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Accessibility of Hotel Services in Imatra. Distribution Channels.

Thesis 2015
Abstract

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Accessibility of Hotel Services in Imatra. Distribution Channels.
41 pages, 1 appendix
Saimaa University of Applied Sciences
Business and Culture, Imatra
Faculty of Tourism and Hospitality
Degree Programme in Hotel, Restaurant and Tourism Management
Bachelor’s Thesis 2015
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The purpose of this thesis was to find out how distribution channel system is
developed and applied in Finnish hotels, in Imatra region; see if hotel services
are accessible for the customers. The idea of the thesis is presented through
comparing benefits and challenges of each distribution channel and analyzing
which channel is the most profitable one for the hotels.

In this thesis report a qualitative research method was used. For theoretical part
desk study method was used which included reviewing appropriate and related
academic literature. For empirical part semi-structured, face-to-face interviews
with hotels’ managers were conducted as data collection method.

As a result of this thesis conclusions the benefits and challenges of applying
distribution channel system in Imatra region were identified. These findings can
be used in developing and improving marketing strategy of a hotel in Imatra
region. The results of this research can also be used for the future research on
this topic.

Keywords: Services marketing, distribution channels, accessibility
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1 Introduction

Nowadays the tourism industry is all the time changing with the development of technologies and creation of new devices. That allows applying totally unique and innovative ways to distribute information, promote and market products and services.

Consumers started to see the tourism industry from a different angle. Services and products became more reachable and easy to get information about. Old, traditional ways of distribution were complemented with online booking systems that are available to anybody who has Internet access. It takes less than 10 minutes to buy online airline ticket to any place in the world, book accommodation or even create a package tour that is most suitable for consumer’s preferences. All online booking reservations became easy and simple to use but there are still old distribution channels that have rights to exist.

It is clear that new ways of information distribution affected all spheres of tourism and became an important part of marketing. In relation to my personal interest in hospitality industry this thesis research allows to see how different distribution channels affect hotel industry and what the benefits are that hospitality got and what the new issues and problems are that hotel’s management has to face with.

As the services marketing is a relatively new phenomenon in the demand of marketing it is really interesting to study it deeply and understand how it works. This is the first aim of my research. The second aim is to see in practice how distribution channels are used in Finland and how they affect sales in hotels particularly, which allows narrowing the topic. Moreover, in order to specify it, the research will take place in Imatra area. I took that specific area because I am familiar with it and it represents totally different types of hotels. Some of them are privately owned and some relate to the hotel group. Research is going to get a big value if I see how management team of each hotel applies services marketing strategy in case of distribution channels. In addition it is important to notice that this area is a tourist destination that is orientated not only on Finnish market but also on Russian tourists.
The choice of the topic was not made randomly. I came up with it after taking services marketing courses in Waterford Institute of Technology during my exchange program. We were provided with information about Irish hotel brands, so I was curious to learn more about Finnish hotels.

In addition, my work experience in a hotel and travel agency provided me with basic principles of its application in practice that will help me during my research. I believe that studying this subject and making a research on this topic will not only extend my knowledge in services marketing field but also complement the development of distribution channel systems in Finnish hotels of Imatra area.

1.1 Objectives and Research Questions

The main objective of this thesis research is to examine hotel’s services accessibility in Imatra area. In order to achieve it, this thesis work requires certain question to be answered:

- How are distribution channels applied in the Finnish hotels?
- What are the benefits and challenges of distribution channels?
- Which route is the most profitable one? Why?

Those research questions are answered mostly in the 4th chapter. All the answers are provided by the author and based on the combination of the interviews with hotels’ managers and theoretical part of this thesis report.

1.2 Research methods

This particular study requires the qualitative research that is defined as research undertaken using an unstructured research approach with a small number of carefully selected individuals to produce non-quantifiable insights into behavior, motivations and attitudes (Mirola 2013). This method answers questions such as: why? how? and what kind. I believe that it gives an opportunity to get results that will answer research questions and examine feelings and motivations of respondents.

The research includes desk study and semi structured interviews with
professionals representing hotels that were selected for this research. The purpose of the desk study is to provide reader with theoretical background. That data is based on the academic literature that opens up the topic and covers the most important foundations of services marketing discipline. For empirical part data collection will be verbal through semi-structured interviews with marketing team responsible for services marketing and distribution channels of the certain hotel. That type of interviews provides with the structure from the one side and possibility for open discussion with respondents from the other.

2 Services Marketing

Distribution channel topic is an important part of services marketing discipline. Services marketing chapter is presented separately in this thesis report.

It not only defines services but also helps reader to understand the basic marketing models and learn about history of service marketing. The third chapter of distribution channels is inseparably connected with information provided in this chapter.

2.1 History of Services Marketing

Knowing the history helps to understand the current situation of the subject more clearly and see how fast it was developing through the years. Comparing marketing to other business areas such as economics, production or accounting, it is hard to believe how young this discipline actually is. It started to develop in early 1900s when people stopped associating most marketing issues with basic economic concepts. For instance, price setting was viewed as a simple supply issue and advertising was just in the process of developing. Such issues as customer purchase behavior or distribution channels had no opportunity to exist yet. But through the ages several major universities with marketing schools started to develop this area. They were motivated by the need to analyze in greater detail relationships and behavior that existed between sellers and buyers. (KnowThis 2014.) It was understandable that studying of marketing strategies and tactics could lead sellers to recognize and adapt them in order to get significant benefits from sellers and buyers relationships.
The early contributions to the study recognized the growing importance of sales and distribution functions for manufacturers of consumer goods. For over 50 years the emerging theories focused almost exclusively on the marketing of physical goods, especially on the marketing of items manufactured on a mass-production basis for mass consumption by the general public (Middleton, Morgan & Ranchhod 2009). Sellers identified strategies and tactics for simply selling more products and services with little regard what their customers really wanted. It was also called “sell-as-much-as-we-can” philosophy. Sellers at that time did not think about building strong and reliable relationships with customers. (KnowThis 2014.)

