

# HOSPITALITY AND TOURISM MARKETING

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Lecture 13: Tourism and Hospitality distribution  
channels

# Course outcomes

At the end of this lecture, you will be able to:

- Understand **what is Hospitality and Tourism distribution channel, its nature and its function**
- Explain the **types** of Hospitality and Tourism distribution channels
- Describe **behaviour and organization** of Hospitality and Tourism distribution channel



HOTELMIZE

Cristóbal Reali, (2022), What are the main types of tourism distribution channels?, [https://www.hotelmize.com/wp-content/webp-express/webp-images/uploads/2020/10/what\\_are\\_the\\_main\\_types\\_of\\_tourism\\_distribution\\_channels-01-scaled.jpg.webp](https://www.hotelmize.com/wp-content/webp-express/webp-images/uploads/2020/10/what_are_the_main_types_of_tourism_distribution_channels-01-scaled.jpg.webp)

## Tourism and Hospitality distribution channels

- ❑ Producing a product or service and making it available to buyers **requires building relationships not just with customers but also with key suppliers and resellers** in the company's supply chain.
- ❑ This supply chain consists of **“upstream”** and **“downstream”** partners

- ❑ **Upstream** from the company is the set of firms that **supply the raw materials, components, parts, information, finances, and expertise needed to create a product or service.**
- ❑ Marketers, however, have traditionally focused on the “**downstream**” side of the supply chain—on the marketing channels (or distribution channels) that look toward the customer.
- ❑ Downstream marketing channel partners, such as **wholesalers and retailers**, form a vital connection between the firm and its customers

- Both **upstream and downstream** partners may also be part of other firms' supply chains.
- But it is the unique design of each company's supply chain that enables it to deliver **superior value to customers.**



webmaster, Here is your Guide in Choosing the Right Hotel Supplier for your Business, (2022), <https://almakaan-doha.com/blog/wp-content/uploads/2018/09/hotelsupplier.jpg>

# Importance of Distribution Systems

- ❑ If we view properties as **the heart** of a hotel company, distribution systems can be viewed as the **company's circulatory system**.
- ❑ Distribution systems provide a **steady flow of customers**.
- ❑ A well-managed distribution system can make the difference between a market-share leader and a company struggling for survival.

# Nature of Distribution Channels

- ❑ A distribution channel is a **set of independent organizations** involved in the process of making a product or service available to the consumer or business user.
- ❑ Development of a distribution system starts with the **selection of channel members**.
- ❑ Once members are selected, the focus shifts to **managing the channel**.
- ❑ Distribution networks in the hospitality industry consist of **contractual agreements and loosely organized alliances** between independent organizations.

# Distribution Channel Functions

- ❑ A distribution channel moves goods from producers to consumers.
- ❑ It overcomes the major **time, place, and possession gaps** that separate goods and services from those who would use them.
- ❑ Members of the marketing channel perform many key functions:

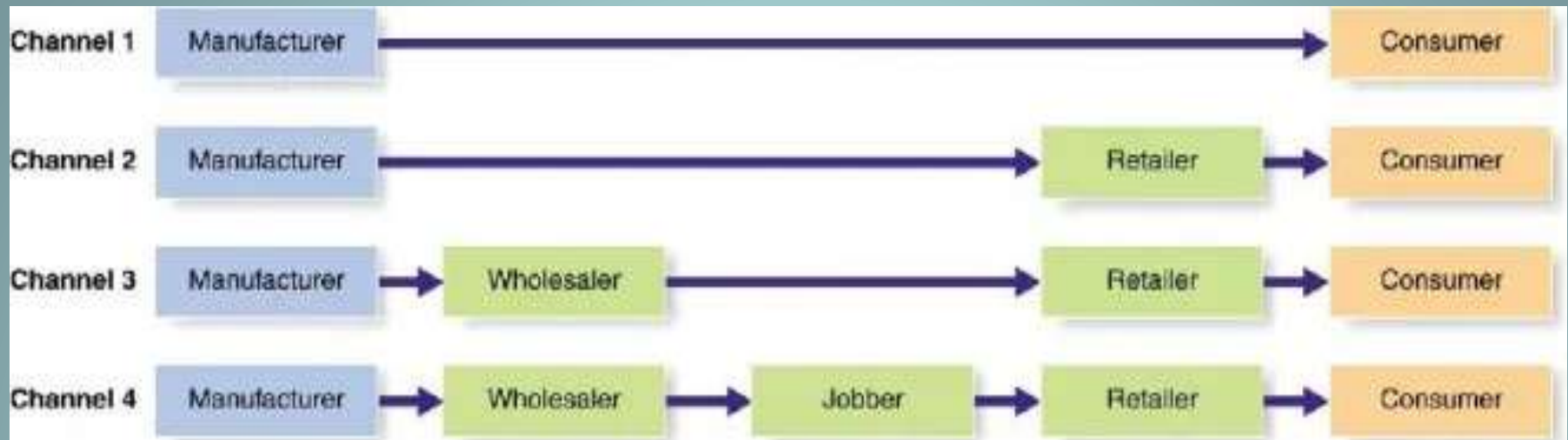
- ❑ **1. Information:** Gathering and distributing marketing research and intelligence information about the marketing environment
- ❑ **2. Promotion:** Developing and spreading persuasive communications about an offer
- ❑ **3. Contact:** Finding and communicating with prospective buyers
- ❑ **4. Matching:** Shaping and fitting the offer to the buyer's needs, including such activities as manufacturing, grading, assembling, and packaging

