
THE POSITION OF ONLINE ENTREPRENEURS ON THE TOURIST MARKET

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Abstract:

This article deals with issues related to tourism enterprises, which websites are used by tourists when booking a service. An attempt was made to answer the following questions: what are online travel agencies and other entrepreneurs that simplify the purchase of related travel services? and what is their meaning to tourists? In the first part of the article *Global Distribution Systems – introduction to the subject*, the most well-known distribution systems services were presented. They include: Amadeus, Sabre, Galileo and Worldspan. The distribution and reservation systems are used by all airlines, medium and large accommodation facilities and car rentals. In the second part *Traditional online agencies of the tourist market*, contains the most important information about the largest entrepreneurs in the online tourism market: Expedia Group, Inc. and Booking Holdings Inc. How this state of affairs affects the market situation and customers using their services was also discussed. The third part of this article *TripAdvisor – the largest tourism website* talks about the importance of TripAdvisor as the largest tourist website for rating. There are advantages and disadvantages of rating the objects on the website. The next, fourth part, *The Sharing economy – an alternative for traditional accommodation facilities* presents the issue of sharing economy based on the example of the Airbnb website. *Summary*: stationary travel agencies will lose their relevance; the importance of sharing economy will increase; due to the growing market competition, enterprises will adapt to clients' requirements.

INTRODUCTION

A huge part of the tourist market are all transactions carried out online by tourists. They are included in reservations, payments and online purchases. The Internet is an enormous base of services and tourist products. Tourists leaving for holidays abroad will first seal the transactions with an online payment and then go on a journey. It gives them a sense of security, especially if it is purchased by a well-known online agency that many people use. It is easier and more pleasant for tourists to carry out the research and purchase in their own apartment through Internet than at a local travel agency. The offers of stationary travel

agencies may be limited because they belong to the companies which these agencies signed contracts with. This in turn makes it impossible for clients to compare a large number of offers available on the market. More and more people order products online. In the case of Americans, this applies to as much as 90% of society [www.cpcstrategy.com, date of access: 30.11.2018]. Tourists also believe that a purchase made without the participation of entrepreneurs that share offers from producers will be more financially beneficial for them [Pawlicz 2012: 75]. As a result, online service sellers do everything to make purchasing easier for their customers. They facilitate the purchase and payment process, so that they are as easy and fast as possible. People being used to this kind of way of transitioning orders will require the same amenities from online sellers of tourist products and services. Related to the tourist market companies like Booking Holdings Inc. (previously The Priceline Group Inc.), Expedia Group Inc., Trip Advisor Inc., Amadeus IT Group, Airbnb Inc., Sabre Corporation and Travelport are the owners and creators of the largest and most used tools for selling travel services though the Internet.

The article shows one of the largest tourism enterprises involved in the sales of services online and its meaning and impact on the tourist market. The authors of the article tried to answer the following questions: What is the significance of online travel agencies on the tourist market? What is the role of reservation and distribution systems? Which competing companies threaten the largest tourist online agencies? The research methods used in this article were mainly based on the analysis of collected materials, literature on the subject and Internet resources, that is, Desk Research method.

GLOBAL DISTRIBUTION SYSTEMS – INTRODUCTION TO THE SUBJECT

In order to be able to consider the importance of online travel agencies, one needs to become familiar with how those travel agencies operate. Tourists book trips, flights or rooms via websites of direct tourism service providers or entrepreneurs providing these services. Tourists doing one action (e.g. clicking “buy” or “book”) in a very simple and quite fast way acquire a tourist offer. This relatively simple purchase process is actually operated by the best global distribution systems and computerized reservation systems that process hundreds of thousands of information within seconds. As a result, data on the availability of products or services, pricing policy and possible alternatives are constantly updated.

Global Distribution Systems (GDS) is a computerized global network of flight reservations, hotel rooms and car rentals. GDSs regularly acquire information from travel providers (e.g. hoteliers, airlines) and make them available for stationary travel agencies or their online counterparts. Then, these units, through their agency, offer services to tourists. Information provided by GDSs concerns, for example, the number of available hotel rooms or airplane seats. They are the main systems which Online Travel Agencies rely on. GDSs charge for their services [Pawlicz 2012: 50].

