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Tourism Distribution Channels in European Island Destinations

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Purpose
Advances in information communication technologies (ICTs) have changed the tourism distribution channels model as traditional players continue to disappear or change their business model as new players and channels emerge due to technological developments. Therefore, the present study aims to propose a tourism distribution channels model for European Island destinations.

Design/methodology/approach
Using an exploratory approach, interviews with 34 tourism stakeholders were conducted at ITB Berlin and WTM London in March 2014 and March/November 2016, and analyzed using thematic analysis.

Findings
The findings revealed that a number of changes have taken place within the distribution channels market over the past six years. The disappearance of incoming travel agents has increased, while new forms of online communication and distribution have appeared. In particular, social media, online review sites, and mobile channels play an increasingly important role for hoteliers.

Practical implications
ICTs change the online landscape for tourist distribution in Island destinations and practitioners should make use of new online channels and be aware of disappearing tourism players to remain competitive.

Originality/value
First, this paper provides indications for the increased disintermediation in regard to incoming travel agents within the Cretan hospitality and tourism industry. Second, it investigates the issue of tourism distribution channels using a broad range of key tourism and hospitality players in order to provide a tourism distribution channels model for future reference. Finally, this study offers implications for the development of distribution strategies for tourism businesses and hoteliers in Crete.

Keywords: tourism distribution channels, information communication technologies, island, Europe

Introduction

Advances in information systems and consumer technologies have led to the increased adoption of online booking channels by tourists (Amaro and Duarte, 2015; Berne *et al.*, 2012). In particular, the availability of various online channels, including search engines, review sites, price-comparison sites, online travel agents (OTAs) and hotel websites have supported the trend of empowering tourists to book their holiday directly online (Murphy *et al.*, 2016). In fact, Murphy *et al.* (2016) revealed that the European online travel market is expected to grow more rapidly than the overall traditional travel market that is linked nowadays to a larger number of bookings being arranged on mobile devices. These changes from traditional holiday bookings via a tour operator towards online bookings have had significant impacts on traditional tourism distribution channels models (Buhalis and Laws, 2001; Kracht and Wang, 2010; Werthner and Klein, 1999). According to Xiang *et al.* (2015, p. 247), "understanding and capitalizing on changes in the business environment are essential to sustained success"; thus, it is crucial to continually review and update the latest trends in tourism distribution in order to remain current with new technological developments and consequent changes to the booking process (Kracht and Wang, 2010).

Today's tourism businesses have to find sustainable ways of effectively connecting with travellers (Xiang *et al.,* 2015) in order to survive fierce competition in the online travel domain as new players continue to emerge in the market. Law *et al.* (2015) focused on traditional tour operators and hotels to collect opinions about the changes in tourism distribution and called for further research from a wider variety of business backgrounds. Furthermore, tourism practitioners' opinions in regard to disintermediation were revealed to be under-researched and thus further investigation is required (Law *et al.*, 2015). This is particularly true since the latest research has been either conceptual, without the use of empirical data (Kracht and Wang, 2010), or was only conducted within the Asian context (Law *et al.*, 2015). Given the ever-growing adoption of mobile devices, this study aims to extend the above referenced work and will propose a tourism distribution channels model for the European island context.

This study focuses on the European context in order to contribute to the recent addition of knowledge from the Asian context by Law *et al.* (2015). In particular, this study aims to gather perspectives from a broader range of key players within the tourism distribution channels market, including hotel managers, traditional tour operators, OTAs and online review agents to provide a holistic tourism distribution channels model within the European context. Finally, for this study, interviews were conducted over a two-year period to account for the potential evolution in tourism distribution related to the fast pace of technology development as well as to enhance the "trustworthiness of [this] qualitative study" (Decrop, 2010, p. 98).

Literature Review

Information Communication Technologies and Tourism Distribution Channels

Since the 1980s, information communication technologies (ICTs) have deeply influenced how business is conducted and how organizations compete (Amaro and Duarte, 2015). The tourism and travel industry has particularly been affected by the increased number of online channels because of the information-intensive nature of the industry (Vermeulen and Seegers, 2009). The evolution and transformation of tourism distribution channels has resulted in greater choice for consumers and increased competition for distribution participants. Furthermore, ICTs have introduced complexity to the distribution system, with various permutations such as additional layers of intermediation or disintermediation when certain players bypass traditional intermediaries (Kracht and Wang, 2010). Consequently, the advances of Web 2.0 and social media have changed the existing distribution channels model developed by Kracht and Wang in 2010, one that continued to heavily involve the use of intermediaries (Fountoulaki *et al.*, 2015).