Taking a look on the starting 1960s, 1970s and 1980s, we can say that the competition was increasing across most of the industries. It was a rapid growth of large-scale commercial service operations (Middleton, Morgan & Ranchhod 2009). Because of that old ways and approaches of selling were not good enough anymore. Organizations looked to the buyer’s side of the transaction for buyer’s ways to improve. They noticed that the new philosophy implied that the key factor in successful marketing is in understanding the needs of customers. First of all organization have to analyze and understand who their customers are and what they actually want. Only then the marketing team has to initiate the process of developing and marketing products and services. (KnowThis 2014.)

2.2 Defining Services

What are the services? Services cover a vast array of different and often very complex activities, making them difficult to define. That is why it is important to study several definitions and see how professionals describe services.

Early marketing definitions contrasted them against goods and emphasized two characteristics - intangibility and perishability. Christopher Lovelock and Jochen Wirtz their book "Services marketing - people, technology and strategy" say that they believe services should be defined in their own right, not in relation to goods. Here is the definition of services that they suggested - services are economic activities offered by one party to another. Often time-based, performances bring about desired results to recipients, objects, or other assets.
for which purchasers have responsibility. In exchange for money, timer, and
effort, service customers expect value from access to goods, labor, professional
skills, facilities, networks, and systems. But they do not normally take ownership
of any of the physical elements involved. (Lovlock & Wirtz 2011.)

Gummesson suggested the other very famous definition; he said, a service is
something which can be bought and sold but which cannot drop on your feet
(Grönroos, 2000). It is simple and obvious but does not explain fully the nature
of services.

In 1990 the following definition was reluctantly proposed and became famous in
the society: A service is a process consisting of a series of more or less
intangible activities that normally, but not necessarily always, take place in
interactions between the customer and service employees and/or physical
resources or goods and/or systems of the service provider, which are provided
as solutions to customer problems (Grönroos, 2000).

Nowadays it is possible to find many different variations of services definition
provided by professionals from all over the world. The author of this research
believes that the U.S. national archives and records administration provide the
best definition. It explains the nature of services from the one hand in a simple
and clear way, but from other hand touches all the aspects of it. The production
of an essentially intangible benefit, either in its own right or as a significant
element of a tangible product, which through some form of exchange, satisfies
an identified need. (The U.S. National Archives and Records Administration
2014.)

2.3 Extended Marketing Mix of Services

Since the time when services marketing as a new phenomenon captured the
headlines, experts were trying not only to define it, but also to create new
concepts that will make working with it easier. That time the 4P’s concept of
marketing mix already existed. It was mostly orientated on marketing products
but through the years was also applied in relation to services.

What is marketing mix? Chaffrey and Smith define it as a well-established
conceptual framework that helps marketers to plan their approach to each market. It provides not only the checklist of decisions which marketers must make, but also make marketers integrate these decisions together and allocate their resources accordingly. (Chaffey & Smith, 2008.)

4 P’s model includes such elements as Product, Price, Promotion and Place.

**Product.** Service products lie at the heart of a firm’s marketing strategy. It consists of a core product that responds to the customer’s primary need and an array of supplementary service elements that are mutually reinforcing value-added enhancements that help customers to use the core product more effectively (Lovelock & Wirtz 2011).

It is also important to notice that the physical evidence of the intangible products such as hospitality services makes it more challenging to show the customers the actual product. Nowadays with the development of new technologies potential customers are able to browse a gallery of pictures on the website, or in some cases, take a virtual tour through video clips or watch what is happening there live on a web cameras. All these innovative ways help marketers to add the tangible factor for totally intangible products. (Middleton et al 2009.)

**Price.** Pricing of services is more complicated than pricing of goods. While the product can be priced easily by taking into account the raw material costs, in case of services attendant costs - such as labor and overhead costs also need to be factored in (McGovern 1996). Nowadays prices have become more transparent, as customers can use the Internet to compare prices and search for bargains. In response, companies can adjust prices dynamically in response to fluctuations in demand. (Middleton, Fyall & Morgan 2009.) That is why pricing strategy is highly dynamic, with price levels adjusted over time according to such factors such as type of customer, time and place of delivery and availability capacity (Lovlock & Wirtz 2011).

**Place.** The element of place in relation to services marketing usually replaces with distribution of services. It may involve physical of electronic channels (or both), depending on the nature of the service. Nowadays firms may deliver
service directly to end-users or through intermediary organization. (Lovelock & Wirtz 2011.) This element of marketing mix is opened up in the following chapter of distribution channels in more detail.

**Promotion.** Promotion is a very important element of marketing mix. It has the inseparable connection with distribution channels because its purpose is to communicate with customers and make services accessible. There are two different types of advertising. The first one is traditional advertising. It has to attract attention and create a memorable impression on someone who is watching TV or reading a newspaper, in the hope they will later remember the brand. The second one is modern. It is connected with the Internet. Website is there to be consulted when the customer is actively looking for information, with the opportunity to consult pages, e-mail for more information or make an electronic booking. Customers are also able to sign up for regular e-mail messages or special events and offers. In the hospitality business website is a basic and very important tool for direct marketing. (Middleton, Fyall & Morgan 2009.)

The extended marketing mix was invented by American academics Booms and Bitner. They considered the extra Ps crucial in the delivery of services – people, process and physical evidence. People create and deliver a service- if they are not happy, the service falls apart. Processes are even more important as the process of production is not behind closed doors (as in the case of products), but open for all to see. Finally, when buying intangible services, many customers rely on cues given from physical evidence (such as uniforms, badges and buildings). (Chaffey & Smith, 2008.)

**People.** The inseparability of hospitality services requires direct interaction between customers and service employees. That is why services firms need to work closely with their human resources departments and devote special care in selecting, training, and motivation of their service employees. In addition to processing the technical skills required by the job, these individuals also need good interpersonal skills and positive attitudes. Loyal, skilled, motivated employees who can work well independently or together in teams represent a key competitive advantage. (Lovelock & Wirtz 2011.)
Process. The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blueprint which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff. (McGovern 1996.)

