



Title: The Role of Online Travel Agencies (OTAs) in Shaping the Future of Tourism Distribution Channels

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Abstract

There has been a drastic change in the tourism distribution industry with the rise of Online Travel Agencies (OTAs) like Expedia, Booking.com, and Airbnb. This paper will discuss how OTAs have broken the traditional distribution channels and transformed the relationships between the consumer, service provider and intermediaries. This study assesses the two-way influence of OTAs on the tourism stakeholders by considering the theory of consumer behavior, statistics on the industry, and post-pandemic market trends. According to the study, OTAs offer greater convenience and market access, but they also cause dependency and margin pressures to the suppliers. The IA of consumer behavior shows that there are new inclinations towards a digital-first experience, customization, and optimization of values. The study ends with a set of strategic suggestions to tourism companies on how to balance the collaboration with OTAs and direct distribution channels, the need to focus on the role of omnichannel strategies in the new digital environment.

1. Introduction

1.1 Background

The last 20 years have seen unprecedented digital disruption in the tourism industry that has fundamentally changed the way travel products and services are accessed by the consumers. Online Travel Agencies have become the strong actors, capturing a large portion of the market share and exercising massive power in the pricing, availability, and consumer decision. The OTA market is an expanding sector in the world with a valuation of about 475 billion in 2023 which is ever growing since most people all over the world are going digital (Statista, 2024).

1.2 Research Problem

The traditional travel agencies that used to dominate the distribution of tourism have found themselves in existential problems following the entry of OTAs into the market using technology, data analytics and user-generated content to seize market share. Tourism operators especially small and medium sized businesses find it difficult to negotiate on visibility that the OTAs offer at a cost of 15-30% per booking. The COVID-19 pandemic increased the pace of digital transformation and compelled the stakeholders to re-evaluate their distribution policies in the face of altered consumer patterns and economic demands.

1.3 Research Objectives

This study aims to:

- Compare the history of development of tourism distribution channels with the focus on OTA disruption.
- Assess the effects of OTAs on the traditional travel agencies and tourism suppliers.
- Study consumer behavior theory of adoption and usage of OTA.
- Determine pros and cons of OTA alliances to stakeholders.
- Give evidence-based suggestions to companies that deal with post-pandemic distribution issues.

1.4 Significance

The study of OTA dynamics is paramount to sustainable distribution strategies of businesses in tourism. With the increase in the number of digital channels and the evolving needs of the consumer, it is necessary to use the available distribution mix to increase revenues while ensuring profitability, and control of the brand.

2. Literature Review

2.1 Distribution channel Evolution of Tourism distribution channels.

Tourism distribution has always been a linear system in which suppliers (airlines, hotels, tour operators) use travel agents as the main channel to distribute their products to the consumers. This traditional form of structure was reported by Buhalis and Laws (2001), and it focused on the gatekeeper role of the travel agents who had specialised knowledge and booking facilities. This model had been revolutionized by the internet, where direct contacts between suppliers and consumers were now possible, and the introduction of new intermediaries who had better technological capacities than the old ones.

2.2 The Rise and Impact of OTAs

2.2.1 Market Dominance

The two companies, Expedia Group and Booking Holdings, dominate about 95 percent of the OTA market worldwide with Booking.com alone conducting more than 900 million room nights each year (Booking Holdings, 2023). Airbnb has gone further in disrupting accommodation distribution by enabling peer-to-peer transactions, which have established an alternative accommodation sector worth in excess of 87 billion worldwide (Airbnb, 2023). This monopoly gives OTAs a significant bargaining strength against suppliers and has the impact on consumer buying behavior with algorithmic ranking, reviews, and price displays.

2.2.2 Derailment of Traditional Agencies.

The travel agencies have been dramatically reducing with the U.S. agency locations reducing by about 34,000 in 2000 to less than 13,000 in 2023 (ASTA, 2023). Tse and Poon (2017) attribute this fall by saying that the benefits of the OTA are 24/7 availability, immediate booking, vast inventory,

customer feedback, and attractive prices, the result of real-time search. Selective services to complex itineraries, high-end travel, and corporate bookings in which customization requires higher prices are the reasons why traditional agencies are still alive.