According to M. Nalazek, currently the largest global distribution systems on the market are [2010: 117]:

- **Amadeus** – a system used by over 100 airlines (e.g. LOT) [Rajs 2007: 40].
- **Worldspan and Galileo Int.** They both belong to one company – Travelport. Galileo is one of the world’s largest suppliers of technological solutions for tourism enterprises. It enables uninterrupted exchange of information between providers and recipients of their services, i.e. 365 days a year nonstop [Rajs 2007: 30].

- **Sabre** – is the world's first Computer Booking System for air transport. Sabre is an e-commerce leader on the tourist market. E-commerce, concerns electronical commerce, including: trade of services and goods, and the transfer of means of payment [Parlińska 2002: 59].

TRADITIONAL ONLINE AGENICIES OF THE TOURIST MARKET

Tourists who buy tourism services online use specially prepared, made for selling, websites. They may belong to producers of tourist services or entrepreneurs facilitating the purchase of related tourist services. Previously, such entrepreneurs were called “intermediaries” and they were defined as entities enabling contact between the service producer and its user [Konieczna-Domańska 2008: 24]. The choice of websites on which one can book a room, a table at a restaurant, a plane flight and rent a car is huge. According to Skift Inc. the most used websites by tourists are Booking.com, TripAdvisor.com, Expedia.com, Hotels.com, Airbnb.com, Agoda.com, Priceline.com, Skyscanner.com, Kayak.com, MakeMayTrip.com, CheapOair.com, Trivago.com, HotelUrbano.com, Orbitz.com, Hotwire.com, Travelocity.com [www.skift.com, date of access: 30.11.2018].

Booking Holdings Inc. is an enterprise that owns several tourist aggregators¹¹ and tourist comparators¹². Booking.com, Priceline.com, Agoda.com Kayak.com and Open Table – all of these Online Travel Agencies (OTAs) are subsidiaries of Booking Holdings Inc.

Expedia Group, Inc. just like Booking Holdings Inc., is a global tourism technology company with websites and online comparison websites, including Expedia.com, Hotels.com, Hotwire.com, Orbitz.com, Travelocity.com and Trivago.com.

This data shows that most of the booking sites used by tourists belong to one of the two largest online travel companies: Booking Holdings Inc. or Expedia Group, Inc. The revenue of the Tourism Internet Reservations segment by the end of the third quarter of 2018 amounted up to USD 345 billion [www.statista.com, date of access: 30.11.2018]. Annual sales of services in 2016 brought USD 72,4 billion for Expedia Group, Inc. and USD 68,1 billion for Booking Holding Inc. [www.statista.com, date of access: 30.11.2018]. According to Forbes.com, both of these enterprises control about 95% of the OTA market [www.forbes.com, date of access: 30.11.2018]. Of course, such a market duopoly¹³ is of great importance to customers. Firstly, prices will be relatively stable, and it will be determined by the company whose product will be the cheapest [www.mfiles.pl, date of access: 30.11.2018]. In addition, such enterprises have a very deep understanding of the market due to the large amount of feedback.

Tourists using OTAs have a number of benefits. Customers can choose from a huge database of hotels, flights or rentals, finding dozens of results for one city. They can use the filters on the page to tailor search results to their needs. Often one can meet different types of packages containing not only accommodation, but also a flight both ways at a reasonable price. OTAs connect enterprises with their potential customers around the world. Distance is no object when it comes to performing a transaction through the Internet. It is much convenient for customers to use one large website when searching for a holiday package than from all the travel service providers' websites separately. This kind of solution saves a lot of

¹¹ Aggregator – a website and/or and application showing consolidated information collected from various online external sources.

¹² Tourist comparators – websites that allow you to search and compare several different offers of services or products sold though the Internet. One can not buy a product or service on the comparator, but the system redirects users to the actual page with the offer.

