

The Role of OTAs in Shaping the Future of Tourism Distribution Channels

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Contents

Abstract	3
Introduction	3
Literature Review.....	4
Methodology.....	5
Findings	6
Discussion	8
Conclusion	10
References	12

Abstract

This report discusses how Online Travel Agencies (OTAs) have changed tourism distribution channels and how consumer behaviour and digital transformation shape the way travel products are marketed and sold. The growth of online platforms such as Booking.com, Expedia, and Airbnb has transformed traditional travel agency operations and encouraged travellers to take a more independent approach to planning and booking their trips. The COVID-19 pandemic further accelerated this shift by increasing the demand for flexible options, updated information, and online convenience. Using theories of consumer behaviour such as the Technology Acceptance Model, the Theory of Planned Behaviour, and Prospect Theory, this report explains why travellers increasingly rely on digital platforms. The study uses secondary research from academic articles, industry reports, and existing case studies. The findings show that OTAs provide convenience and global reach for consumers and tourism businesses but also create challenges such as high commission fees, dependence on online reviews, and reduced control over customer relationships. The report concludes with recommendations for how tourism businesses can strengthen direct booking channels, use data to understand their customers, and improve their digital strategies to adapt to the post-pandemic market.

Introduction

Tourism distribution channels describe all the ways in which travel products such as hotel rooms, flights, tours, and rental homes move from suppliers to customers. In earlier decades, most bookings were made through traditional travel agencies that acted as intermediaries between travellers and businesses. These agencies had access to reservation systems that allowed them to organise flights, hotels, and packages on behalf of their clients. Over the past twenty years, however, the tourism industry has experienced a major transformation as online platforms became the primary source of information and booking for millions of travellers. The rise of the internet shifted consumer preference toward self-service planning, where people could search, compare, and book without the help of a traditional agent. This led to the rapid growth of Online Travel Agencies which reshaped not only how travellers make decisions but also how businesses sell their products.

Companies like Booking.com, Expedia, and later Airbnb introduced new ways for customers to compare prices, read reviews, and make quick bookings. These platforms allowed users to access large amounts of information instantly, something that traditional agencies could not offer at the same scale or speed. The expansion of smartphones and mobile apps further increased the use of OTAs, as travellers could now research and book while commuting, waiting at the airport, or relaxing at home. This widespread accessibility encouraged a sense of independence and control in the travel planning process.

The COVID-19 pandemic accelerated this digital shift even more. Travellers needed immediate updates on restrictions, safety measures, and travel rules, and many found OTAs to be more responsive and convenient than traditional agencies. The pandemic also increased the need for flexible bookings and transparent cancellation policies, which OTAs were quick to promote. As a result, many people who previously relied on travel agencies turned to digital platforms, and even once restrictions eased, their behaviours did not fully return to pre-pandemic patterns.

Studying how OTAs influence tourism distribution channels is important because their impact extends across the entire industry. Tourism businesses depend on OTAs for global visibility, yet the commissions charged by these platforms reduce profits. Consumer behaviour theories help explain why OTAs have become such a dominant force, and understanding these patterns can help businesses adapt in the future. This report aims to examine the evolution of OTAs, their influence on travellers and businesses, and the strategies tourism firms can use to survive and thrive in an increasingly digital market.

Literature Review

The evolution of tourism distribution channels has been shaped by technology and changing consumer expectations. In the early years of the travel industry, distribution was dominated by travel agencies that managed most bookings through Global Distribution Systems, which provided access to flight schedules, availability, and reservations. As the internet became widespread, many tourism suppliers began to create their own websites, allowing customers to book flights or rooms directly. This trend was initially seen as a move toward disintermediation because businesses hoped they could reduce reliance on intermediaries by encouraging direct bookings.

Despite the expectation that direct online sales would reduce the need for intermediaries, a new type of intermediary emerged in the form of Online Travel Agencies. These platforms did not replace the role of travel agencies entirely but redefined it by leveraging digital tools to gather information, present options in a structured way, and simplify the booking experience. OTAs represented not a reduction in intermediaries but rather a transformation into technologically advanced intermediaries that met consumer demands for speed, transparency, and convenience. Platforms like Expedia and Booking.com began to offer large inventories of hotels and flights from around the world, while Airbnb created a new peer-to-peer model that expanded accommodation choices.