Although OTAs and hotel websites continue to be key players in the online distribution market, travellers have begun to use different information sources to support their decision-making processes (Inversini and Buhalis, 2009). Recent studies have demonstrated the importance of social media as a channel for gathering opinions and creating customer relationships (Liu and Law, 2013). In addition, online reviews published on both specialized web sites (e.g. TripAdvisor.com) and OTA websites (e.g. booking.com) are becoming an important focus of research (Schmidt-Rauch and Schwabe, 2014). In particular, online reviews' high credibility levels affect room sales (Anderson, 2012) and act to boost travellers' confidence, thus minimizing the perceived risk attached to booking a given accommodation. Tourism and hospitality managers are realizing that managing online intermediaries may provide them with benefits over their competitors (Filieri and McLeay, 2013). A growing number of researchers (e.g. Inversini and Masiero, 2014) view the integration of online hotel communication (i.e. hotel websites, OTAs) and interactive media (i.e. social media) as a major development for the hospitality domain (Hsu, 2012; Anderson, 2012).

Online distribution and booking technologies have had a great impact on tourism and the hospitality industry. Generally speaking, online distribution has been viewed as promising a progressive shift from traditional tour operators to online channels, thereby stimulating disintermediation (Berne *et al.*, 2012). This was confirmed previously by Pearce (2008, p. 164), who found that the "use of online distribution channels has meant much of the effort in looking for information and carrying out transactions has been transferred from intermediaries and suppliers to the consumer". Overall, businesses relying on a traditional tourism distribution approach, such as traditional travel agents and tour operators, have to identify new opportunities if they are to survive in the highly competitive distribution channel environment (Del Chiappa *et al.*, 2015; Vilojen *et al.*, 2015). In fact, a recent study by Law *et al.* (2015) found that travel agents' adoption of mobile technologies in the tourism distribution process could reduce the speed of disintermediation.

The Tourism Distribution Channels Model

Pearce (2008) explored tourism distribution to develop a needs–functions model and found that channel strategies have to be framed around individual actors' needs and functions. However, his (2008) model was based on a secondary review of the literature without empirical evidence for his findings. In 2010, Kracht and Wang created a holistic tourism distribution channels model (see Figure 1), but because of the rapid pace of technological developments and consequent changes in tourism distribution channels, it is imperative to re-evaluate the market situation on a regular basis. This was confirmed in the empirical distribution channels model by Berne *et al.* (2012), who highlighted shifts in the power balance and channel structure due to ICT changes. However, their (2012) model was based on data from 2008 and excluded OTAs; therefore, further investigation is required to gain a holistic perspective of tourism distribution channels from a broad range of stakeholders. As portrayed in Kracht and Wang's (2010) Tourism Distribution Channels Model, the distribution system consists of consumers; suppliers; online travel agents; web-enabled corporate travel agents, tour operators and retail agents; the global distribution system (GDS); global new entrants (GNEs); incoming travel and host agents; switches; destination-marketing organizations; and web browsers, search engines, suppliers' websites and meta-search engines. Kracht and Wang's (2010) model includes all these important players and dynamic relationships that were previously confirmed by a number of studies but not integrated in one holistic model (Berne *et al.*, 2012; Pearce, 2008). Nevertheless, while Kracht and Wang's (2010) model is seen as a generalized one, that does not work well specifically for tour-operator-heavy destinations, and thus there is a need for a model specific for such destinations.

Please insert Figure 1 about here

<u>*Tourism distribution key players and anticipated changes in relationships*</u>

The first development with regard to online distribution was initiated by the introduction of GDS, which were airline computer-reservation systems (CRS) working as technical electronic intermediaries (Buhalis and Licata, 2002). The introduction of GNEs provided the services of GDSs at even lower prices. There have been many changes over recent decades due to the emergence of the Internet, Web 2.0 and Web 3.0; the biggest has been the emergence of new travel eMediaries such as Orbitz, Expedia and Lastminute, to name a few (Manganari and Dimara, 2017), adding to the list of key players in the tourism distribution channel market. While tour operators have traditionally held most of the power with regard to island destinations, eMediaries have allowed OTAs to succeed and offer a model similar to traditional tour operators (e.g. dynamic packaging). According to Machlouzarides (2009, p. 165), "modern GDS facilitate real-time, dynamic distribution of travel and tourism products and services across the world". Overall, changes in ICT facilitate dynamic distribution, allowing businesses to be offered on a large number of channels (Mirchevska and Sekulovska, 2008). Another player that emerged is search engines. Browsers direct web traffic through search engine services, rather than straight to a web site via a URL, thereby increasing the amount of search engine intermediation. Google, which already owns YouTube where consumers post travel videos, has just announced that it has agreed to buy ITA, a flight information software company which licences its software to airlines and travel distributors including flight information and price comparison websites such as Kayak, Orbitz and Farecast. This is seen as a significant move by Google into the travel industry and it may be opposed by leading OTAs and Global Distribution Systems (Law *et al*., 2015).

