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Abstract:

challenges associated with OTA platform: Case analyses of Expedia Group, Booking.com, and Airbnb illustrate how digital intermediaries have reshaped competitive dynamics within accommodation, airline, and peer-to-peer markets. The findings indicate that while OTAs enhance transparency, accessibility, and global reach, they simultaneously intensify supplier dependency and redistribute bargaining power within distribution channels. The paper concludes that OTAs represent a sophisticated form of digital reintermediation that continues to redefine the structure and governance of tourism distribution worldwide.

Introduction

Tourism distribution channels have undergone substantial transformation over the past three decades, primarily driven by technological innovation, globalization, and evolving consumer expectations. Historically, tourism products were distributed through traditional intermediaries such as brick-and-mortar travel agencies and tour operators, who acted as essential connectors between suppliers and travelers. Previously inaccessible to individual consumers, these intermediaries provided expertise, itinerary planning, ticketing services, and access to reservation systems. However, the rapid expansion of internet technologies in the late twentieth and early twenty-first centuries significantly altered this structure, leading to the emergence of Online Travel Agencies (OTAs) as dominant digital intermediaries.

OTAs function as online platforms that aggregate tourism services, including accommodation, flights, car rentals, and packaged holidays, into centralized digital marketplaces. Major players such as Expedia Group and Booking.com operate globally, facilitating millions of transactions daily across multiple geographic markets. Meanwhile, platforms like Airbnb have expanded the boundaries of tourism supply by enabling peer-to-peer accommodation and experiential travel offerings. These changes show a larger trend towards economies that rely on platforms, where digital middlemen add value by linking different parties within one technology system. profoundly influenced consumer behavior. Travelers increasingly prioritize convenience, instant access to information, price transparency, and peer reviews when making purchasing decisions. OTAs respond to these preferences through advanced search filters, algorithm-driven recommendations, secure payment systems, and user-generated

review mechanisms. As a result, many consumers now begin and complete their travel planning entirely within OTA platforms, reducing direct interaction with suppliers.

Despite these advantages, the rise of OTAs has also generated structural tensions within the tourism industry. Suppliers such as hotels and airlines often depend on OTA platforms for visibility and demand generation but simultaneously face high commission fees, reduced pricing flexibility, and limited ownership of customer data. On the other hand, the decline of traditional travel agencies has been significant, forcing them to reposition themselves within niche markets. These developments raise critical questions regarding power distribution, dependency, and long-term sustainability within tourism distribution networks.

This paper critically examines the function of online travel agencies in modern tourism distribution. It examines their market share and influence on consumer behavior, evaluates advantages and disadvantages for both consumers and suppliers, explores the dynamics of OTA–supplier relationships, and assesses the challenges they pose to traditional distribution channels. Through theoretical application and case study analysis, the study argues that OTAs represent a powerful form of digital reintermediation that continues to reshape global tourism structures.

2. Literature Review
Tourism, marketing, and digital platform research have widely examined the rise of Online Travel Agencies (OTAs). Academic literature provides multiple theoretical lenses to understand how OTAs have transformed tourism distribution systems. Key frameworks include disintermediation and reintermediation theory, platform economy theory, transaction cost economics, channel power theory, and digital consumer behavior models. Together, these perspectives explain the structural and strategic implications of OTA dominance in contemporary tourism markets.

2.1 Disintermediation and Reintermediation

Early internet adoption in the tourism sector led scholars to predict widespread disintermediation, defined as the removal of intermediaries in distribution chains. The assumption was that suppliers such as airlines and hotels would use their websites to sell directly to consumers, thereby eliminating the need for travel agents. Although there

was some disintermediation, especially in the sale of airline tickets, research indicates that tourism reintroduces intermediation instead of the removal of middlemen.

Reintermediation refers to the emergence of new digital intermediaries that replace traditional ones while performing enhanced functions. OTAs exemplify this phenomenon. Rather than removing intermediaries, technology enabled more efficient, scalable, and data-driven intermediaries. OTAs aggregate multiple suppliers, standardize product presentation, integrate payment systems, and provide review mechanisms that reduce consumer uncertainty. This enhanced value proposition explains why OTAs became dominant despite the theoretical possibility of direct booking.

2.2 Platform Economy and Network Effects

The platform economy framework offers more details about OTA growth. Digital platforms operate as two-sided or multi-sided markets that create value by connecting distinct user groups. In the case of OTAs, these groups include travelers on the demand side and suppliers such as hotels, airlines, and tour operators on the supply side.

A defining characteristic of platform markets is the presence of network effects. Network effects occur when the value of a platform increases as more users participate. For OTAs, the addition of more hotels or hosts attracts more travelers due to increased variety and competitive pricing. Simultaneously, a growing consumer base incentivizes more suppliers to join the platform to access demand. This self-reinforcing cycle strengthens market concentration and raises entry barriers for new competitors.