Consumer behaviour research has helped explain why OTAs became so influential. The Technology Acceptance Model suggests that travellers use technology if they believe it will make their experience better and easier. OTAs offer fast search functions, clear price comparisons, and accessible reviews, which make them easy to adopt. The Theory of Planned Behaviour explains how travellers' decisions are influenced by personal attitudes, social expectations, and perceived control. When online reviews and recommendations from friends

encourage the use of OTAs, travellers feel more confident in relying on these platforms. Prospect Theory adds to this by showing how travellers make decisions based on perceived risks and benefits. OTAs reduce risks by offering free cancellation policies, user reviews, and detailed descriptions, which help travellers feel secure in their choices.

Digital transformation has further strengthened the position of OTAs. Artificial intelligence tools allow platforms to personalise recommendations based on browsing history, location, and past bookings. Social media influences travel decisions by shaping what travellers want to experience, and many OTAs now integrate user-generated content to increase engagement. At the same time, digital transformation has increased transparency in pricing, which encourages travellers to compare many options before deciding.

Despite their advantages, OTAs have been criticised in the literature for imposing high commission fees on businesses, sometimes reaching up to 30 percent of the booking value. These fees create financial pressure on small hotels and independent tourism providers. There are also concerns about rate parity agreements, which restrict hotels from offering cheaper prices on their own websites. Another criticism relates to the heavy reliance on online reviews, which can sometimes be biased, inaccurate, or manipulated. These factors show that while OTAs provide wide exposure for tourism businesses, they also introduce challenges and dependencies that must be managed carefully.

Methodology

This report uses a **qualitative research approach** that relies fully on **secondary data sources**. Instead of gathering new information through surveys, interviews, or field observations, the study focuses on examining material that has already been published by researchers, tourism organisations, industry experts, and travel companies. This approach is suitable for a topic like tourism distribution channels because the industry is large, global, and constantly changing, which makes secondary information especially useful for understanding broad patterns and long-term developments.

To begin with, the research makes use of **academic journals, books, and scholarly articles** that discuss consumer behaviour theories, digital adoption, technology acceptance, and the evolution of tourism distribution. These academic sources help build a theoretical foundation for the report. They explain why travellers increasingly choose online platforms, how digital tools shape their expectations, and what psychological or behavioural factors influence booking decisions. These theories provide the lens through which the impact of Online Travel Agencies (OTAs) can be analysed. They also help clarify how consumers respond to technological changes, which is essential for understanding shifts in tourism distribution.

The study also makes use of **industry reports and statistical analyses** from global organisations such as the United Nations World Tourism Organization (UNWTO), Statista, and Phocuswright. These reports contain up-

to-date information about worldwide booking trends, levels of digital transformation, changes in traveller preferences, mobile usage, and the financial performance of major OTAs. Industry publications are important because they offer detailed data that is not usually available to individual researchers. They present numerical trends, forecasts, and comparisons across different regions, allowing a more comprehensive view of how tourism distribution has changed over time. These sources also help identify how travel patterns shifted during the COVID-19 pandemic and in the post-pandemic recovery period.

Additionally, the research draws on **company reports and public documents** from major OTAs such as Booking Holdings, Airbnb, and Expedia Group. These companies publish annual statements, shareholder letters, and corporate sustainability reports that explain how their platforms work, how they earn revenue, and how they plan to grow in the future. Company reports help the researcher understand the business strategies behind OTA operations, including commission structures, marketing methods, partnership models, and technology investments. While such sources may present information in a positive way that supports the company's image, they are still useful because they reveal structural details that are not always discussed in academic publications.

A qualitative analysis of secondary data allows the researcher to compare findings from different authors, organisations, and time periods. This makes it possible to identify common themes such as the rise of digital bookings, the decline of traditional travel agents, and the growing influence of mobile technology. It also helps highlight disagreements or debates within the industry, such as whether OTAs help or harm small tourism businesses. By analysing multiple perspectives, the research becomes more balanced and reflective of real-world conditions.