<u>*Social media, online review sites and mobile bookings*</u>

The modern tourist is conscious of the opportunities offered by Web 2.0 and is, therefore, more proactive and engaged in searching for tourism products (Leung *et al.*, 2015; tom Dieck *et al.*, 2017). However, recent studies focusing on online searches have shown that tourists spend a considerable amount of time locating accurate and reliable information on the Internet through different providers prior to choosing their tourism products and making their online and even offline reservations (Özgen and Kader, 2015). Consequently, social media networks, online reviews sites and mobile bookings become increasingly important as part of travel information search and booking behavior.

Social media should be seen both as an interactive tool (i.e. checking and answering customers' reviews), according to Morosan and Jeong (2008), and a lead-generation tool (i.e. good comments and reviews can boost product and services sales), according to Myung *et al.* (2009). This is considered key in driving reservations directly to hotels' websites without the need for intermediaries, as hotels are able to offer consumers rooms and packages directly via social media. Nevertheless, even if it is demonstrated that positive comments on social media can improve consumers' attitudes towards hotels (Kaewkitipong, 2010), the tourism and hospitality industry continues to struggle with incorporating online interactive tools into their distribution strategy (Law *et al*., 2015).

Ho *et al.* (2016) explored the use of pre-trip smartphone information searches and found that mobiles continue to be used very often simply as browsers to gather information, while, increasingly, apps are launched that integrate information search and access. Through all these developments, increased social-media usage and mobile capabilities, online review sites (e.g. HolidayCheck) have emerged as a popular way of gathering word of mouth from other tourists (Xiang *et al.*, 2017). One dilemma relates to the use of direct-booking channels through suppliers' own (mobile) websites (Tan and Dwyer, 2014). Hotels and tourism businesses that use their websites wisely, e.g. to provide best-price guarantees, are able to increase their direct booking, thus saving on commissions (Inversini and Masiero, 2014). However, "by relying on their own direct sales the hotels would be limiting their marketing exposure but would yield more due to less commissions paid" (Tan and Dwyer, 2014, p. 11). This example shows the struggle that tourism businesses face with regard to the best approach for distributing products and services. Nevertheless, the overall emergence of OTAs, increased mobile bookings, review sites and social media has resulted in the disappearance of some traditional tour operators who struggled to adapt to the new landscape (TourMag, 2014).

The reviewed literature has shown how technological advancements affect the distribution of tourism products and services and latest development have clear implications on the competiveness of tourism providers. Therefore, it is essential to gather perspectives from a broader range of key players within the tourism distribution channels market to provide a holistic tourism distribution channels model within the European context.

Methodology

This study gathers perspectives from a broad range of stakeholders to develop a holistic model of tourism distribution channels within the context of European island destinations. Qualitative semi-structured interviews were employed, and six interview questions were developed, guided by previously reviewed literature, to gather detailed insights from tourism and hotel managers into the changes in the tourism distribution model (see Table 1). To guide the current study, the six interview questions were formulated regarding a range of e-tourism product providers and their roles as well as their comparative advantages over traditional players. In addition, the questions were used to explore the importance of e-players identified from the literature review as well as to identify new ones by industry members and to ascertain their understanding of current channels of tourism distribution. Finally, the impact of new technological advancements (such as mobile and social media) on tourist-product retailing and the positioning of e-tourism players (Xiang and Gretzel, 2010; Inversini and Masiero, 2014) was explored. The questions were designed to allow managers to express their opinions about the current situation, changes and the impact of technology advancements on tourism distribution channels.

Please insert Table 1 about here

Interviews were conducted with 34 managers from OTAs, traditional tour operators, Cretan hoteliers and online-review agents (see Table 2) to gather opinions from a wide range of key players in tourism distribution channels in order to draw a complete picture of the current tourism distribution channels. Interviews were conducted in 2014 and 2016. First, 19 face-to-face interviews were conducted and audio recorded at ITB Berlin in March 2014. Second, in order to explore whether any new players emerged on the market or disappeared, 15 additional interviews were conducted at ITB Berlin in March 2016 and at WTM London in November 2016. To ensure a good understanding of the subject area, only participants with at least 5 years of tourism and hospitality business experience were interviewed. Thus, in order to select appropriate participants, a non-probability, purposive judgmental sampling was employed (Buhalis and Zoge, 2007). Interviews lasted between 10 to 15 minutes. The interviews were analyzed using an actor-based approach (Law *et al.*, 2015).