¹³ Duopoly – a form of oligopoly, the phenomenon occurring when two competing producers can be found on a given market that are aware of the existing competition.

time. This in turn forces the owners of hotels, airlines or various types of rental companies to display their offers on the websites of the Booking.com type of companies. To exist on the tourist market, the hotel must be high in the search results obtained by the tourist. To achieve this, the owner of the facility must display a service on one of the OTA websites. Online Travel Agencies charge a percentage of the sales of offered products and services on their platform, usually from 15 to 30% for hoteliers [www.fredericgonzalo.com, date of access: 30.11.2018]. For the customer, this means higher prices for accommodation and other services. A solution could be a direct purchase from travel service providers (e.g. hoteliers), but most OTAs are secured by a contract, the content of which states that sellers cannot offer lower prices from Online Travel Agencies. Hoteliers avoid this prohibition by offering additional bonuses or loyalty packages for regular customers [www.littlehotelier.com, date of access: 30.11.2018].

Travel packages (*Package Holiday*) are the largest segment of the online tourist booking market. The total of transactions in this market segment in 2018 amounted to USD 156 billion. The annual growth rate is estimated in such segments as: hotels and organized holidays at 6,4%; flights at 6,2% and rental of apartments at 6,6% [www.statista.com, date of access: 30.11.2018].

TRIPADVISOR – THE LARGEST TOURISM WEBSITE

TripAdvisor is the largest online tourist portal on which users rate and give reviews of hotels, restaurants and tourist attractions [www.skift.com, date of access: 30.11.2018]. There is also an interactive travel forum. The portal has 455 million users, 661 million reviews and opinions, 136 thousand destinations and 7,5 million accommodation, attractions and restaurants [www.expandedramblings.com, date of access: 30.11.2018]. It follows that one out of sixteen people use TripAdvisor. For 36% of surveyed Poles by Statista.com, the most important sources of information when planning a trip are websites that collect and display comments, reviews and rankings from tourists [www.statista.com, date of access: 30.11.2018]. A potential client feels safer when reliable opinions posted by another tourist are available to read. On TripAdvisor users can also compare prices of a hotel room from various websites, such as Booking.com. TripAdvisor combines the functions of an Online Travel Agency with the features of social media. The success of TripAdvisor is to convince tourists about the authenticity of the published information on the portal. Counting from April 2018, TripAdvisor is the most popular tourist website in the United States with 37,7 million users visiting it monthly [www.statista.com, date of access: 30.11.2018]. More and more, however, it is criticized and is accused of selling positive opinions. According to The Times, every third opinion on TripAdvisor is not true [www.thetimes.co.uk, date of access: 30.11.2018]. The website runs rankings based on ratings and the number of opinions provided by its users, which may be any natural person. The owner of TripAdvisor assures that the website fights counterfeit feedback as effectively as possible, trying to verify each review prior to its publication. Also, by removing some suspects of mendacious reviews, TripAdvisor can actually deprive those that are real.

Among the positive aspects of using TripAdvisor a few can be mentioned: a huge amount of published opinions and reviews; a great database of tourist products and services; the possibility of comparing service prices; rankings of attractions; the possibility of uploading photos. An additional advantage of this website are also extensive subcategories (e.g. specialist museums, jazz clubs, places of worship). On the other hand, for the disadvantage, the website is operated by: extremely diverse opinions that confuse users; mendacious opinions posted by the owners of institutions or people bribed by them [www.tripsavvy.com, date of access: 30.11.2018].

Viator is a website that presents the most interesting local trips and activities. Viator was bought by TripAdvisor in 2014. In addition to the possibility of being able to rate, Viator also has options to purchase services that are available on their website [www.forbes.com, date of access: 30.11.2018]. Companies that are placed on the Viator website pay a 20-30% commission [www.medium.com, date of access: 30.11.2018]. On Viator, service providers can create their own description, make graphics and have a direct contact with customers. When organizing tourist activities, contact with the client is important. In addition, the Viator application allows users to control the course of the trip (e.g. changing the time or date) via mobile devices such as tablet or smartphone.