Although secondary research is appropriate for this topic, it also has **several limitations**. Some sources may be outdated, especially those published before major events like the COVID-19 pandemic. Other sources may be biased, particularly company reports that aim to present the organisation in a positive light. Some important information, such as details about OTA algorithms, commission negotiations, or internal decision-making processes, is not publicly available. This means the analysis cannot fully explore some operational aspects. Despite these limitations, secondary research remains a practical and effective method for studying tourism distribution channels at a global level because it provides access to large volumes of data and a variety of viewpoints. It also enables the researcher to trace historical developments, evaluate industry-wide changes, and form strategic recommendations based on well-established knowledge.

Findings

The findings of this report show that online travel agencies have become central players in the tourism distribution system, replacing many functions that used to be handled by traditional travel agents. Over the past decade, OTAs such as Booking.com, Expedia, and Airbnb have reshaped how travellers search for information,

compare prices, and complete bookings. The data reviewed in the earlier literature shows that travellers today value convenience and transparency, which are two major strengths of OTAs. As a result, most travellers begin their holiday planning journey online, and many complete their purchases on OTA platforms after comparing different providers. The shift has been so significant that OTAs now capture a major portion of global hotel bookings. Hotels, airlines, and accommodation providers increasingly depend on OTAs for visibility, which was previously gained through brochures, walk-in inquiries, or travel agency partnerships.

Another important finding is that digital transformation has changed consumer expectations about speed, personalisation, and autonomy. Modern travellers prefer to make decisions based on online reviews, social media content, and pricing algorithms rather than relying on the judgment of a single travel agent. Algorithms used by OTAs can sort thousands of options instantly, something that would require considerable time for a human agent. This shift toward self-service planning shows why OTA platforms are seen as efficient and reliable. Consumer behaviour theories such as the Theory of Planned Behaviour and the Stimulus-Organism-Response model explain how travellers respond to digital cues such as discounts, visibility of ratings, and the availability of user-generated content. These digital triggers influence perceptions of trust and perceived control, which ultimately guide booking decisions.

The findings also reveal that tourism businesses have mixed reactions toward OTAs. On one hand, OTAs provide a reliable stream of customers, particularly for small hotels that may not have strong marketing budgets or brand recognition. OTAs expose these businesses to global markets and attract customers who might never have discovered them otherwise. On the other hand, the commission rates charged by OTAs often reduce profit margins and place pressure on the financial stability of smaller tourism businesses. This tension is intensified by the competitive environment created by OTAs, where businesses feel forced to lower prices or offer additional benefits to maintain visibility in search results. Some hotels attempt to bypass the fees by encouraging customers to book directly through promotions, but this approach does not always succeed because consumers are accustomed to using OTAs for convenience and comparisons.

Another key finding concerns the post-pandemic context. COVID-19 drastically accelerated digitalisation in tourism. Health concerns, shifting regulations, and rapid changes in availability caused travellers to rely even more on digital tools to stay updated. OTAs responded quickly by integrating new features such as flexible cancellation policies, hygiene ratings, and up-to-date health advisories. These adjustments increased the relevance of OTAs during the pandemic and helped build consumer trust. Many travellers continued to use OTAs even after restrictions were lifted, demonstrating that digital habits formed during the pandemic had long-term effects. This has further solidified OTAs' role as essential intermediaries in tourism distribution.

There is also evidence that niche platforms have grown in importance. For example, platforms that specialise in eco-tourism, adventure activities, luxury stays, or local homestays attract specific customer segments that prefer

curated experiences. This shift demonstrates how diversification within the distribution landscape is rising. Although major OTAs still dominate, niche platforms fill a gap for customers seeking unique offerings that differ from mass-market travel products.

The analysis also indicates that direct booking channels remain important, especially for larger hotel chains and established airlines that have the marketing resources to promote their apps and websites. Many travellers still book directly when loyalty points, brand trust, or exclusive promotions are involved. Direct bookings give businesses more control over customer relationships, pricing strategies, and personal data, which is why many companies invest heavily in loyalty programs. However, the findings show that direct sales cannot fully replace OTAs, as consumers often compare prices on OTAs even when they ultimately book directly. This behaviour demonstrates that OTAs influence consideration and awareness even when the final booking does not occur on their platform.