Please insert Table 2 about here

Findings

This section presents the key findings and is structured using an actor-based approach according to key players and their opinions with regard to changes in tourism distribution channels over the past years and the impacts of the latest technologies.

Changes in Tourism Distribution Channels Since 2010

Online Travel Agents' Views

The majority of OTAs reported that the biggest change has been the increased strength of their own business model, taking over market power from the traditional tour operators (IT, CM2, DCM1, SM1, SM2, CM4). However, traditional tour operators are still dominating the Cretan tourism market, as low-cost carriers and independent travel represent only a small percentage of travel that did not increase substantially over the last four years (CM1, SM2, DCM1). According to one contract manager (CM1), the past four years have fostered the offering of all tourism-related products (flights, accommodations, car rentals, excursions etc.) on one platform to minimize disintermediation and offer cheaper prices. Consequently, incoming agents were considered the parties who "suffer the most from these new developments in tourism distribution", according to CM2. In order to remain competitive, traditional tour operators moved to become OTAs (e.g. TUI started Hotelbeds) (SM2), and 70 percent of OTAs' bookings now come from online sales (DCM1). According to another contract manager (CM2), the biggest change has been "the fact that the online business is moving far ahead. It is the new trend. It is the new way forward". The first contract manager (CM1) and regional contract manager (RCM) added that the use of Extranet XML has been one of the most significant changes that have allowed OTAs to enter new markets. Extranet XML (eXtensible Markup Language) is a language that business partners can use to efficiently communicate and collaborate through internal systems. It is aimed to improve compatibility between the disparate systems of business partners by finding the meaning of data in business documents (Caber *et al.*, 2013). Finally, two sales managers (SM1 and SM6) revealed that the changing landscape of social media and online sharing sites allowed new OTAs (such as TravelZoo) to emerge, offering tourists exclusive offers. Looking at any changes between the interviews conducted in 2014 and those conducted in 2016, there have been no further changes in this timeframe according to OTAs.

Traditional Tour Operators' Views

According to the founder of a tour-operating business (FO), technology has brought about the greatest change for traditional tour operators, as companies are increasingly forced to offer all services on one platform. In particular, the most recent advances in ICT have made the booking process much faster and enabled tourists to have direct access to all product and service information (DCM2). Two contract managers (CM3, CM7) and a development contract manager (DCM2) revealed that Booking.com and Expedia are two business ideas that resulted ultimately in the biggest change in online distribution of the past four years, as all the major traditional tour operators started to follow the same model by developing online platforms. These, in turn, decreased costs for intermediaries while increasing booking speed and efficiency (CM3). A further trend identified by a number of traditional tour operators is the dynamic distribution of tourism-related products, which has been one of the most important trends over the past 6 years (CM9). Finally, similarly to the OTAs, CM8 suggested: "the way of communication is changing (referring to extranet XML) as less intermediaries are required"; thus, new OTAs can easily enter the market and be competitive. Also, from the point of view of traditional tour operators, there have been no major changes between 2014 and 2016.

Hoteliers' Views

Hoteliers had the same opinions as other interviewee groups, namely, OTAs are developing and becoming stronger in the tourism distribution channels market (HSM1, HCM, HGM2, HGM4, HRM). Nevertheless, the hotel contract manager (HCM) revealed that traditional tour operators remained strong and important. This is particularly true on an island like Crete, where traditional tour operators remain powerful because they have a large number of chartered flights (HCM). Nevertheless, traditional tour operators slowly try to adjust to the trend by changing towards becoming OTAs, as online reservations (direct and via OTAs) have grown rapidly (HGM1). Furthermore, one hotel general manager (HGM3) concluded that instant bookings and the enhanced transparency of products and services offered belong to the major changes (HGM3) and help tourists become empowered through the availability of a variety of tourism providers (HGM4). Finally, the trend of social media and selling hotel rooms via mobile phones was noted as a major change of tourism distribution over the past several years. Overall, hoteliers from 2014 and 2016 agreed that traditional tour operators are very important in Crete; however, they need to adjust their business models to incorporate more online services. Nevertheless, as HGM5 interestingly stated: "Many customers go back to travel agencies and book their holidays because is easier and cheaper than online and also they do not have to worry for their holidays… I think that customers go back to traditional tour operators".

