels, and is likely to intensify further with the entry of new companies into the market.

**POIINTS TO NOTE**

- Most hotel bookings are made through online travel agents.
- Various customer characteristics influence the choice of booking channel.
- Hotels can increase revenue by attracting more customers to their own websites.
- DMOs play an important role in attracting particular types of customers.

**Hotels and OTAs in China**

There has been a huge expansion in China’s hotel industry over the past few decades, with a shift from “hotel shortages to overprovision”, according to the researchers. Encouraged by the country’s strong economy and increasing consumer spending power, international hotel companies have staked their interest in the mature markets in the US and Europe to Asia, and China in particular, while domestic hotel companies have also taken the opportunity to build new brands.

The researchers note that alongside this growth in China’s hotel industry, the Internet has “dramatically affected the distribution of hotel rooms”, creating both opportunities and challenges. Customers are increasingly relying on OTAs to book hotel rooms, as they offer both great convenience and competitive pricing. Consequently, as the number of companies entering this vibrant market increases, competition between OTAs is “becoming fierce, with ever-increasing acquisitions and frequent conflicts”.

While OTAs are certainly beneficial for customers, the expansion of this market also has important implications for hotels. In theory, OTAs act as agents for hotels, while hotels hire OTAs to sell what the researchers term their “valuable inventory”. However, the relationship can become unbalanced if OTAs and hotels have different objectives. For instance, the rapid growth of the hotel and OTA markets could cause problems as “OTAs are trying to get a larger share from the hotel market while hoteliers are struggling to get their names out there and increase their direct sales”, suggest the researchers.

**Online Comments Considered**

To gain a perspective on the relative balance of power between hotels and OTAs in China, the researchers collected comments from three types of online sources. International online magazines were represented by Hotels Magazine, Hotel News Now, Hotel Management and Trooya. The online Chinese travel industry information centres considered were China InfoBank, iResearch, ChinaTravelDaily and Traveldaily. Finally, Sina Weibo represented Chinese micro-blog platforms.

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**OTA Market in China**

Many of the comments about the Chinese hotel distribution market related to the attitudes of hotels toward OTAs. The researchers observe that the “attitudinal stance of hotels toward OTAs is complicated” because they offer both advantages and disadvantages. Many hotels rely on OTAs to access a wide customer base, but this can cause problems if they over-rely on them as their “prime means of selling excess inventory”. Hotels have failed to adopt technical advancements such as building their own websites to encourage direct booking, and rely on the OTAs’ expertise to reduce their own development costs. As a result, they have become “trapped in a passive position”.

Comments about the Chinese OTA market mentioned the high level of competition between OTAs. The researchers note that many commentators expressed concern about Ctrip’s domination of the market, particularly the company’s “bullying of smaller OTAs” and its frequent launching of price wars intended to “disturb the online market price”.

**Chinese Hotels Must Act on OTAs**

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Yet the commenters also insisted that Ctrip will face intensified competition now that the “three giant online companies in China”, Baidu, Alibaba and Tencent, have invested in the OTA market. The increasing globalisation of OTAs was also an “undoubted trend” the commenters observed, with international companies launching Chinese versions of their sites to compete in the local market.

New Trends

A high proportion of comments related to the changing trends in the OTA market, particularly the explosive growth of mobile apps. The commenters were expressing the competition between hotels and OTAs to move from PCs to mobiles, with mobile apps set to become the “most popular travel booking tool” as people increasingly use their smartphones for accessing the Internet.

Another trend is the growth of vertical search engines, which the researchers explain send “crawlers to index Pages relevant to a pre-defined topic or set of topics”. These sites are popular with customers because they compare prices from several sources and so tend to offer the best rates. With many of the big companies investing heavily in vertical search engines, some commenters predicted that they would soon overtake traditional OTAs.

Hotels’ ability to respond to these emerging trends is clearly important. Indeed, the researchers maintain that if hotels can “grasp this new trend” of mobile apps and vertical search platforms evolving together, they may be able to increase their direct bookings and compete with the OTAs.

Recommendations for Hotels

In line with the researchers’ suggestion, the most common recommendation the commenters put forward was that hotels should try to reduce their costs by increasing the proportion of direct bookings. They could, for instance, try offering value-adding products such as a “free minbar or breakfast” for direct bookings. Hotels could also introduce loyalty programmes, as loyal customers provide a high percentage of profits. Looking online, hotels could further use customer feedback posted on social media to identify both their strengths and their weaknesses.

