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**INTERNET – AS DRIVEN DISTRIBUTION
CHANNEL IN HOTELS: THE CASE OF REPUBLIC
SERBIA²⁵**

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ABSTRACT

Internet is a global communication system of interconnected computer networks, used for the exchange of information through different multimedia content. Through the integration of thousands of different local networks and millions of users, the Internet offers the possibility of direct contact between those who offer and those who seek hotel services. On the one hand, the Internet enables hotels to implement new pricing strategies and global market access, and, on the other hand, it allows potential tourists to use the website to obtain information about the hotel offer, compare prices and quality of hotel services, book and pay for services. There is plenty of options for travel arrangements over the Internet, and some of the major are global distribution systems, Internet distribution systems, social networks, and travel web portals. The purpose of the study is to analyze the development and application of information technology, especially the Internet, in the distribution of hotel services. The aim is to analyze various possibilities offered by the Internet, with a special focus on the presence of Serbian hotels on the Internet, through the involvement of hotel offers in the Internet distribution systems and other electronic intermediaries.

Keywords: Internet, hotels, offers, distribution channels, Internet distribution systems.

²⁵ Review article

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New ways for doing business are developed through the innovative usage of information and communication and internet technologies. It helps companies to achieve the competitive advantage on the global market (Jaković & Galetić, 2014).

Application of new technology and information and communications solutions enables the adjustment of tourist offer to modern trends and individual requirements and needs of tourists (Petrović & Milićević, 2015). The development of information and communication technology has had the greatest influence on the distribution and promotion of hotel services. Since the 1980s, Information and Communication Technologies (ICTs) have transformed business strategies and practices in the tourism and hospitality industries (Buhalis & Law, 2008; Ip, Law, & Lee, 2011). In order to successfully promote their offer, hotels use modern ways of doing business. Application of modern information technology allows hotels to access the global tourism market.

A large number of studies concerning the importance of the application of the Internet as a means of distribution and promotion have shown that the Internet has undoubtedly brought real revolution in the mode of distribution and promotion of hotel accommodation facilities (Buhalis & Law, 2008; Kotler, Boven, & Makens, 2010). The hotel industry experiences dynamic expansion of the Internet application. Strong changes occur primarily in the field of promotion and sales, due to the willingness of an increasing number of tourists to take advantage of new technology to book, purchase, and pay for tourist services. Internet has allowed small hotels and new tourist destinations to access the global market under relatively low costs. At the same time, hotels have the need for constant innovation in sales channels, in line with changes in the behavior of tourists and new technological possibilities.

During the 1960s and 1970s, booking was in a large number of hotels done manually. In those years, hoteliers were receiving a growing number of phone calls, letters, and telex messages from individual users who wanted to make a reservation of hotel products in that way. The first major impact of information and communication technology on the development of tourism has been the development of a computer reservation system in nineteen-seventies, intended for the business of aviation companies (Petrović & Ivanović, 2011). However, data updating continued to be a problem, given that hotel units either had to make phone calls or to send a telex to CRS to

provide information on availability, which was recorded in the central database.

Electronic distribution is a means of promotion of hotel services to tour operators and travel agencies, corporations, and consumers. It is the distribution method that requires less cost compared to traditional distribution channels. Electronic distribution includes two main categories: Global Distribution System and Internet distribution system.

Global distribution systems have been developed from the reservation systems of airline companies. They were first installed at airline retail outlets, and then in travel agencies. Changing needs of tourists resulted in the inclusion of hotel and rent-a-car services in the reservation systems of airlines. The basic goal of including more tourist services was to provide complete services for tourists in one place.

Internet distribution systems are booking systems oriented primarily towards the final consumer. They represent a collection of network travel booking systems and portals, specializing in Internet marketing travel and related services. Electronic distribution channels are widely used by hotels on foreign and domestic tourism market.