Online Review Agents' Views

Review sites such as TripAdvisor are becoming very powerful as tourists use them to search for information and book their holidays directly. According to Business Listing Executive (BLE), this is changing the entire tourism distribution channel system, as hotels do not have to rely on a variety of intermediaries but are able to get and access bookings directly. SM3 revealed that "changes are radical and fundamental" as hotels increasingly invest in their own distribution channels directly via their websites, thus reducing profits for traditional and online tour operators. SM4 added: "Potential customers realized that searching online thoroughly and many times approaching through the web directly they may be able to cut cost", and from 2014 to 2016, this has not changed from an online review agent's perspective.

Current key players in tourism distribution channels

Online Travel Agents' Views

According to one contract manager (CM4), OTAs with a business model that incorporates mobile technologies (e.g. Booking.com) are currently considered key players, as in 2013, 2 percent of bookings were made via mobiles, while in 2014, that had increased to about 20 percent. In addition, traditional tour operators who managed to get on the bandwagon of online distribution were able to cover a wide spectrum of the tourism market (RCM). Another opinion was that the traditional tour operators (Neckermann, AllTours, and FTI, to name a few) are still the key players; however, they are followed closely by OTAs such as Hotelbeds, Hotel4U, Expedia and Booking.com (CM2, MD, PDM). In order to compete with traditional tour operators on a service level, IT revealed: "OTAs started to utilize elements from the traditional approach from tour operators, looking at quality of service and products". Therefore, IT added, key players are both OTAs and traditional tour operators who focus on online bookings and offerings. Furthermore, one sales manager (SM2) expects traditional tour operators to remain strong over the next few years if they manage to adapt to technological advancements. Finally, one further opinion was that current key players are those who utilize the Internet to develop new business opportunities, such as TravelZoo. This was confirmed by all OTAs interviewed in 2016 (MD, PDM, SM6), and no new changes were found.

Traditional Tour Operators' Views

Interestingly, traditional tour operators felt that OTAs are currently the key players when it comes to tourism distribution. One development contract manager (DCM2) identified Hotelbeds, Booking.com and Expedia as the players who are dominating the market at the moment. This was confirmed by the founder of a tour-operating business (FO), who revealed that 60 percent of all European bookings came from Booking.com. Nevertheless, it was also identified that traditional tour operators are still in a strong position in regard to island destinations such as Crete (CM3), a point confirmed in 2016 by CM5, who stated that traditional tour operators are still considered key players for Greek island destinations.

Hoteliers' Views

Hoteliers considered traditional tour operators as key players. For instance, the hotel contract manager (HCM) stated that traditional tour operators will maintain their positions as key players due to their strong connections with chartered flights, especially for island destinations. This is because traditional tour operators can offer competitive prices on package deals. In addition, two hotel general managers (HGM1 and HGM3) believe that traditional tour operators are still key players but will need to adapt their ways of communicating with tourists as Expedia and Booking.com become stronger (HGM2, HGM3, HGM5, HSM2). The need to adopt the latest technological advancements such as mobile bookings and social media was considered by HSM1 as one of the key factors for remaining competitive as a key player. These views were confirmed by hoteliers interviewed in 2014 and 2016, and no new changes were found.

Online Review Agents' Views

Online review agents expressed various opinions in regard to key players in the market. According to a business-listing executive (BLE) and a sales manager (SM3), key players are online review sites that allow word of mouth and, at the same time, provide direct booking facilities on the same platform. However, as of 2016, the third development contract manager (DCM3) considered social media channels such as Facebook and review sites such as HolidayCheck to be key players, which is an interesting point of view contradicting other interviewees' opinions.

Key Players Disappeared

Online Travel Agents' Views

According to DCM1, traditional tour operators who failed to make use of online channels disappeared, and it is expected that the future of tourism distribution in Crete will consist of approximately 50 percent OTAs and 50 percent traditional tour operators. In addition, several OTAs came close to disappearing as a result of the financial crisis (DCM1). Furthermore, businesses such as holiday brokers disappeared from the landscape (RCM, CM2); however, most online businesses or traditional businesses did not disappear completely but lost significant market share due to intense, enhanced competition amid the financial crisis (IT). In contrast, one contract manager (CM1) revealed that more players appear than disappear; therefore, the market is becoming more competitive. CM1 added that incoming agents are disappearing because of the increased offerings of services and products online by OTAs. This struggle for incoming agents was previously identified by CM2 and seems to be one of the major issues of the Cretan tourism distribution market.