Physical Evidence. Since services are intangible in nature, most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience (Management Study Guide 2014).

The appearance of buildings, landscaping, vehicles, interior furnishings, equipment, staff members’ uniform, signs, printed materials, and other visible cues provide tangible evidence of a firm’s service quality, facilitate service delivery, and guide customers through the service process. Service firms need to manage it carefully, since they can have profound impact on customer satisfaction and service productivity. (Lovelock & Wirtz 2011.)

2.4 4 C’s Model

In the previous subchapter 7P’s model was opened up. On the top of this, today’s marketers need skills that go beyond the basic mix. Talking about marketing mix it is important to notice that it can lead to product orientation rather than a customer orientation (Chaffey & Smith 2008). In 1993 R.F. Lauterborn proposed a 4 Cs classification to address the growing focus of marketing strategist on the consumer (Business-fundas 2015). Comparing this marketing mix to the traditional 4 P’s model it is important to mention that 4 C’s model of marketing is more consumer oriented, when 4P’s model is more business oriented. Because of its focus on consumers, the 4 C’s model is mainly used for niche marketing. However, just like the traditional marketing mix, it can also be used for mass markets. (Marketing91 2015.)
There are four variables in the 4 C’s model.

1. Consumer
2. Cost
3. Convenience
4. Communication

The primary focus of the 4C’s marketing mix is on the customer. Companies which follow this model believe that the products and services have to be made in order to satisfy customer's needs. They are generally ready to offer customizable products and services. But it is important to remember that this principle is only applicable for smaller market segments and not for mass markets.

The customer-orientated approach also appears in cost decisions. Prices have to be planned carefully in relation to the target group. For instance, if product or service is planned for a segment, then the costing needs to be premium to have proper psychological positioning. On the other hand, if the product or services is for the B or C classes, then it needs to have a lower costing. Thus over here,
costing of the product or service depends on the customer. When it comes to communication segment the 4 C’s of marketing are generally used for niche products, as it was mentioned before. The media vehicles used for marketing communications for a mass product and that for a niche product are different. Convenience is equivalent of distribution or placement of the traditional marketing mix. Thus convenience, like distribution, plays a critical role. The customer will not purchase your product or service if it is not convenient to him. 4C’s model helps a company define its strategy more efficiently, understand customers better and by all this increase sales and profit.

2.5 Services Quality

During the past two decades professionals were trying to identify and narrow the topic of quality management in hospitality industry. They were trying to analyze the previous works and literature in order to be able to find the gaps of knowledge in this particular sphere and fill them in. This topic is very important because it is inseparably connected with terms of service reliability and customers’ experiences.

It is could also be called the heart of services marketing excellence as it performs the service dependability and accurately. Leonard L. Berry and A. Parasurman in their book “Marketing services: competing through quality” notice that when a company performs a service carelessly, when it makes avoidable mistakes, when it fails to deliver on alluring promises made to attract customers, it shakes the customer's confidence in its capabilities and undermines its chances of earning a reputation for service excellence- from the customer’s perspective, the proof of a service is its flawless performance. (Berry & Parasurman 1991.)

British Standards Institute defined quality term as “The totality of features and characteristics of a product or service that bare on its ability to satisfy stated or implied needs" stated or implied needs also invoke an element of customer expectation, as implied by Feigenbaum, who defines quality as: _The total composite product and service characteristics of marketing, engineering, manufacture and maintenance through which the product and service in use will meet the expectation by the customer._ (Johns 1992.)
There is a difference between service and product quality that needs to be clearly highlighted. Service distribution is inseparable with its consumption if you compare it to product distribution. Service performance has worse consequences of its failure because customer evaluates the service when it is being produced. That is why it is important to remember that customer is the main figure in defining the services quality. Customers are differentiated by their expectations, previous experiences and their assessments of service quality.

There are 5 general dimensions that influence customers’ assessments of services quality presented by Berry and Parasurman.

1. **Reliability** – The ability to perform the promised service dependably and accurately
2. **Tangibles** – The appearance of physical facilities, equipment, personnel and communications materials
3. **Responsiveness** – The willingness to help customers and to provide prompt services
4. **Assurance** – The knowledge and courtesy of employees and their ability to convey trust and confidence.
5. **Empathy** – The provision of caring, individualized attention to customers

They were analyzing several studies and making a research, which showed that reliability is the most critical dimension from all of five demotions presented above. Consistent reliability gives a company an opportunity to compete effectively and build a reputation for service. (Berry & Parasurman 1991.) Moreover it provides significant marketing benefits such as

- Higher current-customer rate
- More business from the current customers
- Increased word-of-mouth communications promoting the company
- Greater opportunity for commanding a premium price (Palmer 2014.)

Talking about the premium price and customer’s preferences it is important also to mention that according to the statistics presented by Wall Street Journal, more that 35% of respondents are willing to pay more for the service if it is
delivered in time and delivered in a right way. Clever commercials, well-presented advertisement and other promotional tools will be ineffective without reliable service. Company cannot promise more than it can deliver otherwise it will lose customers’ reliability, which will lead to “bad quality” reputation. (Palmer 2014.)

2.6 Service Accessibility

Referring to the 7 P’s model it is relevant to notice that the place is a very important figure in relation to services marketing. That is why services marketers talk a lot about accessibility to the service. Indeed, the whole point of a service is often to make benefits (tangible or intangible) accessible to consumers. Without a strategy to make a service accessible to customers, the service is of no value. (WIT lecture notes 2014.)

There are several questions that need to be answered in order for marketer to build a successful strategy and make services accessible.

- To whom should the service be made accessible?
- When should the service be made accessible?
- Where should the service be made accessible?