2.3 OTA Adoption Theories of Consumer Behavior.

2.3.1. Technology Acceptance Model (TAM)

The Technology Acceptance Model created by Davis (1989) offers a description of the OTA adoption in terms of perceived usefulness and perceived ease of use. Investigations conducted by Morosan and Jeong (2008) show that customers regard OTAs as incredibly helpful in the process of comparing choices, reading, and getting competitive prices. The user-friendly interfaces of the platforms increase the perceived ease of the use which promotes the adoption across demographic lines.

2.3.2 Theory of Planned Behavior (TPB)

According to the Theory of Planned Behavior, the attitudes, subjective norms and perceived control of behavior lead to the formation of behavioral intentions (Ajzen, 1991). A study by Amaro and Duarte (2015) has observed that positive perceptions about online booking, social influence of peers who have made online transactions, and confidence regarding the use of online transactions are important predictors of online booking intentions. The user reviews especially have a significant impact on subjective norms through offering social evidence to the quality of services.

2.3.3 Consumer Decision Journey

The Consumer Decision Journey model by McKinsey is a model that shows the sequence of events followed by consumers in their quest to make purchases; awareness, consideration, evaluation and purchase. Buhalis and Sinarta (2019) transferred this framework to the tourism industry and showed that OTAs take over the consideration and evaluation stages by consolidating the options and allowing them to be compared. Nevertheless, the suppliers with good brands usually win consumers back in the purchase stage by offering incentives in direct booking.

2.4. The Post-Pandemic Distribution Dynamics

The COVID-19 pandemic increased the pace of digital transformation and at the same time made OTA vulnerable. As Gossling et al. (2021) reported, travel restrictions and cancellations imposed a strain on the relationship between OTA and suppliers, and the argument about refund liabilities spoiled the trust. On the other hand, the crisis proved the power of direct relationships when the suppliers informed customers about the changes in policies. The recovery after the pandemic has meant that consumers have favored flexibility, safety information and sustainable options, which affects the choice of distribution channel.

3. Methodology

3.1 Research Approach

The study is a mixed-method study that incorporates the utilization of both the quantitative and the qualitative analysis of data and the qualitative study of case. The study combines the secondary information in the form of the industry reports, scholarly resources, and the company disclosures to form a complete overview of OTA effects on tourism distribution.

3.2 Data Collection

Data sources include:

- Statistics on the Industry: Statista, Phocuswright, UNWTO tourism statistics.
- Company Reports: Expedia Group, Booking Holdings, and Airbnb Annual reports and investor presentations.
- Academic Databases: The articles reviewed are scholarly articles about tourism and hospitality journals.
- News Sources: Industry publications such as Skift, Phocuswright and Travel Weekly.

3.3 Analytical Framework

The analysis employs:

- Trend Analysis: A longitudinal analysis of OTA market share, traditional agency loss, and direct booking rates.

- Stakeholder Analysis: The analysis of the effects on the consumers, suppliers, traditional agencies, and OTAs themselves.
- SWOT Analysis: Evaluation of strengths, weaknesses, opportunities and threats on the different distribution strategies.
- Case Study Method: Examination of particular instances of the effective distribution strategies.

3.4 Limitations

This study uses publicly available secondary data, which is not necessarily able to reflect business intelligence that is proprietary. Geographic focus is mainly used to denote the North American and European markets where OTA has the highest penetration. The fast-changing nature of industries implies that findings are a localized time frame, which needs to be reviewed at regular intervals.

4. Findings

4.1 OTA Market Dynamics and Performance.

4.1.1 Market Share and Growth

It can be analyzed that about 40% of all online travel bookings worldwide are done through OTAs, and the figures are expected to increase to 45 percent by 2027 (Phocuswright, 2024). Booking.com holds the largest share of the global accommodation implication of 22 with Expedia at 13 and Airbnb with 15 that concentrate on other accommodation. There are regional differences with penetration of OTA being more than 50 percent in Europe and Asia and it is still at 35 percent in North America where brand loyalty and direct booking is stronger.

4.1.2 Revenue and Commission Structures.

OTAs earn their income and commissions by varying percentages of 15-25 accommodation and 5-10 flight. Advanced placements, advertising, and subscription systems (Booking.com Genius, Expedia Rewards) are other sources of revenue. Booking Holdings had gross travel bookings of 150billion and a revenue of 21billion in 2023, and Expedia Group had 95billion bookings and 12billion revenue (Company Reports, 2023).