THE SHARING ECONOMY – AN ALTERNATIVE FOR TRADITIONAL ACCOMODATION FACILITIES

Airbnb is a private company with a website where users rent their apartments or rooms for tourists. Airbnb earns a fee from the hosts and their guests. The website is the leader of the sharing economy¹⁴ with monthly income of USD 924 in the United States in 2017 [www.statista.com, date of access: 30.11.2018]. Thanks to the policy of sharing economy, portal users can book a room, a floor or even an entire apartment at an affordable price. Usually in such shared apartment is a separate bathroom and kitchen so that the tourist can save money by cooking in the apartment. According to Hotel.info¹⁵, the most for a room for one night can be paid in New York – an average of USD 306. On the other hand, according to the AirDNA website, booking a room for one night in New York using Airbnb costs an average of USD 187 [www.forbes.com, date of access: 01.12.2018]. The income from the Renting Apartments segment in the tourist market is USD 47,268 million by the end of the third quarter of 2018 [www.statista.com, date of access: 30.11.2018]. As mentioned above, it is estimated that the market will grow steadily. The popularity of Airbnb results not only from its lower prices, but also from facilities such as 24-hour check-in [www.passporthealthusa.com, date of access: 01.12.2018]. The user can choose according to his preferences, in which part of the city he wants to rent an apartment (the closer to the attraction, city center the higher the price), the size of the apartment, the level of comfort, luxury and the presence of various facilities. On Airbnb one can rent villas with a huge swimming pool, gym and tennis court to the full disposal of the customer as well as teepee, igloo or a manor. The objects available for rent on the website are very diverse, in terms of architecture and interior design, in contrast to the usual template look of hotel rooms. On Airbnb, one can also book unusual attractions that are very popular such as: space painting in a design studio in Oulu, baking course in Porto, flamenco dance lessons in Costa de la Luz, milking sheep and making sheep cheese in Malta. All apartments and attractions can be reviewed and rated, from which the ranking is generated later. Among the disadvantages of sharing economy a few can be mentioned: the possibility of destroying the property by guests; unreliability of offered services and products. Airbnb offers various types of compensations for losses incurred by the hosts and guarantees for guests (e.g. the Airbnb PLUS collection). However, Airbnb still remains a profit-oriented business. Regulations for providers and guests have the appropriate paragraphs as to the amount of compensation paid and the possibility of complaint [www.investopedia.com, date of access: 01.12.2018].

¹⁴ The Sharing Economy – economic activity involving online transactions. Originally it consisted of P2P transactions (peer-to-peer), that is sharing of access to products and services between users of the service. Currently, it can also have a broader meaning and refer to B2B (business-to-business).

¹⁵ hotel.info - online hotel reservation service run by the German hotel company, hotel.de AG.

SUMMARY

Online sales of travel services can only increase. More and more people are being convinced to making purchases at home. According to Express Newspapers, stationary travel agencies will cease to exist within 5 years. The magazine justifies its statement by data published by Kayak.com, which shows that the number of people using the services of stationary travel agencies drastically decreased. In 2008, 57% of British people booked holidays at stationary travel agencies, the current result is 19% [www.express.co.uk, date of access: 01.12.2018]. A Polish example confirming the above-described tendency is the closure of the “Gromada” travel agencies. The “Gromada” Tourist and Leisure Cooperative was established in 1937 and is one of the oldest Polish travel agencies. During its liveliness, “Gromada”, had over 100 stationary travel agencies throughout Poland, also one branch in Rzeszów on Grunwadzka street. Currently, “Gromada” has a website, 3 stationary travel agencies and institutions providing hotel services [gromadatravel.pl, date of access: 07.12.2018].

Although Expendia Group, Inc. and Booking Holdings Inc. still remain the largest intermediaries in the tourism market, tourists can still decide on the method of purchase and type of purchased service. The popularity of the sharing economy is constantly growing. Thanks to the establishment of lower costs for the room from hotels and the greater variety of offered facilities and attractions, Airbnb is becoming a serious competition for current market leaders. This situation, as well as the possibility of publishing opinions on TripAdvisor, allows customers to influence the prices and quality of services offered.

TripAdvisor remains one of the largest and most popular tourist websites despite many accusations of displaying fake and selling positive reviews by the website. TripAdvisor owes this to its huge database of tourist facilities and reviews. Tourists assume that not all opinions are false, and they decide to still use the website.

For tourists, the high quality of offers, easiness and speed of purchase, good prices and security of transactions are the most important. Entrepreneurs who want to retain existing customers and acquire new ones must meet all the conditions set above.

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