Traditional Tour Operators' Views

According to two contract managers (CM3 and CM7), small tour operators are among those who have disappeared over recent years. While larger, traditional tour operators managed to adapt to changes, smaller ones were identified as struggling because of the increased online competition. This was confirmed by the development contract manager (DCM2) and the founder of a tour-operating business (FO), who revealed that the majority of companies disappearing are those that do not capitalize on the latest technologies and go with the flow of the latest developments in the marketplace. However, Lowcostholidays.com, which utilized the latest business models, recently disappeared from the market (CM8), and this represents one of the biggest changes in 2016's interviews as the market is becoming more competitive.

Hoteliers' Views

The underlying opinion was that traditional tour operators from major European countries were those suffering the most and disappearing from the market (HCM, HGM1, HRM). According to HCM1, even major players such as the Thomas Cook Group had devastating financial problems. As revealed by one hotel general manager (HGM1), numerous tour operators disappear not only because of increased online distribution but also because of economic crises and increased competition. Hoteliers confirmed traditional tour operators' points of view that even some companies that were built upon e-commerce business models, such as Lowcostholidays.com, disappeared due to the immense competition in the OTA market. This was according to another general manager of a hotel (HGM5).

Online Review Agents' Views

According to the business listing executive (BLE), not only traditional tour operators but also OTAs have started to or are slowly disappearing from the distribution channels market as they "are losing the dominations of the market". In 2016, this was supported by a sales manager (SM3) who revealed that certain traditional tour operators continue to disappear due to pressure from new channels. Rather than simply disappearing, another sales manager (SM4) believes that many OTAs merge, and therefore, certain names disappear from the market.

Changes in Relationships

Online Travel Agents' Views

OTAs expressed that there have been some changes in how tourism distribution channels work over the past years. OTAs work closely with hotels and have direct contracts, while tour operators tend to buy an allotment, so there is a completely different business model, according to (CM4). Nevertheless, hotels tend to protect and work closely with traditional tour operators, as they represent a lower risk due to the strong likelihood of filling all rooms through chartered flights. Therefore, even though the Internet is changing the landscape, island hotels and traditional tour operators still maintain a strong bond and relationship (DCM1). Interviewees from both 2014 and 2016 supported this point of view.

Traditional Tour Operators' Views

Traditional tour operators are attempting to adopt the new online business model (DCM2, FO). Traditional tour operators are transforming to online tour operators and, therefore, will not disappear completely (FO, CM3), confirming a view expressed by OTAs. However, in order to maintain their position, they need to create closer B2B relationships with hotels to attract business from hotels. Hotels have opportunities to sell their rooms using different channels than previously known, and therefore, a good B2B relationship ensures that traditional tour operators stay in business (DCM2). Nevertheless, tour operators tend to have much closer relationships with hotels and customers if they have a direct contact at each resort. Hence, if problems arise, traditional tour operators are able to act quickly. OTAs, on the other hand, are "much more detached from the B2C relationship, as contact can only be made online or by telephone" (FO).

Hoteliers' Views

Traditional tour operators have to use the new online business model in order to become stronger and gain more reservations (HCM; HRM). The most significant change in relationships relates to B2C. Some tour operators do not appear to be ready for the change, as they continue to focus on high street-customer visibility, using printed brochures as their marketing strategy (HGM1). According to another general manager (HGM2), this traditional model is still relevant for certain markets (e.g. Italy), while others, for example, British tourists, tend to book online. From the hoteliers' perspective, the strategy of "distributing holidays affects price competition as the original B2B relationship offered a more certain way of planning allotment" (HCM). However, overall, no new opinions emerged regarding changes in relationships from 2014 to 2016.

Online Booking/Review Agents' Views

Interestingly, online review agents had the strongest opinions among all actors in regard to changes in relationships. They revealed that the relationship between hoteliers and customers has changed. Customers "mostly book directly their accommodation online without intermediates" (BLE), which contradicts earlier opinions from all other actors, especially when it comes to a destination such as Crete. Social media channels and mobile bookings make this trend even more apparent, according to a sales manager (SM5) interviewed in 2016. All the developments allow tourists to be more independent and less likely to book a packaged holiday in the future (SM5).

Effect of Social Media and Mobile

Online Travel Agents' Views

According to OTAs (SM1, SM2, CM2, HCM), the way forward is direct booking of holidays through mobile devices while travelling. In addition, social media networks are used to gather information, receive word-of-mouth opinions and post reviews about experiences (SM1). One contract manager (CM2) revealed, "You can have the client in the reception booking and you can have him in front of you in 5 minutes, and this is something that happens and is happening more and more"; a sales manager (SM2) added that mobiles result in more late bookings, which makes it difficult for tourism businesses to plan ahead in terms of resources. Overall, the first sales manager (SM1) added that social media and mobile phones are the direction OTAs are going in the future, which, according to SM2, is "influencing the tourism industry a lot". However, a contract manager (CM1) stated that on islands like Crete, the use of mobiles and social media for bookings is less prominent because of the significant presence of traditional tour operators. Nevertheless, it is clearly the way forward in the future (CM1).