4.2. This will also influence the operations of traditional travel agencies.

OTA competition has led to three different reactions by traditional agencies:

- **Decline and Consolidation:** There has been a 60% reduction in independent agencies since 2000, with those which survive generally becoming part of consortia such as Virtuoso or Signature Travel Network so that they could have access to supplier relationships and technology platforms.
- **Strategy of Specialization:** The effective agencies distinguish themselves in terms of luxury travel expertise, multi-destination bookings, corporate travel management, or in the niche markets (adventure travel, affordable tourism) where the individual service is highly valued at a high price.
- **Hybrid Models** Some agencies adapted to hybrid models and continued to have a brick-and-mortar presence to consultations, but used OTA's distribution capabilities to book commodities, becoming OTA affiliates receiving referral fees.

4.3 Consumer Behavior Patterns

4.3.1. Search and Booking Behaviors

Study findings show that consumers follow specific search behaviors:

- Travelers use the websites of OTAs 73 percent in the process of travel planning (Google Travel Insights, 2024).
- The number of websites used by average consumers during booking is 18, and OTA dominate the first stages of research.
- Fifty five per cent of leisure travellers reserve accommodations via OTAs to 45 per cent via direct channel.
- OTA bookings on mobile apps include 45% of all OTA transactions, which is up by 30 percent in 2019.

4.3.2 Motivation Factors

According to consumer surveys, the key factors in the adoption of OTAs are:

- **Price Comparison:** 78 percent quotes the capability to make comparisons of prices among multiple suppliers.

- Convenience: 71 percent of people consider one-stop shopping a desirable feature of various travel elements.
- Reviews and Ratings: 69% make an extensive use of user-generated content when making decisions.
- Rewards Programs: 52 percent join OTA reward programs that affect the booking choices.
- Cancellation Policies: 64% are more focused on flexible cancellation policies, and OTAs tend to be more lenient about them.

4.3.3 Trust and Loyalty Dynamics

There arises some interesting paradoxes in consumer trust patterns. Although 67% of travelers have a more positive trust in an existing hotel brand compared to an OTA platform, 58% are booking on OTAs nevertheless because they see a price benefit (Deloitte Travel Survey, 2023). This gap in loyalty discounts whereby direct bookers have a better deal only takes place in 43 percent of the cases, but consumers continue to hold onto the belief that OTAs are a better deal.

4.4 Impact on Tourism Suppliers

4.4.1 Hotels and Accommodations

Hotels have complicated tradeoffs when it comes to OTA partnerships:

Advantages:

- Reach to 1.5+ billion potential customers across the world.
- Lower costs of marketing since OTAs spend a lot on customer acquisition.
- The improvement of occupancy especially of independent properties with no brand name.
- Information on the market trends and pricing of competitors based on the OTA platforms.

Disadvantages:

- Commission fees of 15-25% with a huge effect on profitability.
- Direct customer relationship loss and inability to remarket due to loss of customer data.
- Clauses of rate parity that limit flexibility on channel pricing.
- Reliance on algorithms with ranking in which visibility and booking volume is determined.
- Brand dilution properties are commoditized in search results.

Marriott international case analysis reveals the strategic reaction of major brands. Marriott spent 400 million dollars on direct booking programs and campaigns such as the It Pays to Book Direct and provided incentives like mobile check-in, free Wi-Fi, and best rate guarantees to move away the OTA channels (Marriott, 2023). The findings indicate that direct bookings are demanding higher percentages of digital bookings, which grow to 58 percent by 2023 compared to 42 percent in 2015.

4.4.2 Alternative Accommodations.

Airbnb made available a platform to the individual property owners who had no distribution channel. There are more than 7 million listings in the platform worldwide, and the average host in the platform makes around \$13,800 a year (Airbnb, 2023). Nevertheless, growing competition, more stringent regulation and service structure at Airbnb (commission fee of 3 per cent host and 14 per cent guest) have reduced profitability. Other professional operators currently are also listed on several sites such as Vrbo and direct booking websites to increase distribution.

4.5 Distribution Trends: New Developments.

4.5.1 Metasearch Engines

Google Travel, Kayak, and Trivago allow one to compare OTAs and direct channels, which introduces even more complexity to distribution. Although it is not transactional, the metasearch monetizes both OTAs and supplier sites, and 42 percent of travelers initiate searches on any of these platforms (Phocuswright, 2023).