For example, Booking.com leverages its extensive global accommodation inventory to maintain a competitive advantage. Similarly, Expedia Group operates multiple brands targeting different customer segments, reinforcing ecosystem dominance. Network effects therefore contribute to market power and supplier dependency.

2.3 Transaction Cost Economics

Transaction cost economics (TCE) explains why economic actors choose particular governance structures to minimize costs associated with exchange. In tourism distribution, transaction costs include search costs, information costs, negotiation costs, and enforcement costs.

OTAs significantly reduce search and information costs for consumers by consolidating diverse tourism products into a single searchable interface. Travelers can compare prices, amenities, cancellation policies, and reviews without visiting multiple supplier websites. This efficiency reduces uncertainty and simplifies decision-making.

For suppliers, OTAs reduce marketing and customer acquisition costs. Instead of investing heavily in global advertising campaigns, small hotels can list properties on OTA platforms to reach international markets. However, TCE also highlights trade-offs. Commission fees paid to OTAs represent a recurring transaction cost that may exceed the costs of direct distribution in the long term. Consequently, suppliers must evaluate whether OTA benefits outweigh commission expenses.

2.4 Channel Power and Dependency Theory

Channel power theory examines the distribution of bargaining power within supply chains. In tourism distribution, power dynamics have shifted significantly toward OTAs. As platforms accumulate large market shares, they gain leverage over pricing conditions, visibility algorithms, and contractual agreements.

Dependency theory suggests that suppliers reliant on a dominant intermediary face reduced strategic autonomy. Many independent hotels rely heavily on OTA bookings for occupancy rates, particularly during low-demand seasons. This reliance can create vulnerability to commission increases or policy changes imposed by the platform.

Rate parity clauses, which require hotels to maintain consistent pricing across channels, illustrate OTA influence. Although regulatory interventions in some regions have limited strict parity enforcement, the historical prevalence of such clauses demonstrates how platform power shapes competitive conditions.

2.5 Digital Consumer Behavior and Trust

Consumer behavior literature emphasizes the importance of trust, transparency, and social proof in online purchasing environments. OTAs incorporate review systems, rating mechanisms, and detailed property descriptions to reduce perceived risk. User-generated content plays a critical role in shaping travel decisions.

Research shows that people often think OTA platforms are more trustworthy than individual supplier websites because they seem neutral and have clear reviews. However, concerns have emerged regarding fake reviews, algorithm bias, and sponsored listings that influence ranking visibility. These issues raise questions about fairness and information asymmetry in digital marketplaces.

2.6 Strategic Responses by Suppliers

Literature also explores how suppliers respond strategically to OTA dominance. Large hotel chains invest in loyalty programs, direct booking incentives, and brand marketing campaigns to reduce OTA dependency. Airlines promote direct booking benefits such as flexible ticket modifications or loyalty point bonuses.

Nevertheless, small and medium-sized enterprises frequently lack the resources to implement strong direct distribution strategies. As a result, OTA reliance remains structurally embedded within many segments of the tourism industry.

3. Methodology

This study adopts a qualitative research design based on secondary data analysis to critically examine the role of Online Travel Agencies (OTAs) in tourism distribution. Secondary sources were selected due to the broad global scope of the research topic and the availability of extensive academic and industry literature on digital tourism platforms. The data sources include peer-reviewed journal articles in tourism and hospitality management, industry reports, market analyses, and corporate publications from leading OTA platforms.

A theoretical analytical approach was employed to interpret the collected data. Specifically, the study applies disintermediation and reintermediation theory, platform economy theory, transaction cost economics, and channel power theory as conceptual frameworks to analyze structural changes within tourism distribution systems. These frameworks allow for a structured evaluation of OTA influence beyond descriptive observation.

In addition, a comparative case study method was used to analyze three major OTA platforms: Expedia Group, Booking.com, and Airbnb. These companies were selected due to their global market presence, differentiated business models, and documented strategic impact on tourism supply chains. The case studies enable contextualized understanding of OTA strategies, supplier relationships, and market positioning.

The methodology emphasizes critical evaluation rather than empirical measurement. By synthesizing theoretical insights with real-world examples, the study seeks to provide a comprehensive and analytically grounded understanding of how OTAs reshape tourism distribution structures, stakeholder relationships, and competitive dynamics within the global tourism industry.

4. Market Share and Influence on Consumer Behavior

Online Travel Agencies (OTAs) command a substantial share of global online travel bookings, particularly within the accommodation sector. Over the past decade, OTA platforms have consolidated their presence through acquisitions, aggressive digital marketing, and technological innovation. Market concentration has increased as a small number of dominant firms control a large portion of online reservations. This consolidation confers monopsony power on platforms for both consumers and suppliers, which strengthens their structural position in tourism distribution systems.