2.6.1 To Whom

The first question is the most important one. Any business is a relationship between buyer and provider. Customer is a key element of service delivery according to the inseparability of the services distribution. They may differ in their wants, resources, locations, buying attitudes, and buying practices. (Chaffey & Smith, 2008.) That is why this question needs to be answered first.

Service industries are often faced with the choice of to whom they should or should not make their services available to. Segmentation is a process of identifying specific purchasing groups based on their needs, attitudes, and interests. Market segmentation efforts are of great value in completing a promotions opportunity analysis. (Clow & Baack 2010.)

Segmentation brings lots of benefits for the company. It not only helps to create
a good marketing strategy but also complements the service accessibility and makes it clearer. Two, the most common ones, are mentioned below. Firstly, focus of the company – segmentation is an effective method to increase the focus of a firm on market segments. Better focus, obviously provides better returns. (Marketing91 2015.)

Secondly, more efficient advertising – the advertising will be easier and more effective if the large, unwieldy market is taken and segmented into manageable pieces. When market is segmented, there are simultaneously segmented marketing options. There is possibility to choose websites, magazines, TV stations, etc. that are tailored to each market. (Udemy blog 2015.) This way advertising becomes more efficient and appropriate for targeted customers.

There is no single way to segment a market. A marketer has to try different segmentation variables (Kotler, Bowen & Makens 2010). Clow and Baack (2010) offer market segmentation by consumer groups. Author of this thesis research believes that this method is the simplest and the same time the most useful one. It is presented in the following table 1.

<table>
<thead>
<tr>
<th>Consumer Markets</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographics</td>
<td>Demographics are population characteristics. Typical segmentation variables include gender, age, education, income, and ethnicity. Companies create goods and services to meet the needs of individual demographic segments.</td>
</tr>
<tr>
<td>Psychographics</td>
<td>Psychographics emerge from patterns of responses that reveal a person’s activities, interests and opinions.</td>
</tr>
<tr>
<td>Generations</td>
<td>Segmentation based on generations notes that as people experience significant external events during their late adolescence or early adulthood, these vents impact their social values, attitudes, and preferences.</td>
</tr>
</tbody>
</table>
Based on similar experiences, these cohorts of individuals develop common preferences for music, food, and other products.

<table>
<thead>
<tr>
<th>Geographic</th>
<th>This method is especially useful for retailers seeking to limit marketing communications programs to specific areas. It also helps to be focused on market, which is more likely to make purchases.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geodemographic</td>
<td>It identifies potential customers from demographic information, geographic information and psychographic information. Beneficial for national firms.</td>
</tr>
<tr>
<td>Benefits</td>
<td>Benefit segmentation focuses on the advantages consumers receive from a product rather than the characteristics of consumers themselves.</td>
</tr>
<tr>
<td>Usage</td>
<td>Usage segmentation provides the highest level of service to a firm’s best customers while promoting the company to casual or light users. This method is also designed to maximize sales to all user groups.</td>
</tr>
</tbody>
</table>

Table 1. Methods of Segmenting Consumer Markets. (Clow & Baack 2010)

In relation to this research the interviewed hotels are mostly concentrated on such segments as – geographic, orientating on Russian tourists living close to the border, and demographic, because companies focus on recreation activities that attract families with children and couples.

2.6.2 When

This question is directly related to the inseparability of services. Generally requires producer and consumer to meet in order that service benefits can be simultaneously produced and consumed. Unfortunately, a problem often occurs where the consumer wants to consume a service at a time when the producer is unable or unwilling to produce it. The perishability of services makes this a particular problem because the service producer does not have the goods
manufacturer's ability to make the product at a time of its choice, and then make it available when consumers want to buy it. Services must be produced "live" when the consumer requires them. (WIT lecture notes 2014.) Service providers have to understand if they are willing to move service towards customers and make it that way. This aspect needs careful analyzing before establishment because of such factors as competitive rivalry or high consumer expectations.

2.6.3 Where

Where should the service be made accessible? Because consumers of services are usually involved as co-producers of the services, the time and place at which they are expected to take part in this process becomes an important criteria they use to evaluate alternative service providers. As a result service location involves a trade-off between the needs of the producer and the needs of the consumer. (WIT lecture notes 2014.)

Mostly service provider is flexible and able in order to make service more accessible to provide it in the location that is suitable for the customer. But it is still important to remember there are cases when services are based on a unique historical site or specific territory that is inseparable with service itself.

There is a number of reasons why service needs to be as close to the consumer as possible:

- Customer can be physically immobile
- For impulse purchases, or services where there are many competing alternatives, customers are unlikely to be willing to travel far to seek a service.
- For specialist services, customers may show more willingness to be flexible in where they receive the service. (Palmer 2014).

Summarizing this part, by answering all three questions service provider will be able to see the picture of services' accessibility of his business and make changes in order to improve it and attract more customers.
3 Distribution Channels

The Distribution Channel's chapter is the core topic of this thesis research. Preceding chapters provided the necessary background information in order to understand the nature of distribution channels and their important role in services marketing.

Nowadays traditional travel agencies are still important in specific sectors of the industry but threatened by the new marketing channels, those channels have become new-age competitors particularly orientated on Internet selling. In recent years, they have seen a lot of online competitors, ranging from giant travel superstars such as Expedia, Travelocity, Priceline and Orbitz. Because of that traditional intermediaries need to offer clear advantages and added value if they are want to survive in competition not only with direct marketing alternatives but also with new forms of online intermediaries. (Middleton et al. 2009.)

On the one hand these new-age distribution channels are fast, innovative and provide customers with more choices, ability to compare and independence. On the other hand, they also threaten the very existence of many travel agencies. According to Kotler, Bowen and Makens, travel agencies are constantly dropping their positions all over the world. This phenomenon is called disintermediation. Disintermediation means the elimination of a layer of intermediaries from a marketing channel. It includes not only the elimination of channel levels through direct marketing but also the displacement of traditional sellers by radically new types of intermediaries. Disintermediation works only when a new channel form succeeds in bringing greater value to consumers. (Kotler, Bowen & Makens 2010, p.327.)