4.5.2 Direct Booking Revival

Direct channels are being increasingly stressed by suppliers in terms of:

- Improved reward schemes with exclusive services (room upgrades, late check, points)
- Excellent customer service interacting personalized service and communication.
- Price parity implementation and strategic rate loading.
- Investment in mobile application and booking engine technology.
- The direct relationships are formed by content marketing and building relationships on social media.

4.5.3 Niche Platform Proliferation.

Dedicated solutions serving a particular niche have a high growth:

- Luxury: Virtuoso, Mr & Mrs Smith
- Sustainable Travel: Bookdifferent, Kind Traveler.
- Exclusive Experiences: Hipcamp, Glamping Hub.
- Local Experiences: WithLocals, EatWith.

These sites usually have a higher commission fee (25-40) and offer select audiences who are prepared to pay more money on specialised products.

5. Discussion

5.1 Stakeholder Analysis: Advantages and Disadvantages.

5.1.1 Consumer Perspective

Benefits: OTA proliferation has many advantages to consumers in transparency, convenience, and competitive price. An opportunity to shop hundreds of options in various dimensions (price, location, amenities, reviews) in a few minutes is of great value. The reviews made by the user minimize information asymmetry and guide consumers in making a knowledgeable choice and bypass low-quality products. OTA loyalty programmes are tangible, and the Booking.com Genius members can obtain the average discounts of 15 percent on the properties that are enrolled. Flexibility in booking is also provided through mobile applications so that, the traveler can make or make changes to a reservation at any place, at any time.

Disadvantages: There are however considerable drawbacks to the consumers. Ranking based on algorithms might not suit personal preferences, and it might obscure the best alternatives. The cost can be deceptive where the overall costs of the price including taxation and fees are disclosed at the end of the booking process. Although platforms have verification systems, review manipulation is an issue with respect to decision quality. The problem of customer service, especially when it comes to cancellations and refunds, can be exasperating because customers are going through a maze with responsibility distribution between OTAs and suppliers. The issue of data privacy is

challenged by the OTAs gathering a considerable amount of personal data and viewing history to target and personalize it.

5.1.2 Business Perspective of Tourism.

Benefits of Working with OTAs: OTA partnerships are of great benefit to tourism businesses, especially the smaller businesses. It is through the market access that the property is exposed to a wider population across the world where individual marketing could not have been effective. The visibility enhancement is particularly useful in regard to new or not well known businesses creating market presence. They save a lot of money in the marketing, since OTAs spend billions on marketing, SEO and brand creation that would not be possible by single suppliers. The OTA technology infrastructure such as booking engines, payment processors, and customer communication solutions does away with a significant amount of capital expenditure. The management of demand fluctuation is enhanced because OTAs assist in filling the vacant rooms during the low season with the deals within the last minute and promotional events.

Cons of Working with OTAs: The prices, however, are high. The commission rate has a direct influence on profitability and 20% commissions may end up wiping off the margins of budget properties. The loss of customer relations is a strategic weakness, as the OTAs own the guest data restricting remarketing and building loyalty. Silencing the suppliers to provide a better price via direct channels with rate parity makes distribution strategies more difficult. Algorithms dependency breeds uncertainty because ranking changes have colossal implications on the visibility and bookings. The process of brand commoditization takes place when properties are no longer distinguishable brands but a search result. Strategic dependence builds up as businesses find it difficult to minimise OTA dependence once in place, which makes them become vulnerable in the long term.

5.2 Theoretical Implications

OTA adoption has been well explained using the consumer behavior theories, but these theories need adaptation to changing situations. Technology Acceptance Model is valid, though the modern customer wants advanced functionality and not just usefulness. Mobile optimization, personalization, and single consistent multi-device experiences have become the new perceived ease of use. Social influence is more intricate in the Theory of Planned Behavior because today the influencer marketing and the Instagram travel content, as well as online community

recommendations that are no longer limited to the standard peer network, are all viewed as influencers of behavior.

The Consumer Decision Journey model needs to be adjusted to omnichannel behavior in which consumers flexibly switch between OTAs, metasearch engines, social media, review sites, direct channels, through the decision process. Buhalis and Sinarta (2019) suggested an eTourism Consumer Decision Journey adding digital touchpoints and post-travel sharing behaviors that affect subsequent travel.