Traditional Tour Operators' Views

The importance of social media was confirmed by traditional tour operators who found that interaction on social media networks is influencing the tourism distribution model (CM3, DCM2) "as everybody is going through these channels" (CM3). According to one development contract manager (DCM2), price-comparison sites especially influence the distribution channel model and threaten traditional tour operators. Finally, it was revealed that social media enables tourists to compare and contrast services and, thereby, easily find the latest offers, which forces traditional tour operators to negotiate the lowest prices with hotels, in turn decreasing the profit margins of hotels and traditional tour operators.

Hoteliers' Views

Currently, the majority of tourists use mobiles and social media networks before and during their holidays (HCM, HGM2, HRM). According to the hotel contract manager (HCM), one of the big traditional tour operators developed an application enabling tourists to book their holiday, book excursions while travelling and rate the overall experience. In order to remain competitive in the marketplace, this is the way forward, HCM revealed. Furthermore, "The customer can go outside from the hotel and book online without any other intermediary … and after some minutes can go inside the hotel and check in, and the room is ready" (HRM). According to the hotel reservations manager (HRM), mobiles and social media sites empower tourists, putting more pressure on traditional tour operators. However, as HCM identified, those tour operators that engage with the latest developments can benefit from the online changes of increased online bookings and reviews.

Online Review Agents' views

Finally, in the future, according to the business listing executive (BLE), the majority of tourists will book via mobile phones instead of using laptops, and hoteliers should focus on this trend because nowadays everyone is using a smartphone. Especially with the increased number of applications being developed for the tourism market, "Tourism businesses should not ask themselves if it is taking over the traditional distribution market but when" (BLE). In 2016, a sales manager (SM4) revealed that, increasingly, tourists will not book hotels if there are negative reviews; thus, review sites and ratings on social media (word of mouth) will play a growing and important role in the booking decision. Nevertheless, according to a sales manager (SM5), while social media and mobile bookings are expected to be important in the future, island destinations such as Crete will continue to be very dependent on the traditional tour operator/OTA model of viewing catalogues and comparing prices.

Discussion and Conclusions

Conclusions

The aim of the present study was to re-evaluate the tourism distribution channels model originally developed by Kracht and Wang in 2010. Figure 2 presents a proposed distribution channels model for the European Island context. The present study found a few changes in the distribution channels model related mainly to enhanced online distribution and the consequent disappearance of small tour operators. Nevertheless, it was also found that traditional tour operators are still considered most important within the island context, as they have a large percentage of chartered flights; thus, tourists booking via traditional tour operators are able to secure low-cost flights to their island destination. In addition, it was found that traditional tour operators play an important role within B2B and B2C relationships with hotels and tourists respectively. While OTAs might provide better deals for tourists, traditional tour operators are able to cater to the personal element by providing local contact persons in resorts. Therefore, although facing competition from online agents and tour operators, traditional tour operators are working on their strategies to remain strong and competitive. One way of achieving this is the creation of new online business models such as TUI's venture of Hotelbeds. In regard to how distribution channels are likely to change in the coming years, interviewees expect the disappearance of brokers and intermediaries and the appearance of XML and Extranet. This will offer consumers new opportunities for direct booking. Nevertheless, a lot depends on the airline industry and the development of low-cost routes to island destinations. Currently, low-cost airline prices to island destinations are relatively high compared to city destinations in high season. As long as this is the case, tour operators are expected to remain powerful as part of the distribution channel model. Nonetheless, it was found that all players have to integrate the latest mobile technologies through the development of apps and social media in order to adapt to tourists' changing needs and remain competitive in the market.

Considering the pace of technology changes over the past few years, this study conducted interviews in 2014 and 2016, and the findings show that there have not been many changes in regard to tourism distribution channels over these two years. Nevertheless, interviews conducted in 2016 demonstrated much stronger opinions on the importance of social media sites and mobile bookings, as well as the strength of positive reviews of the holiday by previous tourists. This development shows the constant shift towards mobile technologies, and considering recent technological advancements, how the latest technologies can be implemented into the tourism distribution channels model in the future remains to be seen. In 2015, more than 25 percent of the global population used a smartphone, which supports the growing importance of mobile bookings and social media use identified by those interviewees from 2016 (Statista, 2017). Apart from that, the 2016 findings were similar to those from 2014, showing that the actual pace of change in distribution channels is slower than expected.