3.1 Defining Distribution Channels in Hospitality

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. It is used to move the customer to the product/service in a best way. Distribution networks in the hospitality industry consist of contractual agreements and loosely organized alliances between independent
originations. It is also important to notice that Distributor helps manufacturer to limit amount of work to be done. This way customers contact distributor to get information about manufacturers and manufacturers can reach many customers through one distributor. Figure 2 “How a distributor reduces the number of channel transactions.” shows the efficiencies created by a distribution system. (Kotler, Bowen & Makens 2010, p.328.)

![Figure 2. How a distributor reduces the number of channel transactions (Kotler, Bowen & Makens 2010, p.328)](image)

That is why there are many routes by which tourism products or services are distributed to tourists, comprising online, offline, direct and indirect channels. The choice of distribution channels must add both customer value and organizational value in order to bring wanted results. (WIT lecture notes 2014.)

![Figure 3. Distribution channels. Direct and indirect routes. (Palmer 2014)](image)
The Figure 3 "Distribution channels. Direct and indirect routes" shows the structure of the routes and how they are divided and the balance of the distribution channel system. The correct management of the routes and keeping them in balance makes system stable and trusted.

3.2 Direct Routes to Market

Direct routes mean that a business promotes to and deals directly with its customers. In other words, there are no intermediaries involved in the process of information distribution. Company directly reaches customer and sells products or services.

This way is the traditional one. All of the companies use it because it provides its own benefits that make it so attractive for the service provider direct routes are divided into online and offline routes.

3.2.1 Online routes

Online routes to market include such tools of distribution as media, websites, mobile operators and social network. It is obvious that nowadays almost all tourism companies use Internet in order to reach their customers. This way is fast, popular and has become an inseparable part of modern world. For instance, a major hotel chain as Hilton books over $3.5 billion in hotel rooms per year over the Internet. In addition to the growth in business booked over the Internet, Hilton books 80 percent of its Internet business through its own websites. There are so many advantages of direct online sales that attract service providers. The first one is the fact that it is the least costly channel for the distribution of hotel rooms. Secondly, it never closes, it is working twenty-four hours a day, seven days a week, has worldwide coverage and can transmit color pictures. (Kotler, Bowen & Makens 2010, p. 336 - 338.)

Moreover company gets direct contact with consumer in information provision, as well as the feedback after a purchase, and customer ownership that helps in relationship management. Sole responsibility for product quality, brand image and distribution methodology also make direct online channel attractive and reliable. (WIT lecture notes 2014.)
On the negative side there are several issues that service provider faces using direct online sales.

- Marketing capabilities of organization to reach geographically dispersed market
- Web/IT capabilities of organization to support direct sales
- Cost implication; time, money, specialist staff to underpin direct sales
- Accessibility/convenience for customers
- Language issues (Palmer 2014).

The Internet is rapidly becoming an important distribution channel with relatively low costs, allowing the independent operator to gain access to world markets. It allows the multiunit operator to give information about all locations, including colorful brochures and guided tours of the property. This information is valuable to the individual traveller, meeting planner, and the travel agent. Hospitality and travel companies are now producing separate sites to meet the information needs of these unique segments. (Kotler, Bowen & Makens 2010, p.338.)

### 3.2.2 Offline routes

Offline routes to market include such tools as mail, telephone, walk-in, direct sales and consumer shows. All of these tools mean that service provider reach potential customers directly, not using the Internet.

This way of information distribution is the traditional one and nowadays is more frequently used in collaboration with online routes because there are several issues that service provider faces using it. Firstly, it is price-conscious. It takes lots of money, time and force to reach the potential customers. Secondly, company must first decide exactly whom they are trying to reach – the targeted demographic segment for new or existing services – and then determine what media channels can be used to reach them. (Marketing-Schools 2015.)

### 3.3 Indirect Routes to Market

Indirect routes to market mean that manufacture uses intermediaries to reach customers. This way of information distribution is very popular in hospitality business especially nowadays with the use of Internet.
Global distribution systems, travel agents, tour operators, trade shows and many others are examples of online and offline intermediaries that are used by hotels to distribute information about their services. As was mentioned above, nowadays companies mostly use multiple channel system in order to make profit and spread information on bigger market. The following chapter shows the benefits of intermediaries and introduces the most popular distributors in hospitality business.

3.3.1 Benefits of Multiple channel system

A multiple channel strategy is employed when a firm makes its services available to the market through two or more channels of distribution (Palmer 2014). Companies preferably use multiple channel system in the distribution process.

This system brings many benefits to the company. There are several, the most important benefits listed below.

**Sales increase** – Consumer gets more options in relation to service purchasing process, which leads to sales increase. **Extended market coverage** – Multiple channel system gives opportunity to extend company’s position in the market. It helps to make company’s name more visible.

**Improved customer satisfaction.** – Customers are happy when they have more options to choose from. If the company makes services more accessible in this way it definitely increases customer’s satisfaction. **Cost reduction** – Intermediaries reduce some expenses. One of the most noticeable one is promotion.

**Ability to collect more and better market information** – Multiple channels provide company with different information about their customers. This information for example can be useful in the process of understanding consumer’s behavior and also how to improve some aspects of services distribution.

**Reduction of business risk** – Purchasing services through intermediaries may cause customers to associate some possible issues to the intermediary but...
not to the actual company. (Palmer 2014.)

3.3.2 Issues of Multiple Channel System

It is important to remember that possible issues also exist in this case.

**Customer resentment and confusion** – Some customers can get lost because of the variety of options. It becomes hard for them to make a choice which route to use.

**Channel conflict** – Several channels that provide the same services can make consumers confused which one to use in order to get better benefits.

**Cost increases** – In order to be profitable hotels sometimes have to increase costs of the services to be able to pay distributors. High prices can affect customer’s satisfaction.

**Dilution or deterioration of brand image** - It becomes harder for the company to manage the brand image because of the intermediaries’ affect. (Palmer 2014.)