- ❑ **5. Negotiation:** Agreeing on price and other terms of the offer so that ownership or possession can be transferred
- ❑ **6. Physical distribution:** Transporting and storing goods
- ❑ **7. Financing:** Acquiring and using funds to cover the costs of channel work
- ❑ **8. Risk taking:** Assuming financial risks such as the inability to sell inventory at full margin

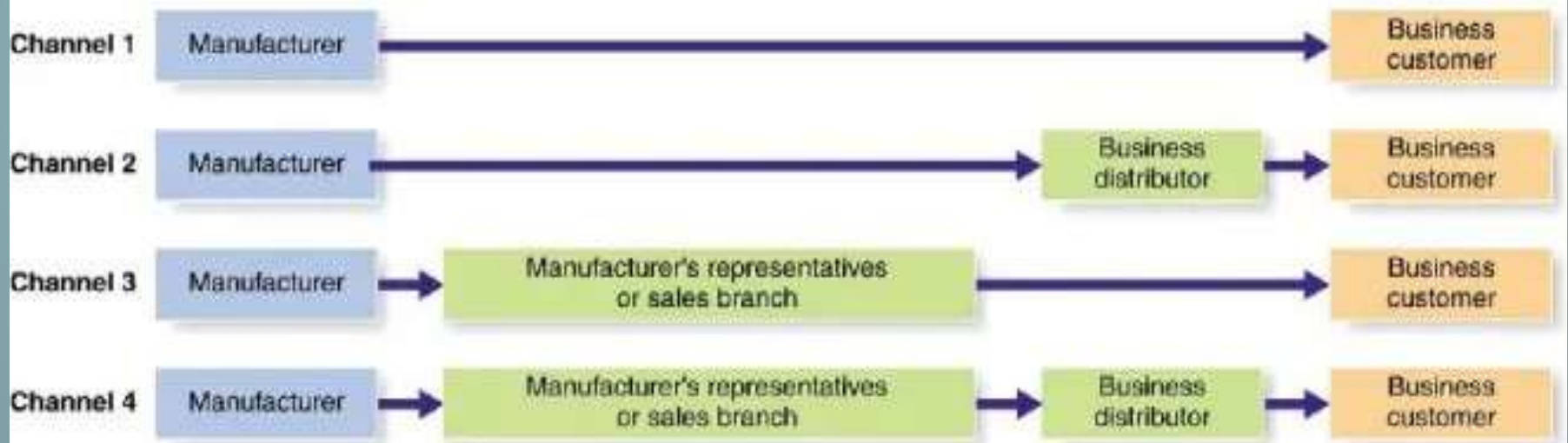
- ❑ The **first five** functions help complete transactions.
- ❑ The **last three** help fulfill the completed transactions.
- ❑ All these functions have three things in common: They use **scarce resources**, they can often be performed better through **specialization**, and they can be **shifted among channel members**

## Number of Channel Levels

- ❑ Distribution channels can be described by the number of **channel levels**.
- ❑ Each layer that performs some work in bringing the product and its ownership **closer to the final buyer is a channel level**.
- ❑ Because the producer and the final consumer both perform some work, they are part of every channel.
- ❑ We use the number of intermediary levels to show **the length of a channel**



**A. Customer marketing channels**



**B. Business marketing channels**

# Hospitality Distribution Channels

- ❑ Most reservations are booked with the hotel directly.
- ❑ This includes the rooms booked by the **sales force**, those taken by **the front desk**, and by **phone calls directly to the hotel**
- ❑ Other sources are voice (**toll-free**) calls to a central reservation office (**CRO**), **GDSs**, and **OTA**.
- ❑ The cost of these different channels varies greatly.