One of the primary reasons for OTA market dominance is their ability to aggregate supply at scale. Platforms such as Booking.com list millions of accommodation properties worldwide, ranging from international hotel chains to independent guesthouses. Similarly, Expedia Group operates a diversified portfolio of travel brands that collectively capture multiple customer segments. This extensive inventory enables consumers to compare options across geographic regions, price ranges, and service

categories within a single interface. The breadth of choice increases perceived value and reduces the likelihood that consumers will search outside the platform ecosystem.

Digital marketing strategies further enhance OTA visibility. Heavy investment in search engine optimization (SEO), pay-per-click advertising, and partnerships with metasearch engines ensures that OTA platforms frequently appear at the top of online search results. Consequently, many travelers begin their booking journey on OTA websites rather than supplier-owned platforms. This initial point of contact shapes the consumer decision-making process from the outset.

OTAs also significantly influence consumer behavior through interface design and algorithmic recommendation systems. Search filters allow users to refine results based on price, location, amenities, and guest ratings. Algorithmic ranking systems prioritize listings according to relevance, popularity, and sometimes commission arrangements. These mechanisms structure consumer attention and guide purchasing decisions. Behavioral economics suggests that default sorting options and visual cues can subtly influence consumer choices, reinforcing platform control over demand flows.

User-generated reviews represent another critical component of OTA influence. Review systems reduce information asymmetry by providing peer-based evaluations of service quality. Consumers often rely heavily on ratings when assessing unfamiliar destinations or properties. Research indicates that positive reviews can substantially increase booking likelihood, while negative feedback can significantly reduce conversion rates. By hosting and moderating these reviews, OTAs act as gatekeepers of reputational capital within the tourism marketplace.

However, the concentration of consumer traffic on OTA platforms also raises concerns. Suppliers may experience reduced direct engagement with customers, limiting opportunities for brand loyalty development. Additionally, algorithmic opacity can obscure how listings are ranked, potentially disadvantaging smaller providers that lack resources to invest in sponsored placements.

In summary, OTAs exert considerable influence over tourism markets by controlling digital visibility, structuring information presentation, and shaping consumer decision pathways. Their market share dominance reflects not only technological efficiency but also strategic control over digital demand generation processes.

5. Advantages and Disadvantages of OTAs

The rapid expansion of Online Travel Agencies (OTAs) has generated both significant benefits and substantial challenges for key stakeholders within the tourism ecosystem. The advantages and disadvantages vary depending on whether the perspective considered is that of consumers or suppliers. A balanced evaluation is necessary to critically analyze the broader ramifications of OTA dominance.

5.1 Advantages and Disadvantages for Consumers

For consumers, OTAs provide considerable convenience and efficiency. One of the most significant advantages is price transparency. OTA platforms aggregate multiple suppliers, enabling users to compare rates, amenities, and cancellation policies across numerous options within seconds. This reduces search costs and empowers consumers to make informed decisions.

Another major benefit is accessibility. OTAs operate continuously and are accessible globally via desktop and mobile applications. Travelers can book accommodation, flights, and packages at any time without geographic limitations. Platforms such as Booking.com provide instant confirmation and secure payment processing, which enhances consumer confidence.

User-generated reviews further strengthen consumer trust. Ratings and feedback reduce perceived risk by providing social proof from previous guests. This mechanism is particularly valuable when booking unfamiliar destinations or independent properties. Additionally, bundled packages offered by companies such as Expedia Group may provide cost savings through dynamic pricing models.

Despite these advantages, disadvantages exist. Hidden service fees, dynamic pricing fluctuations, and limited post-booking flexibility can create dissatisfaction. Bookings through third-party platforms may also make it difficult for consumers to directly resolve issues with suppliers. In such cases, responsibility for customer service may become unclear, leading to frustration.

Furthermore, overreliance on review systems may create bias. Not all reviews are verified, and extreme opinions often dominate rating distributions. Algorithmic sorting can also prioritize sponsored listings, potentially limiting objective comparison.

5.2 Advantages and Disadvantages for Suppliers

For suppliers, particularly small and medium-sized hotels, OTAs provide essential market access. Listing on global platforms exposes properties to international demand that would otherwise require significant marketing investment. OTAs reduce barriers to entry for smaller accommodation providers and independent hosts, including those using platforms such as Airbnb.

OTAs also manage secure payment systems, customer acquisition, and digital marketing, reducing administrative burdens for suppliers. During low-demand periods, OTA promotions and flash sales can help maintain occupancy rates.

However, disadvantages for suppliers are substantial. Commission fees typically range from 15% to 25% per booking, significantly reducing profit margins. For independent hotels operating with narrow margins, such costs may undermine financial sustainability.

Additionally, suppliers often lose direct access to customer data, limiting opportunities for relationship building and loyalty development. OTA control over communication channels may restrict post-stay engagement and brand reinforcement.