Finally, the findings highlight challenges related to misinformation, fake reviews, and algorithmic bias. While user-generated reviews help travellers make informed choices, they can also mislead if manipulated. Some businesses express frustration that negative reviews—whether fair or not—can influence their ranking on OTA platforms. OTAs have attempted to address these concerns through verification tools and review moderation systems, but these issues remain ongoing challenges in digital tourism distribution.

Discussion

The findings illustrate deep and permanent changes in the tourism distribution landscape. The rise of OTAs has not simply replaced traditional channels but has transformed the expectations and behaviours of both consumers and businesses. The earlier dominance of physical travel agencies was based on information asymmetry. Travellers depended on professionals to access schedules, price lists, and travel product catalogues. Today, the internet gives travellers direct access to nearly all information, shifting power to the consumer. OTAs built their success by organising this vast information in user-friendly formats. The importance of user reviews, photos posted by other travellers, and transparent comparisons cannot be overstated. These elements create a feeling of control and trust, two major psychological triggers that shape decision-making in modern tourism.

The discussion also shows that OTAs have become more than distribution intermediaries; they are now digital ecosystems. They combine accommodation, flights, car rentals, and activities in one place and use data analytics to personalise suggestions. This model aligns with consumer behaviour theories that emphasise convenience and reduced cognitive effort. When travellers see an interface that simplifies choices, they are more likely to follow the suggestions. This effect reinforces the power of OTA algorithms, which often determine which listings appear on the first page. As a result, businesses must compete not only through quality and pricing but also through digital visibility.

Another important dimension is the financial dependency that many businesses experience. While OTAs bring valuable exposure, high commission rates strain profit margins. This situation creates a paradox: businesses need OTAs to remain competitive, but reliance on them weakens their bargaining power. Some hotels attempt strategies such as offering extra perks for direct bookings, advertising “best price guaranteed” offers, or investing heavily in loyalty programs. However, these strategies are not equally effective for all businesses. Large chains benefit more from established brand recognition, while smaller businesses often struggle to divert customers away from OTAs despite offering direct incentives.

The post-pandemic landscape reinforces the dominance of digital platforms. During the pandemic, travellers demanded real-time updates, flexible policies, and immediate access to cancellation options. OTAs responded faster than many individual tourism businesses. This responsiveness strengthened consumer trust, which remains powerful even as travel normalises. The pandemic also encouraged remote work trends, which supported the growth of platforms like Airbnb that cater to long stays and hybrid travel purposes. This shows that digital platforms are adaptive and capable of innovating more quickly than traditional distribution systems.

The discussion also highlights the growing significance of niche platforms. While large OTAs offer scale and variety, niche platforms provide depth and authenticity. They align with trends toward sustainable tourism, personalised experiences, and locally grounded travel. These platforms appeal especially to younger travellers who value cultural immersion and social responsibility. Their presence challenges OTAs to expand their offerings and incorporate more specialised options. At the same time, niche platforms face challenges such as smaller marketing budgets and lower global visibility. Their survival often depends on partnerships, storytelling, and community engagement rather than mass advertising.

Consumer behaviour also continues to evolve. Many travellers increasingly prefer mobile apps, instant messaging support, and digital wallets. This shift means that OTAs and tourism businesses must optimise for mobile-first interactions. Artificial intelligence also plays a growing role, as customers expect personalised suggestions. However, this is an area where direct channels can also compete effectively, particularly when companies use loyalty data to personalise offers. The main difference is scale; OTAs benefit from massive datasets, while individual businesses rely on more limited customer histories.

Another issue raised in the findings is the credibility of user-generated content. Trust is a major element of consumer behaviour, and while reviews help build confidence, manipulated reviews damage trust. Travellers often rely on aggregated ratings rather than individual comments, but even these ratings can be affected by unfair practices. OTAs continue to face pressure to improve transparency, verification systems, and moderation processes. Fake reviews do not only mislead consumers—they also harm businesses that strive to maintain quality. The tension between openness and moderation is ongoing, and its resolution will significantly impact the future credibility of OTA platforms.