# 1. Direct Booking

- ❑ On average, **reservations received directly at the hotel account for 54.3 percent of a hotel's reservations, but only 46.5 percent of the revenue.**
- ❑ **Managers often like to encourage direct booking** because of the low transaction costs

## 2. Online Travel Agency (OTA)

- ❑ Online travel agencies (**OTAs**) conduct business through the Internet with **no physical locations or stores.**
- ❑ OTAs account only about **6.5 percent** of a hotel's reservation.
- ❑ One way of dividing OTAs is into opaque and nonopaque.
- ❑ The nonopaque OTAs include **merchant, retail, and referral models.**
- ❑ The most popular nonopaque sites are merchant agencies that collect payment from the customer and include well-known names like **Hotels.com, Travelocity, and Expedia**

# Global Distribution Systems

- ❑ Global distribution systems (**GDSs**) are computerized reservation systems that serve as a **product catalog for travel agents and other distributors of hospitality products.**
- ❑ These reservation systems were originally developed by **the airlines to promote sales.**
- ❑ Before the Internet, GDSs offered a way for **suppliers and end users to connect globally.**
- ❑ As the Internet evolved, they developed Internet solutions for their customers.
- ❑ A distribution service provider provides the connection between a hotel's **CRS and the GDS.**

- ❑ There are four main GDSs: **Amadeus, Galileo, Sabre, and Worldspan.**
- ❑ Amadeus is the largest producer of travel bookings.
- ❑ It has a network that includes 75,000 travel agencies, 500 airlines, and 78,000 hotels.
- ❑ It also has an interest in **vacations.com**, the leading OTA for vacation travel.
- ❑ Travelport is a distribution system that owns **Galileo and Worldspan.**
- ❑ It produces 1.1 billion travel transactions per day.
- ❑ Additionally Travelport has an interest in four OTAs, including **Gulliver's Travel Associates.**

### 3. Travel Agents

- ❑ One way of reaching a geographically diverse marketplace is through **travel agents**.
- ❑ The number of travel agents has been decreasing in recent years due to the growth of direct **booking and customers self-booking travel on the Internet**.
- ❑ Today the majority of airline reservations are booked directly on the **airline's Web site**
- ❑ Hospitality providers who **serve travel agents** must remember that agents entrust the hotel with their customers

## 4. Tour Wholesalers

- ❑ Tour wholesalers **assemble travel packages** usually targeted at the leisure market.
- ❑ These generally include **transportation and accommodations** but may include **meals, ground transportation, and entertainment.**
- ❑ In developing a package, a tour wholesaler contracts with airlines and hotels for a specified number of **seats and rooms, receiving a quantity discount**

## 5. Specialists: Tour Brokers, Motivational Houses, and Junket Reps

- ❑ **Tour brokers** sell motor coach tours, which are attractive to a variety of markets.
- ❑ Motor coach tours are very important to museums and historic restorations
- ❑ **Motivational houses** provide incentive travel offered to employees or distributors as a reward for their efforts.
- ❑ Companies often use incentive travel as a prize for employees who achieve sales goals or for the sales team achieving the highest sales.

## 6. Hotel Representatives

- ❑ Hotel representatives sell hotel rooms and hotel services in a given market area.
- ❑ It is often more effective for hotels to hire a hotel representative than to use their own salesperson.
- ❑ This is true when the market is **a distant one** and when **cultural differences may make it hard for an outsider to penetrate the market**
- ❑ Hotel sales representatives should represent ***noncompeting hotels***.
- ❑ They receive a straight commission, a commission plus a salary, or a combination of both.