3.4 Major Marketing Intermediaries

There are many marketing intermediaries that are used to reach geographically diverse marketplace. As it was mentioned in previous chapters routes can be online or offline.

In this chapter the major marketing intermediaries for hospitality business are presented. Some of them have growing potential in this business in online or offline form.

3.4.1 Travel Agents

Travel agents are one of the oldest ways of reaching the customers. The number of offline travel agents has been decreasing in recent years due to the growth of direct booking and customers self-booking travel on the Internet. This decrease was caused by the fact that hotels typically pay 10 percent commission to travel agents and growth of direct sales from hotels to the customer. Usually hotels are interested in collaboration with travel agents. They
are able to send information packages that include collateral material and hotel news, including updates about hotel packages, promotions and special events. Travel agents are also invited to visit hotel property on familiarization tours. (Kotler, Bowen & Makens 2010, p.332.)

Nowadays customers use online travel agencies more often compared to offline. There are many benefits that customers get. For instance, there is an ability to see wider range of hotels and read independent reviews from customers. Hospitality providers who serve travel agents must remember that agents entrust the hotel with their customers. In a travel agency market survey, travel agents rated their reputation for honoring reservations, reputation for good service, ease of collecting commission, and room rates as the most important factors in choosing a hotel. Hotels must do everything possible to make a favorable impression on guests booked through travel agents to ensure future business from that agent. (Kotler, Bowen & Makens 2010, p.332.)

3.4.2 Tour Wholesalers

Tour wholesalers can be defined as an individual or company that sells tour packages and tour product to travel agents. Talking about hospitality business, tour wholesalers usually receive a 20% discount from accommodations (Morehouse 2015). Packages usually include transportation and accommodations but may include meals, ground transportation, and entertainment. In developing a package, a tour wholesaler contacts with airlines and hotels for a specified number of seats and rooms, receiving a quantity discount. With the increased number of international resorts, tour wholesalers are becoming a powerful member of the distribution channel because it is impossible for travel agents to know every resort. (Kotler, Bowen & Makens 2010, p.333.)

3.4.3 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. Sometimes cultural differences may make it hard for an outsider to penetrate the market. For instance, a corporate hotel in Houston
may find it is more effective to hire a hotel representative in Mexico city than to send a sales manager there.

Hotel sales representatives should represent non-competing hotels. They receive a straight commission, a commission plus a salary, or combination of both. It takes time for hotel representative to learn company’s products and inform the market about them. That is why the choice of a hotel representative should be taken seriously. (Kotler, Bowen & Makens 2010, p.334).

### 3.4.4 Global Distribution System

Global Distribution System (GDS) is defined by online Business dictionary as a *worldwide computerized reservation network used as a single point of access for reserving airline seats, hotel rooms, rental cars, and other travel related items by travel agents, online reservation sites, and large corporations*. The premier global distribution systems are Amadeus, Galileo, Sabre, and Worldspan. They are owned and operated as joint ventures by major airlines, car rental companies, and hotel groups. (Businessdictionary 2015.)

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 hotels’ Customer response system and the GDS. Smaller hotel chains and independent hotels may link through a reservation service. There are four major GDS nowadays – Amadeus, Galileo, Sabre and Worldspan. (Kotler, Bowen & Makens 2010, p.336.)

### 3.5 Costs of Distribution Channels

Every distribution channel carries costs and benefits and each one is evolving at an extraordinary pace. The online travel agencies are battling it out with search engines and hundreds of hotel brand websites for the consumer’s attention and it is all affecting hotel margins. Facebook and other social media platforms are a fast-growing exchange for travel information, and the mobile channel is emerging with massive potential. (Green & Lomanno 2012.)

Each hotel has to understand the dynamic of each channel and be able to
analyze costs and benefits in a rational and meaningful way in order to create revenue and profit. As was mentioned above, nowadays hotels mostly use multiple channel system in order to reach more customers and make services more accessible.

Online distribution channels are the big players on the services marketing arena. They have created both opportunities and problems for revenue managers. More channels generally mean increased reach, potentially allowing hotels to sell more rooms. However the cost of using such channels can vary greatly. (Oh 2008, p.199.)

It is hard to define which channel is the most expensive one for the hotel and which one is the cheapest. Each company creates its own unique revenue strategy in order to get more sales and reduce expenses. It is well known that direct channels require fewer expenses than indirect channels.

Indirect channels mean that company uses intermediaries that require commission from sales. Commission is an inseparable part of this business and varies according to the amount of work and benefits that intermediaries provide for the company. Each intermediary requires different commission percentage.

There are many factors that affect it. Here is average percentage level presented for the most famous hospitality intermediaries. Travel agents – 10%. Hyatt hotels as well as other companies mention this commission level on their official webpage. (Hyatt travel agents 2015.)

- Tour wholesalers – 10% - 20% (Small Business 2015).
- GDS – 6% - 10% (Online GDS. Hotel Distribution Technology 2015).

The following table presents visually how room prices change because of the different commission level. Net rate of the product is the actual price without any commissions added. The gross rate is the new price, including commissions, which consumers get purchasing the product. Usually commission level in tourism industry does not go higher than 25% but all the time it depends on the location and type of intermediary.
### Table 2. Commission levels (Small Business 2015.)

<table>
<thead>
<tr>
<th>Commission level</th>
<th>Net rate of the product</th>
<th>To calculate gross rate divide the net rate by</th>
<th>Gross rate third parties will sell the product for</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>180 euro</td>
<td>0.90</td>
<td>200 euro</td>
</tr>
<tr>
<td>15%</td>
<td>180 euro</td>
<td>0.85</td>
<td>212 euro</td>
</tr>
<tr>
<td>20%</td>
<td>180 euro</td>
<td>0.80</td>
<td>225 euro</td>
</tr>
<tr>
<td>25%</td>
<td>180 euro</td>
<td>0.75</td>
<td>240 euro</td>
</tr>
<tr>
<td>30%</td>
<td>180 euro</td>
<td>0.70</td>
<td>257 euro</td>
</tr>
</tbody>
</table>

Commission level and cost efficiency makes it complicated for revenue managers to set attractive affordable prices for their customers. They have to set prices very carefully in order to stay attractive for the consumers and the same time get enough profit.