The purpose of the study is to analyze the development and application of information technology, especially the Internet, as a distribution channel for hotel services. The aim is to analyze various possibilities of the Internet as a distribution channel for hotel services, with a special focus on the presence of Serbian hotels on the Internet, through the involvement of hotel offers in Internet distribution systems and other electronic intermediaries.

LITERATURE REVIEW

Development and application of information and communication technology has linked operators on the supply side and those on the demand side on the tourism market, and thus facilitated the distribution and promotion of tourism, especially hotel services. The Internet, being one of the most influential ICTs, has served as a competitive marketing and communication tool for hoteliers in facilitating information sharing and online transactions (Doolin, Burgess, & Cooper, 2002; O'Connor & Frew, 2002). The continuous increase in the number of Internet users illustrates the popularity of this technology, which has drastically altered the competitive market landscape (Tse, 2013).

The development of computer reservation systems, global distribution systems, and further development of the Internet have led to substantial changes in the operation of tourism entities. Internet has significantly affected the hotel business, i.e. the modes of distribution and promotion of

their services. Although the online tourist market has achieved faster growth than the overall tourism market, initially hotels were not happy to accept modern techniques and technology in their operations. However, the hotels needed little time to understand that the Internet is a modern distribution channel that has the characteristics of information-intensive industry and significant advantages compared to traditional distribution channels.

Internet channels enable cost reduction in the final price, detailed information to consumers and the possibility of instant product purchase (Kim & Kim, 2004). From the perspective of both consumers and hotel managers, price is the dominant factor in the purchasing decision for hotel products (Tso & Law, 2005).

Jallat and Capek (2001) point out two trends affecting corporate decisions on sales via the Internet, which are: disintermediation and reintermediation. Disintermediation, as a modern trend, allows direct contact between entities on the tourism supply side and potential customers, with a complete bypass of intermediaries and commission payment (Law, Leung, Lo, Leung, & Fong, 2015). Reintermediation is a more dominant and significant trend, and relates to the emergence of new intermediaries on the Internet. New intermediaries bring greater satisfaction of potential tourists, shorten the time of getting information on services, and enable easier and faster comparison of the services provided, as well as their prices.

Great role in the implementation of contemporary information technology belongs to electronic intermediaries, who have developed very dynamically. Holloway (2004) believes that the importance of electronic intermediaries on the tourist market is reflected in the following: interactive relationship with consumers, lowest operating costs, possibility of direct contact with the service users, and high speed in communication. Today there are more than 3,000 Internet booking portals, and there are sites that are designed for travel, as well as online booking systems and portals that specialize in online sales of hotel and other services directly to potential passengers, necessary for the realization of the travel.

In response to the growing online market and increase their competitiveness in the market, most hotels have established various online channels (Law & Hsu, 2006), one of which is internet distribution systems. The development of Internet Distribution Systems in the realm of tourism is on the rise (Buhalis & Law, 2008; Buhalis & Ujma, 2006). Today Internet Distribution Systems are primary drivers of the commercial tourism channels, surpassing travel agencies or other traditional distributors when offering products to consumers (Wong & Law, 2005). Therefore, Internet Distribution Systems provide an excellent opportunity to establish a strategic policy in order to increment market share and access benefits. However,

Internet Distribution Systems channels overload with information both guests and hotel managers (Gretzel, 2011).

New technological solutions have been used to form Internet distribution systems or online travel agencies. The first online agency, Travelocity.com, was formed in 1996 by one of the major global distribution systems – SABRE. Thereafter, Microsoft formed Expedia.com. These agencies recorded significant development on the tourism market. However, the tourism market quickly gave rise to competition, in the form of numerous electronic intermediaries, such as lastminute.com, eBookers.com, booking.com, which, next to hotel services, offer other tourist services. New e-intermediaries have, in a very short period of time, recorded an increase in market share and taken over the part of the tourism market from classic intermediaries.

METHODOLOGY

Hotels in Serbia are increasingly adopting modern ways of doing business, which includes involvement in global reservation systems. The Internet is becoming an important means of communication and distribution of hotel services in Serbia. Although the development and application of information and communication technology in our country is a few years late, the number of hotels that offer information and the possibility to book their services via the Internet has increased significantly in recent years.