5.3 Strategic considerations following the Pandemic.

The COVID-19 pandemic fundamentally transformed the distribution dynamics that will have long-term effects:

- **Flexibility as Priority:** Flexibility in cancellation is now a priority: 73 percent of consumers are ready to pay more money to cancellations (McKinsey Travel Survey, 2023). This changes the competitive forces to providers with good terms.
- **Direct Relationship Value:** Crisis communications emphasized direct relationship benefits, because suppliers had the opportunity to make clear communication to customers with new information as OTA customers had delays and confusion about refund policies.
- **Domestic and Regional Focus:** The low travel long-haul travel enhanced regional tourism, and in many cases, direct booking and local traditional agencies with local knowledge did better than international OTA travel platforms.
- **Health and Safety Information:** Consumers need specifics on hygiene processes and safety precautions, which can be communicated optimally by the direct channels more than the standardized OTA listings.
- **Sustainable Tourism Interest:** The increase in environmental awareness leads to a need to focus on sustainable products and offers a chance to the niche approach in the form of responsible travel.

6. Conclusion

6.1 Key Findings Summary

This study has shown that Online Travel Agencies have essentially revolutionized the distribution of tourism, one that has formed a complex ecosystem with far-reaching consequences to all the interested parties. OTAs offer unquestionable consumer value in terms of transparency, convenience and competitive prices and offer tourism businesses access to international markets and advanced technology infrastructure. But these advantages are accompanied with high costs such as commission burdens, loss of margins, loss of customer relationship and strategic dependency.

As the analysis has shown, the distribution strategy that would be successful will need sophisticated measures of balancing OTA partnerships and investing in the direct channel. The consumer behavior theories exist to explain the OTA adoption with the help of technology acceptance, social influence, and value optimization, yet, the changing demands toward personalization, flexibility, and sustainability insist on constant changes. The situation after the pandemic increases the rate of digital transformation, but at the same time emphasizes the timelessness of face-to-face relations and lenient booking conditions.

6.2 Strategic Recommendations

The strategies that should be used in tourism businesses to cope with the modern distribution issues are as follows:

1. Embrace Omnichannel Distribution Philosophy In place of looking at OTA and direct channels as opposing solutions, create synergies to exploit the strengths of each channel. Use OTAs to gain market exposure and optimize occupancy and invest in direct channels as a means of protecting the margin and building loyalty.
2. Invest in Digital Capabilities Competitive direct booking needs technology infrastructure equivalent to OTA convenience. Put more emphasis on mobile optimization, simplified the booking process, safe banking systems, and user-centric experiences. Use 5-7 percent of revenue on digital marketing and technological development.
3. Improve Value Propositions to Direct Bookers Develop strong incentives to book direct with special perks, liberal policies and personalized service and rewards. Direct channel

rates should be equivalent to OTA prices with higher overall value through bundling and improving the experience.

4. Use Data to Get Competitive Edge Analyze data that OTA has created on market trends, competitor positioning and customer preferences to make strategic decisions. At the same time create dedicated customer databases that allow the targeted marketing and development of relationships that are not dependent on the OTA platform.
5. Niche Positioning Differentiation will decrease dependency on OTAs by designing special value propositions that appeal to customers who will be willing to book directly. Premium pricing can be supported by a focus on sustainability, local experiences, and well-being or other niche products, which would create a base of loyal customers.
6. Partner with OTA Strategically Oakland Hotel must realize that OTA relationships can be negotiated. The high-performing properties enjoying unique services will be able to discuss better commission rates, featured positioning, and special terms. It is best to focus on diversifying to various OTA platforms in order to avoid overreliance on any given partner.
7. Focus on Post-Pandemic priorities assure the alignment of distribution strategies with the changed consumer priorities such as flexibility, safety, sustainability and authentic experiences. Provide them well through all channels and understand the fact that direct relationships offer better communication of complicated information.
8. Keep Track of the New Distribution Channels Keep up with the changing platforms such as the metasearch engines, social commerce and specialized marketplaces. Distribution is on the evolvement, and it is possible to gain competitive advantage by adopting new channels early.