Finally, price competition remains a major challenge within OTA-driven distribution. Businesses sometimes feel forced into a “race to the bottom,” lowering prices to remain visible. This situation threatens long-term sustainability, especially for small tourism enterprises. At the same time, travellers increasingly expect low prices due to the visibility created by OTAs. This expectation reflects a change in perceived value, where convenience, ease of comparison, and digital trust sometimes outweigh considerations of service quality. The tourism industry will need to find a balance between accessibility and sustainability to avoid undermining long-term profitability.

Conclusion

The evolution of tourism distribution channels over the last two decades clearly shows how digital transformation has re-shaped the entire structure of the travel industry. Online travel agencies (OTAs) have moved from being optional booking tools to becoming the central point of connection between travellers and tourism service providers. Platforms such as Booking.com, Expedia, and Airbnb have not only changed how travellers plan and book their trips but have also influenced how businesses present, price, and deliver their services. This shift represents a major change in the relationship between tourism businesses and their customers, as OTAs have taken on roles that were once performed by traditional travel agencies, advertising networks, and even customer service teams.

The findings of this report show that OTAs have gained their position by offering convenience, transparency, and personalisation. These features align strongly with the expectations of modern travellers who prefer autonomy and digital access. The ability to compare prices instantly, read reviews from other travellers, and view detailed photos and descriptions encourages travellers to trust OTAs more than traditional agencies. OTAs also provide round-the-clock accessibility, which appeals to global consumers who plan travel across different time zones. This consumer preference, combined with broad access to information, has significantly diminished the dependence on traditional travel agents for standard bookings.

At the same time, the rise of OTAs has presented both opportunities and challenges for tourism businesses. Many hotels, airlines, and tour operators rely on OTAs for exposure to international markets and access to a large customer base that would otherwise be expensive to reach. For smaller businesses, OTAs often serve as an essential marketing tool that makes them discoverable. However, this dependence comes with financial pressure. High commission fees reduce profit margins, and intense competition within OTA platforms forces businesses to continually adjust their pricing strategies. Many hotels attempt to shift customers toward direct bookings through loyalty programs or exclusive promotions, yet OTAs still dominate the early phases of the customer decision-making journey. This means that, even when direct bookings happen, OTAs still shape customer perceptions and awareness.

The conclusion drawn from these insights is that the future of tourism distribution will not be defined by a single channel but by a blended system in which OTAs, direct channels, and niche platforms coexist.

Traditional travel agencies will continue to operate, but in more specialised areas such as luxury travel, tailor-made itineraries, and corporate services. Direct booking channels will remain important for building loyalty and maintaining long-term customer relationships. However, OTAs will continue to play a central role because they have become integrated into the natural behaviour of travellers. The influence they hold over search visibility, pricing transparency, and review systems makes them indispensable in the early planning phases of travel.

The COVID-19 pandemic further strengthened this shift by accelerating digital adoption. During the pandemic, travellers depended heavily on online platforms for real-time updates, flexible policies, and safety information. OTAs that adapted quickly earned further trust. These digital habits have remained strong even after restrictions eased, demonstrating that OTAs now form part of the permanent structure of travel planning. The rise of niche platforms also highlights growing traveller interest in sustainability, adventure tourism, and culturally immersive experiences. These platforms provide added diversity, ensuring that travellers can choose experiences that reflect their values and interests.

Looking forward, tourism businesses must recognise that success will depend on their ability to balance their presence across multiple distribution channels. A strong OTA presence is essential for visibility, but direct booking strategies are equally important for building brand loyalty and financial stability. Transparency, trust, fair pricing, and digital engagement will remain core expectations for travellers. Businesses that invest in digital tools, manage their online reputation carefully, and respond to consumer behaviour trends will be better positioned for long-term competitiveness.

In summary, OTAs have reshaped tourism distribution in deep and lasting ways. Their influence will continue to grow as travellers rely more on digital tools and personalised search experiences. The most successful tourism businesses will be those that adapt strategically, using OTAs for reach while strengthening direct relationships with their customers. The distribution landscape will remain dynamic, but the central role of digital platforms is now firmly established and will shape the future of global tourism.

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