### 4 Results

The competitive environment of hospitality business is the reason why companies work so hard on development of the marketing strategy. Distribution channel system is an important component of that strategy and each hotel is trying to keep it private in order to be able to compete successfully. That is the main reason why the names on the hotels are not revealed in this repost.

Author of thesis report was able to interview 4 hotel managers in Imatra region. All the hotels are different in relation to size, type of ownership, year of establishment and location. They are competing against each other and the pressure is very high especially in such a small region as Imatra. The semi-structured face-to-face interviews with hotel managers were held. It allowed getting more detailed answers and new interesting thoughts in relation to the topic. The questionnaire, which can be found in appendix, includes background questions as well as specific questions about distribution channel system that is applied in the hotels.
All the hotels pay a lot of attention to the distribution channel system and find it essential. In order to analyze and differentiate hotels they are divided into three categories according to the size of the hotel – small, medium and big. The following sub-chapters present the process of getting the results and display the findings in the table for more convenient understanding and comparison on the hotels.

4.1 Process of Getting the Results

As was already mentioned above the face-to-face interviews with hotel managers were organized during March 2015. All of the managers were acting positively and were able to organize interviews at short notice. It really helped the author in relation to scheduling of the thesis process.

Interviews were held in a friendly and relaxing atmosphere, which also added a positive impact on the actual conversation. The questionnaire is focused only on the most important issues, and answers the research questions:

- How are distribution channels applied in the Finnish hotels?
- What are the benefits and challenges of distribution channels?
- Which route is the most profitable one? Why?

The first version of the questionnaire was prepared based on the theoretical part and answers that were looked for in order to complete the empirical part of the research. The first interview was held with a small hotel that is very new on the market. The manager was able to give full, well-structured answers that helped the author to analyze and add some important questions during the actual interview process. After that the questionnaire was changed and the rest of the interviews were held based on the second version. This experience is very important as part of the thesis process. It helps to analyze mistakes and fix them in order to get better results in the end of the observation process.

4.2 Reliability and Validity

Reliability and validity are important indicators of quality of the research. They show if results are reliable and valid. The main idea behind reliability is that any significant result must be more than a one-off finding. Other researchers must
be able to generate the same results under the same conditions. (Know This 2015). Reliability is high when similar results can be obtained by different questions about the same topic or by different measurements (Mirola 2013). Reliability indicator was considered in the very beginning of the thesis process. The area that was selected for the research is well known and provides good platform for the reliable research in relation to size and amount of hotels available. By selecting Imatra region on the Booking.com web page potential customers are able to see twenty options to choose from. All of them provide different types of accommodation. Three of them are hostels and seven are holiday apartments, mostly privately owned houses that are available for rent. This research is focused on the hotel companies specifically in Imatra area. Booking.com provides 10 different hotels to choose from which means that thesis research covers 40% of all hotels available in this region. (Booking.com 2015.) According to these factors research findings can be called reliable.

Validity involves determining the extent to which researcher’s findings about knowledge correspond to reality. Validity in qualitative research more precisely means whether or not a researcher gets a true picture of the process or behavior being examined. (Klenke 2008.) The findings of this study give a realistic image of how distribution channel system is applied in Finnish hotels in certain region. All the questions that were asked during the interview were oriented on true picture of the company and use of the each channel through its benefits and challenges. According to that factor, research can be called valid.

4.3 Summary of the results

The interview answers were generated into the following table. It helps to compare hotels and see clearly the similarities and differences.

<table>
<thead>
<tr>
<th>Category</th>
<th>Small Hotels</th>
<th>Medium Hotel</th>
<th>Big Hotel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of the ownership</td>
<td>Privately owned hotels</td>
<td>Part of the hotel Group</td>
<td>Independently owned.</td>
</tr>
<tr>
<td>Services Quality</td>
<td>&quot;Essential feature especially for</td>
<td>Quality is the main thing. &quot;Customers must get what</td>
<td>&quot;Nowadays everybody is sharing their</td>
</tr>
<tr>
<td></td>
<td>the small hotel in the</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

30
<table>
<thead>
<tr>
<th></th>
<th>competitive environment.”</th>
<th>they were promised.”</th>
<th>experiences online, posting reviews. That is why company has to provide what it has promised.”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Segmentation</strong></td>
<td>Groups and families with children</td>
<td>Business travelers and middle-aged couples, no kids.</td>
<td>Holiday makers - Families with children and Couples</td>
</tr>
<tr>
<td><strong>Nationality division</strong></td>
<td>Russian 80% Finnish 18% Other 2%</td>
<td>Finnish 60% – 65% Russian 30% - 35% Other 5% - 10%</td>
<td>Finnish 40% Russian 58% Other 2%</td>
</tr>
<tr>
<td><strong>Marketing Strategy</strong></td>
<td>Devision between Russian and Finnish market. Using different tools of marketing</td>
<td>No devision between customers. Using the same tools of marketing.</td>
<td>Devision between Russian and Finnish market. Using different tools of marketing</td>
</tr>
<tr>
<td><strong>Direct Channels</strong></td>
<td>Main Channel is <em>Official web page</em>. Social networks also play an important role in services distribution.</td>
<td>The main channel is <em>official web page</em> of the hotel. Also an important role telephone calls, messages, walk-in customers and consumer shows play.</td>
<td><em>Official web page is very important as well as</em> Social networks, telephone calls and Walk in customers</td>
</tr>
<tr>
<td><strong>Benefits of Direct Routes</strong></td>
<td>Customers’ ownership No</td>
<td>Information ownership, no</td>
<td>Cost efficiency Customer’s loyalty</td>
</tr>
</tbody>
</table>
Challenges of Direct Routes

- Advertisement costs
- Language issues
- Keeping information up to date

Indirect Channels

- The biggest channel is GDS and online travel agencies such as Booking.com
- GDS is the main channel. As well as online Travel Agents and Hotel representatives. Booking.com is the most used intermediary.
- Online Travel Agencies and GDS Cooperation with offline travel agents.