The aim of the study was to propose a tourism distribution channels model for the European Island context. The major differences based on our findings are summarized here. As shown in Figure 2, mobile devices operate well within the leisure travel market. Customers search for information regarding their holidays or for online travel agencies on their mobile phones. In addition, hoteliers build direct relationships with tour operators (suppliers) through new Hotel Management Software such as Extranet or Supplier Extra. This means that Extranet or Supplier Extra will take on the roles of incoming agents, which are expected to disappear. Furthermore, online reviews and social media networks are expected to continuously influence customers prior to their travel decision-making processes. This is linked mainly to the importance of word of mouth. Overall, the model represents the increasing trend of ICT to influence the distribution of tourism products and services. An interesting aspect that remains to be explored is how new technological developments such as wearable technology will fit into the model in the future.

Please insert Figure 2 about here

Theoretical implications

The contributions of the present study are threefold. First, this study used the initial distribution channels model by Kracht and Wang (2010) and revised it for the European island context, exploring the disappearance of incoming travel agents and the appearance of extranet XML. Second, this study is an extended study that addresses the call for further research using a wider sample to study tourism distribution channels recommended by Law *et al.* (2015). The present study adds to the existing model by Kracht and Wang (2010) by including a broad range of players and experts in the empirical data collection. The present study focused on hoteliers, traditional tour operators, OTAs and online review sites to gather a broad view of the latest trends in tourism distribution. Finally, methodologically, unlike previous research that used surveys (DelChiappa, 2013; Law and Lau, 2004) or focus groups (Law *et al.*, 2015), the present study employed an interview approach with a vast number of Cretan tourism stakeholders in order to reflect the rapid changes in ICT and consequent changes to the tourism distribution channels in Crete over time. The present study supported the finding that online advancements have changed the classical tourism distribution channels model over the past few years. However, there was limited research that updated the tourism distribution channels model, especially within the European Island context. Thus, the present study adds to the pool of knowledge about the latest trends, key players and disappearances within the distribution channels market. The overall outcome of the work is a new, modern model for European island destinations such as Crete and the recognition of the need to replicate the work in more traditional destinations in order to create a second model for those destinations that do not function as Crete does.

Practical implications

For practitioners, the findings of this study reveal not only opportunities but also threats related to upcoming trends. Being ahead of the competition is often crucial to survive in this highly competitive industry. The findings show that small tour operators have to start investing in online strategies. However, in reality, it is often complicated and financially challenging to remain current with all the latest developments due to limited resources. In addition, managers should be aware that the latest technologies offer new platforms for dynamic packaging. The interviews revealed the importance of good reviews, as the availability of social media and mobile applications makes reviewing and gathering others' opinions fast and easy. In addition, the study identified the strength of Extranet XML and the decreasing importance of incoming agents. Nevertheless, these findings should be taken cautiously since, previously, actors have been wrong about predicting disintermediation. Therefore, it is crucial to periodically study and follow changes in tourism distribution channels. Hoteliers can benefit from these findings by planning their distribution and marketing strategies accordingly. Finally, this study provides the latest managerial perspective on disintermediation in the hospitality and tourism industry. According to our findings, tourism managers can expect more direct relationships between hotels and traditional/online tour operators. Traditional tourism distribution channels such as incoming agents are expected to disappear as a result of emerging technologies and changes in booking behaviors; thus, tourism and hotel managers are advised to utilize new and emerging channels in order to remain competitive.

Limitations and future research

There are a number of limitations in this study. The interviewees were all working in Crete or were responsible for the Greek/Cretan market; therefore, we suspect findings are not generalizable to any other European tourism destinations, except for specific island destinations with a profile similar to that of Crete. The case study of an island destination is very specific as they are much more reliant on traditional tour operators than city destinations. Therefore, future research is advised to replicate the study in another destination to compare the findings. In addition, like any other qualitative research, findings based on interviews are difficult to generalize, and therefore, further quantitative data collection is encouraged to validate the tourism distribution channels model. As mentioned throughout the study, distribution channels are changing rapidly due to the fast pace of technology development, and regular research on this topic is encouraged to remain current. Finally, channel management is becoming more important as hotels can increase their revenue through an instant update of rates, capacity and content based on demand. However, there has been limited research focusing on how channel management can be utilized to manage intermediaries, and therefore, further research is recommended in this area.

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