Over the years, the number of electronic intermediaries including the offer of Serbian hotels on the Internet has increased. There are two ways to trace the offer of hotels on the Internet. First, one can trace their Internet presence via their own websites. Another form of hotels presence in Serbia can be achieved through their involvement in the offer of modern electronic intermediaries.

The research subject is the analysis of the application of modern Internet distribution systems, i.e. new electronic intermediaries, by the hotels in Serbia. Due to a large and daily increasing number of online agencies and other electronic intermediaries, searching the Internet is an endless task. Search and analysis at one time can change in a short time, and the results will be different.

Research method focuses first on search engines (Googletravel) and a few specialized Internet distribution systems. Without intending to form the final list, the authors of the paper single out the most important Internet distribution systems that are currently the most visited and contain the offer of hotels that are located on the territory of the Republic of Serbia. At the same time, the attention is on the analysis of the domestic reservation

services (VisitSerbia.org, www.serbia-hotel.org and www.hoteli-srbije.co.rs) which provide accommodation services of hotels in Republic of Serbia. The research included 359 hotels in Republic of Serbia.

RESEARCH RESULTS AND DISCUSSION

CATEGORIZATION OF ACCOMMODATION FACILITIES IN THE REPUBLIC OF SERBIA

The most important element of the tourist offer are accommodation facilities in hotels, with appropriate additional amenities and high-quality service. The structure of accommodation capacities in hotels Serbia shows the level of development of hotel offer and the need for the adoption and implementation of measures aimed at its development in the future.

According to the Statistical Office of the Republic of Serbia, from 2010 to 2014, four-star hotels recorded a significant increase in accommodation units. Substantially smaller increase in accommodation units was recorded in one-star hotels, while four-, three-, and two-starhotels recorded reduction in accommodation units. Investment in hotel facilities, i.e. construction of new and renovation of existing hotels in the last few years made four- and five-star hotels in Serbia become accommodation facilities with a modern style, elegant ambience, modern equipment, which use modern techniques and technology.

USE OF ELECTRONIC INTERMEDIARIES BY HOTELS IN THE REPUBLIC OF SERBIA

Internet offer of hotels in the Republic of Serbia can be traced in two ways: through their websites on the Internet or through various electronic intermediaries. Special attention below is on the analysis of the use of electronic intermediaries, i.e. the use of services of online agencies, such as www.travelocity.com, www.booking.com, and www.expedia.com by hotels in the Republic of Serbia, as well as on the analysis of the development of electronic intermediaries in the Republic of Serbia, and their use by domestic hotels.

All hotels with three (116 hotels) and four (115 hotels) stars in the Republic of Serbia use at least one of three the observed online agencies. About 79% of all hotels in Republic of Serbia use www.booking.com for the distribution of their hotel services, while about 32% of all hotels in Republic of Serbia use www.travelocity.com and www.expedia.com for the distribution of their hotel services. The online agency www.booking.com is

used by about 45% of hotels with one star, 35% of hotels with two stars and 90% of hotels with five stars in the Republic of Serbia. The online agency www.travelocity.com is used by about 4.5% of hotels with one star, 3% of hotels with two stars and 80% of hotels with five stars in the Republic of Serbia. The same situation is with the online agency www.expedia.com.

VisitSerbia.org, as an electronic intermediary, is the first online travel reservation service in our country. In addition to being the reservation system, it is also a travel portal that provides information on destinations in Serbia in Serbian, English, German, and Norwegian. For now, the booking system is available only in Serbian and English. Bearing in mind the importance of providing information in languages of users making reservations, it is necessary to translate this travel portal and booking system into other languages as well. On the Internet one can find reservation services that present themselves as online systems, while they offer offline booking, making reservations through an inquiry.