Revenue management, whereby hotels control inventory and tactically adjust prices based on sales data and competitors’ prices, was another area in which the commenters were vociferous. However, the researchers note that some hotels do not make best use of their revenue management systems, and advise hotels to improve their systems and train system users to use them effectively.

The commenters further suggested that hotels should consider investing in brand advertising to enhance their reputation and recognition without needing to pay high commissions to OTAs. This could be done, they claimed, through such methods as increasing advertising budgets and bidding online for brand keywords.

Finally, the commenters argued that hotels need to cooperate to resist the increasing dominance of OTAs. Roomkey, for instance, is a booking site built by large hotel groups including Hilton, Hyatt and Choice Hotels, among others. The researchers recommend that hotels set up organisations or networks for “sharing non-core information and positive messages” that will provide greater bargaining power, especially for small and independent hotels.

Balanced Relationship Needed

Despite the high commissions they extract, OTAs remain an important distribution channel that most hotels could not survive without. The researchers clearly show that Chinese hotels need to balance their relationships with OTAs amid rapid changes to the market. Ultimately, they argue, the hotel industry needs to “de-escalate its overreliance on OTAs” without ignoring the important benefits they offer.

POINTS TO NOTE

• Competition between OTAs in China is already fierce and is likely to increase.
• Hotels tend to be over-reliant on OTAs yet have little bargaining power over them.
• Several methods could be used to increase hotels’ direct sales and increase profits.
• Hotels should also cooperate to resist the power of OTAs.

Social Media Critical for Overseas DMOs in China

Overseas destination marketing organisations (DMOs) wanting to improve their marketing strategies in China should consider expanding their social media presence, according to SHTM Assistant Professor Dan Wang and a co-author. In a recently published study, the researchers highlight the variability in overseas DMOs’ use of social media for marketing in what they describe as “China’s unique social media landscape”. The DMOs need to better understand that landscape, they argue, to gain access to its large audiences and the opportunity to build relationships with very many potential consumers.

DMOs and Social Media in China

DMOs are non-profit organisations designed to generate tourism for specific areas, develop destination images and provide information for visitors, the researchers explain. Yet in recent years DMOs have been criticised for failing to keep up with new technology as they pursue their objectives. Many have not developed effective marketing strategies on social media such as Facebook and TripAdvisor. Social media channels such as these, which make use of user-generated content, constitute a “substantial part of the online tourism domain” according to the researchers, and younger tourists in particular tend to “trust and rely on them” for making travel-related decisions.

Social media marketing differs considerably from that on more traditional channels such as TV and websites. The researchers give the example of deciding which social media channels to use to achieve specific marketing goals. Such issues can be particularly difficult for DMOs involved in international marketing because the social media channels in other countries may differ, and there may be cultural differences in the ways that people use them.

The researchers note that in China, the social media landscape differs from those in Western countries as otherwise popular sites such as Facebook, Twitter and Tumblr are blocked. Consequently, the most popular Chinese social media sites, such as Renren, Sina Weibo and Tencent, “have captured 91% of China’s Internet users”. Given this situation, a DMO has become “one of the most important tourist origin markets for DMOs”, the researchers were interested in how DMOs use social marketing strategies in China.

Investigating Overseas DMOs

The researchers selected 10 DMOs based on the number of Chinese visitors the associated destinations received. Eight were national marketing organisations, including the Japan National Tourism Organisation in Shanghai, Korea Tourism Organisation, Malaysia Tourism Promotion Board, Ministry of Tourism and Creative Economy of Indonesia, Singapore Tourism Board, Taiwan Tourism Bureau, Tourism Authority of Thailand and US Tourism Board. The remaining two – the Hong Kong Tourism Board and Macau Government Tourism Office – represented cities.

The DMOs used three types of social media for destination marketing in China: micro-blogs such as Sina Weibo and Tencent, social networking sites such as Facebook, Twitter and Tumblr. The DMOs were active on Renren and Douban. Micro-blogs were the “preferred social media marketing vehicle” for most of the DMOs according to the researchers, with Sina Weibo the most popular. The decreasing popularity of social networking sites in China was reflected in the low number of posts on them. In fact, only the US and Hong Kong DMOs were active on Renren and Douban.

The most active DMOs were those from Hong Kong and Singapore, both of which used several social media channels and posted on each at least once a week. The Korean DMO adopted a different strategy of focusing on just one micro-blog. Sina Weibo, where it was the most active DMO with 770 posts and...