6.3 Future Outlook

The dynamics of tourism distribution will keep changing due to technological innovation, the changing consumer behavior, and market dynamics. Machine learning and artificial intelligence will make all channels more personal and the OTAs and suppliers compete to provide a better personalization experience. Voice-activated reservation using smart assistants will interfere with existing search and booking paradigms, which can build stronger brand relationships because consumers would call by name.

The idea of blockchain technology has the potential to change the distribution process, allowing decentralized booking system that decreases the cost of intermediaries but there are major challenges in the way of its widespread implementation. VR and AR can be used to transform the discovery and evaluation stage, and the previews of the property can be immersive to decrease the fear requiring more certainty when booking.

OTA-supplier relationships will be influenced by regulatory changes, especially those in the area of data privacy, algorithmic transparency, and competition policy. The benefits of the European Digital Markets Act provisions suggesting that large platforms should be treated as the so-called gatekeepers with special rules could serve as an example of the wider regulation that would consider the market efficiency aspect and the fair competition one.

The aspect of sustainability will further affect distribution decisions of consumers and suppliers because customers and suppliers will be concerned with environmental sustainability. The use of platforms that focus on carbon offsetting, sustainable property certification, and responsible tourism practices can be future competitive advantages as the value-focused consumption rises.

6.4 Final Thoughts

The association of OTAs and tourism suppliers is neither that of a desirable association nor that of a totally deleterious association but is a multifaceted form of interdependence which needs to be managed strategically. The effectiveness of modern tourism distribution requires advanced knowledge of consumer behavior, technological capacities, channel economics and competitive forces. Those businesses, which consider OTA alliances and direct distribution investments carefully, adapt to changing market conditions every day, and provide their customers with higher value will succeed in the ever-changing digital world. It is not about those who do not use OTAs or get completely reliant on them that the future is, but those who use a combination of a channel and still have the control over the relationships with their customers and the brand image.

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Appendices

Appendix A: OTA Market Share Comparison (2023)

Platform	Global Market Share	Primary Market	Commission Range
Booking.com	22%	Accommodations	15-18%
Expedia	13%	Multi-component	18-25%
Airbnb	15%	Alternative Stays	3% + 14% guest fee
Trip.com	8%	Asia-Pacific	15-20%
Vrbo	5%	Vacation Rentals	8% + 5% payment

Appendix B: Generation-by-generation Consumer Booking Preferences.

Generation Z (18-27):

- OTA usage: 68%
- Mobile booking: 72%
- First-level motivation: Social proof and price comparison.

Millennials (28-43):

- OTA usage: 61%
- Mobile booking: 58%

Primary incentive: Convenience and rewards plans.

Generation X (44-59):

- OTA usage: 52%

- Mobile booking: 43%
- First level motivation: Price and cancellation flexibility.

Baby Boomers (60+):

- OTA usage: 38%
- Mobile booking: 28%
- Main incentive: Brand loyalty.

Appendix C: Direct Booking Incentive Strategies.

Best Practices of major Brands:

Marriott Bonvoy

- Multiplier of points on direct bookings.
- On-the-move check-in and room booking.
- Complimentary WiFi
- Best rate guarantee

Hilton Honors

- Member-exclusive rates
- Digital key technology
- Complimentary breakfast with elite members.
- Versatile cancellation policies.

Independent Hotel Examples

- Welcome amenities (wine, snacks)
- Room upgrade priority
- Availability of late check out.
- Local experience packages

Appendix D: Distribution Metrics after the Pandemic.

Key Performance Indicators (2019 vs. 2023):

- Direct booking percentage: 45% - 52%
- Mobile booking share: 35% - 48%
- Mean cancellation window: 7 days -3 days.
- Premium acceptance at rates that are flexible: 1228%.
- Loyalty program enrollment: 38% - 51%

Appendix E: Glossary of Terms

ADR (Average Daily Rate): Rental revenues per occupied room on average.

Commission: Percentage of value of booking paid to distribution channel.

Direct Booking: This is the one that is made by the owned channels of the supplier.

Disintermediation: Removal of distribution channel members.

GDS (Global Distribution System): Old computerized reservation systems.

Metasearch: Comparison engines which combine the results of several sources.

OTA (Online Travel Agency): Online middleman which does travel reservations.

Rate Parity: Concordance with regard to similar prices in channels.

RevPAR (Revenue Per Available Room): Critical hotel performance indicator.