Serbia does not have a large number of electronic intermediaries. Domestic reservation services, which provide accommodation services in hotels in Serbia as electronic intermediaries are:

www.serbia-hotel.org,
www.hoteli-srbije.co.rs.

Domestic reservation service, www.serbia-hotel.org, offers services of 57 hotels in the Republic of Serbia, of which 14 hotels are located on the territory of Belgrade. It can be concluded that the hotels in the Republic of Serbia mostly use foreign electronic intermediaries, such as www.booking.com, www.tripadvisor.com, in relation to domestic reservation services.

On the website www.hoteli-srbije.co.rs, one can find information about hotels in the towns in the Republic of Serbia, and make a reservation of hotel services.

The fact that only hotels in the city of Belgrade used modern electronic intermediaries to distribute their services ten years ago, and that today they are used by most of the hotels on the territory of the Republic of Serbia, indicates that new technology, expressed through the Internet, wins more and more hotels in the Republic of Serbia. In the future it is essential that all other hotels in Serbia begin with the introduction of modern technology.

CONCLUSION

The importance of tourism and hotel industry for the economic development of the Republic of Serbia imposes the need on hotels to use the Internet as means of communication and distribution of services. Although

the development and application of information and communication technology in the Serbian hotel industry is several years late for objective reasons, the number of hotels that offer information and the option of booking their services via the Internet is increasing.

Until a few years ago, Internet distribution systems included the offer of several hotels from Serbia, and these were mostly hotels that operated within a hotel chain and were located in the city of Belgrade. Today, the Internet distribution systems include offers of hotels to be found in a large number of destinations in the Republic of Serbia. Despite the problems faced by hotels in applying information and communication technology, it is significant that awareness of the importance of the Internet as a powerful means of communication and distribution in the hotel industry of Serbia has crystallized. Future research should be directed towards a more detailed analysis of the application of Internet distribution systems in hostels, motels, and apartments, as well as to the analysis of web pages of Serbian hotels from the standpoint of their use, i.e. whether hotels have their own websites, and whether their websites possess only information about the hotel offer or also provide the possibility of booking accommodation and other hotel services.

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[http:// www.expedia.com](http://www.expedia.com)

[http:// www.travelocity.com](http://www.travelocity.com)

[http:// www.booking.com](http://www.booking.com)

[http:// www.serbia-hotel.org](http://www.serbia-hotel.org)

[http:// www.hoteli-srbije.co.rs](http://www.hoteli-srbije.co.rs)

APPENDIX A

Accommodation capacities in hotels in the Republic of Serbia

The structure of accommodation capacities in hotels Serbia is given in Table A1. It can be concluded that the largest number of accommodation units and number of beds was recorded in hotels with 4 stars, while the smallest number of accommodation units and number of beds was recorded in hotels with 5 stars. However, if one looks at the number of hotels, one can conclude that three-star hotels are dominant.

Table A1 – Structure of accommodation capacities in hotels in the Republic of Serbia in 2014

Hotels with	Number of facilities	Number of accommodation units	Number of beds
*	22	1324	2212
**	96	3441	6497
***	110	5138	8538
****	87	5890	9678
*****	10	1177	1576

Source: Republički zavod za statistiku (2015). Saopštenje – Statistika ugostiteljstva i turizma, broj 260 – god. LXV, 30.09.2015.

APPENDIX B

The online agencies – as distribution channel in hotels

In Serbia, the hotels mostly use www.booking.com for the distribution of their hotel services. The hotels with three and four stars are prevalent on the websites of the following agencies: www.travelocity.com, www.booking.com and www.expedia.com. Refer to Table A2 for a more detailed analysis of use of services of online agencies by hotels in Republic of Serbia.

Table A2 –Use of services of online agencies by hotels in the Republic of Serbia

On-line agency	Hotels					Total
	*	**	***	****	*****	
www.travelocity.com	1	3	48	55	8	115
www.booking.com	10	34	116	115	9	284
www.expedia.com	1	3	48	55	8	115

Source: Author's research