Dependency represents another critical concern. Suppliers become vulnerable to policy changes, algorithm adjustments, or commission increases imposed by the intermediary when OTA platforms originate a large proportion of bookings. This imbalance reinforces platform power and reduces supplier autonomy within distribution networks.

6. OTA–Supplier Relationships

Both structural tension characterize the relationship between Online Travel Agencies (OTAs) and tourism service providers. For inventory providers. For diversity, suppliers depend on OTAs for market visibility and demand generation. This mutual reliance forms the foundation of modern tourism distribution networks; however, the balance of power within this relationship is often asymmetrical.

Large hotel chains and international brands typically possess greater bargaining power due to strong brand recognition and diversified distribution channels. These organizations may negotiate lower commission rates or favorable contract terms with major platforms such as Expedia Group and Booking.com. Additionally, established brands often implement loyalty programs and direct booking incentives to reduce reliance on third-party intermediaries.

In contrast, small and independent hotels frequently lack the marketing resources necessary to attract direct bookings at scale. For these companies, OTA platforms are a major source of business. This dependency increases vulnerability to commission changes, ranking algorithm adjustments, or promotional program requirements. Participating in preferred partner programs, which may involve higher commission payments in exchange for better visibility, further strengthens the platform's control over how well suppliers do.

Rate parity clauses historically exemplified this imbalance. Although regulatory scrutiny in certain regions has limited strict enforcement, parity arrangements required hotels to offer equal or lower rates on OTA platforms compared to other channels. Such practices restricted suppliers' pricing autonomy and constrained competitive strategies.

Despite these tensions, collaboration remains essential. OTAs invest in technological infrastructure, fraud prevention systems, and global marketing campaigns that individual suppliers may struggle to replicate independently. Moreover, during periods of crisis or demand volatility, OTA promotional campaigns can stimulate bookings and support revenue recovery.

Ultimately, OTA–supplier relationships reflect a complex blend of cooperation and power asymmetry. While mutually beneficial in generating transactions, the structural

dominance of large platforms continues to shape negotiation dynamics and strategic decision-making within tourism distribution systems.

7. Challenges to Traditional Travel Agencies

The rapid expansion of Online Travel Agencies (OTAs) has significantly disrupted traditional brick-and-mortar travel agencies. Historically, travel agents played a central role in itinerary planning, ticket booking, and personalized travel advice. However, digital platforms have automated many of these functions, reducing the necessity of in-person intermediaries for routine travel purchases.

OTA platforms offer speed, price transparency, and self-service convenience, which consumers increasingly prefer. Websites and mobile applications allow travelers to compare options instantly without relying on professional consultation. As a result, traditional agencies have experienced declining market share in mass tourism segments such as standardized hotel bookings and airline tickets.

In response, many travel agencies have repositioned themselves within niche markets. Specialized services such as luxury travel planning, corporate travel management, destination weddings, and complex multi-destination itineraries require expertise that automated systems cannot easily replicate. Personalized consultation, risk management, and tailored experiences remain competitive advantages for human intermediaries.

Despite these adaptations, the structural shift toward digital distribution has permanently altered the competitive landscape. Traditional agencies must continuously innovate to maintain relevance in a market increasingly dominated by technology-driven intermediaries.

8. Case Study Synthesis

The strategic models of leading OTAs illustrate different approaches to platform dominance. Expedia Group emphasizes portfolio diversification, operating multiple brands to capture varied consumer segments. Booking.com focuses heavily on

accommodation volume and algorithmic optimization to maximize conversion rates. In contrast, Airbnb disrupted traditional hospitality by promoting peer-to-peer accommodation and experiential travel offerings.

Together, these platforms demonstrate how digital intermediaries combine technological infrastructure, global marketing investment, and network effects to maintain competitive advantage. Their strategies highlight the consolidation of market power within a small number of dominant actors shaping global tourism distribution patterns.

9. Conclusion

Online travel agencies have fundamentally reshaped tourism distribution through digital reintermediation, platform-based network effects, and strategic control over demand generation. While OTAs enhance transparency, accessibility, and global reach for consumers and suppliers, they also concentrate bargaining power and intensify supplier dependency. The evolving balance between working–supplier relationships will continue to shape the future of tourism distribution systems around the world. Law, R. (2008). Progress in information technology and tourism management: 20 years on and 10 years after the internet. *Tourism Management*, 29(4), 609–623.
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Abstract The digital transformation of the tourism industry has significantly altered traditional distribution structures, with online travel agencies

market power, influence on conOTAs wield significant market power, exert influence on consumer behavior, and foster tourism service providers. Drawing on theoretical perspectives alluding

theory, transaction cost economics, channel power theory, and platform economy theory, the paper evaluates both the strategic advantages and structural