## 7. National, State, and Local Tourist Agencies

- ❑ National, state, and local tourist agencies are an **excellent** way to get information to the market and gain room bookings.
- ❑ National associations promote **tourism within their own countries.**
- ❑ Their impact can be important to hotel chains that **have locations throughout the country**
- ❑ State agencies promote the **state resources and attractions overseas, nationally, and in the state itself.**
- ❑ State tourist agencies usually have tourist information centers strategically located throughout the state, often at **entrance points.**

## 8. Consortia and Reservation Systems

- ❑ Reservation systems such as Loews Representation International and Steigenberger Reservation Service are expanding their services.
- ❑ Reservation systems provide a **CRS for hotels**.
- ❑ They usually provide the system for **small chains** or **provide an overseas reservation service**, allowing international guests to call a local number to contact the hotel.

## 9. Concierges

- **Concierges, bell staff, and front-desk employees** can be good sources of business for local hospitality products and travel, such as restaurants, tours, and fishing guides.
- Concierges can be a **major source of business for a restaurant** that has a unique menu, atmosphere, or simply excellent food and service.
- These attributes are an attraction to travelers.
- Restaurants wishing to cultivate a relationship with concierges usually **invite them for a complimentary meal** so they can experience the restaurant firsthand

- ❑ **Junket reps** serve the casino industry as intermediaries for premium players.
- ❑ **Junket reps** maintain lists of gamblers who like to visit certain gaming areas,
- ❑ They are paid a commission on the amount the **casino earns from the players or in some cases on a per-player basis.**

## Channel Behavior and the Organization

- ❑ Distribution channels are more than simple collections of firms tied together by various flows.
- ❑ They are **complex behavioral systems in which people and companies interact to accomplish goals.**
- ❑ Some channel systems consist of **formal interactions among loosely organized firms.**
- ❑ Others consist of **formal interactions guided by strong organizational structures.**

# Channel Behavior

- A distribution system consists of **dissimilar firms that have banded together for their common good.**
- Each channel member is **dependent on the others**, playing a role in the channel and specializing in performing one or more functions.

- ❑ They frequently disagree on the roles each should play or who should do what for which rewards.
- ❑ Such disagreements over goals and roles generate **channel conflict**.
- ❑ **Horizontal conflict** is conflict between firms at the same level of the channel.
- ❑ **Vertical conflict**, conflicts between different levels of the same channel, is even more common.

## Vertical Marketing Systems (VMS)

- ❑ For the channel as a whole to perform well, each channel member's role must be **specified, and channel conflict must be managed.**
- ❑ The channel will perform better if it includes a **firm, an agency, or a mechanism that provides leadership and has the power to assign roles and manage conflict**

# Selecting Channel Members

- ❑ Selecting channel members involves a number of factors, including **customer needs, the company's ability to attract channel members, the economic feasibility of the channel member, and the control** that might be given up to gain a channel member.

# 1. Customer Needs

- ❑ Selecting channel members starts with determining the services that consumers in various target segments want.
- ❑ To design an effective channel, the company must understand **the services its customers require and then balance the needs of those customers against the feasibility and costs of meeting them.**

## 2. Attracting Channel Members

- ❑ Companies vary in their **ability** to attract qualified intermediaries.
- ❑ **Well-known** hotel companies that have a reputation for paying commissions promptly and honoring the reservations of travel agents have no trouble gaining the support of intermediaries.
- ❑ **A new hotel** chain with only a few hotels will have difficulty getting most of the country's travel intermediaries firm to sell its chain.

### 3. Evaluating Major Channel Alternatives

#### **Economic Feasibility of the Channel Member**

- Each channel produces different levels of sales and costs.
- The business that channel members bring must offset the cost of paying and supporting the channel member.

#### **Control Criteria**

- An important consideration in the choice of channels is control. Using sales representatives offers less control than building your own sales force.
- Sales representatives may prefer to sell rooms in other hotels because it requires less effort

# References

1] Kotler ,.B (2014) Marketing for Hospitality and Tourism Industry, p 423-446, <https://www.pdfdrive.com/marketing-for-hospitality-and-tourism-6th-edition-e178412795.html>

2] Mark Anthony Camilleri, (2017), Tourism Distribution Channels,  
[https://www.researchgate.net/publication/319085744 Tourism Distribution Channels](https://www.researchgate.net/publication/319085744_Tourism_Distribution_Channels)

Thank you!

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