Benefits of Indirect Routes

- Wider customer coverage. Added rates. Already built trust and promotion
- Wider customer coverage. Advertisement. Already built trust between customer and intermediary
- Transparency. Customers able to find hotel easily. Ability to see competitors

Challenges of Indirect Routes

- More complicated in relation to problem solving. Commission
- No Information ownership. Misunderstanding
- Hard to control the information and reviews. Dealing with other company’s policy. Commission

Future vision

- Development of Direct channels.
- Company is going to use better-developed online intermediaries.
- Direct channels and listening what customer wants.

Table 3. Summary of the results
According to this table the research questions can be answered and conclusions be made. Analyzing the table it is important to remember that hotels that were selected for this research are different in relation to size, type of ownership and of course mission and vision.

5 Conclusions

This Chapter summarizes all of the findings, answers the research questions, analyzes the empirical part and brings out thoughts and new ideas on the topic. Accessibility of hotel services and distribution channels is an interesting discipline. That is why there is a big amount of literature concerning it. Marketers all over the world apply distribution channel system and believe that understanding of it helps to make products or services more accessible for potential purchasers. The focus of this topic is to understand the importance of distribution channels in Finland, especially in Imatra region and understand what are the benefits and challenges of this system are and find out which channel is the most profitable one for the hotels. Author believes that this research needs to be done often in order to stay abreast of the fast developing technologies and online services.

All of the interviewed managers are aware of distribution channel system and successfully apply it in their hotels. They believe that services quality is an essential component of marketing strategy especially in such competitive environment as Imatra region. Some of the managers say, “Customers must get what they were promised”. That is why all of the hotels, no matter what star rate of the hotel is, pay attention, trying to keep high level of quality of their products and services in order to keep customers and attract new ones.

Talking about segmentation, it is important to notice the specific location of the region. Imatra is very close to the border with Russian Federation. This way it attracts lots of Russian tourists interested in shopping and leisure tourism in Finland. Due to that fact most hotels are orientated on the holidaymakers, including families with kids and couples. Among interviewed hotels, only the middle size one is orientated mostly on business travelers. This interesting segmentation phenomenon can be also seen in the nationality division section.
Because the middle size hotel is orientated on business travelers and their marketing tools are not differentiating according to nationality, they attract mostly Finnish customers compared to other hotels. The rest of the hotels pay attention to marketing tools division. They are trying to reach different customers with tools that are more visible for them. For instance, advertising through Russian social new work such as Vkontakte, or posting advertisements in Russian traveling magazines attract Russian tourists and brings them to Imatra. Looking at nationality division percentage in hotels that apply this method, reader can see that Russian tourists dominate compared to Finnish and other nationalities.

The first research question is - how distribution channels are applied in the Finnish hotels in Imatra region. Hotels that were selected can provide reliable answer in relation to that specific region because only one of them is part of a hotel group, presented in other parts of the country, while other hotels are privately owned ones presented only in this region. All of the hotels are aware of the distribution channel system and have applied it from the establishment of the companies. But interviewing managers, author of this thesis noticed that small hotels are not paying that much attention to this system compared to bigger hotels. They develop the distribution channel strategy when small ones just learn how to do it ruled more by feelings than strategic approach. It can be caused because of the size and year of establishment; small hotels are very new on the market. All of the hotels use multiple channel system, going both direct and indirect routes, using online and offline channels. They believe that only this system makes services really accessible and visible to the potential customers. Distribution channel system is widely applied in Finnish hotels in Imatra area. It is caused because of the good technological development of the region, volume of the customers and competitive environment.

Talking about direct channels all of the interviewed hotels have their official web page which is the most important distribution channel. Privately owned hotels orientated on holidaymakers and differentiated marketing tools also use social networks, because it is an easy way to connect with customers and build relationships. The middle size, in its turn being a part of the hotel group, also pays attention to consumer shows where all of the Finnish hotels present their
services and products. Offline routes such as walk-in customer and telephone call are very important for bigger hotels because of the volume of customers compared to the small ones.

Moving to indirect channels, author notices that they are not very well developed in this region. Of course Global Distribution System is a big thing nowadays. But as it is very integrated into online travel agents and tour wholesalers, it is becoming harder to define which one is what. Nevertheless, all of the hotels are using online travel agencies such as Booking.com and Expedia and only the middle size hotel is using hotel representatives as intermediary. On the one hand there are lots of benefits that hotels get by using distribution channel system, on the other hand there are plenty of hidden issues that marketing team faces building the strategy. That is the second research question – what are the benefits and challenges of distribution channel system.

<table>
<thead>
<tr>
<th>Benefits and Challenges of Distribution Channels System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Routes</td>
</tr>
<tr>
<td>Benefits</td>
</tr>
<tr>
<td>- Customer and information ownership</td>
</tr>
<tr>
<td>- No commission</td>
</tr>
<tr>
<td>- No misunderstanding</td>
</tr>
<tr>
<td>- Cost efficiency</td>
</tr>
<tr>
<td>- Ability to build customer’s loyalty</td>
</tr>
<tr>
<td>- Advertisement costs</td>
</tr>
<tr>
<td>- Language issues</td>
</tr>
<tr>
<td>- Keeping information up to date</td>
</tr>
<tr>
<td>Challenges</td>
</tr>
<tr>
<td>- Wider customer coverage</td>
</tr>
<tr>
<td>- Added rates</td>
</tr>
<tr>
<td>- Already built trust and promotion</td>
</tr>
<tr>
<td>- Advertisement</td>
</tr>
<tr>
<td>- Transparency</td>
</tr>
<tr>
<td>- Customers able to find Hotel easily</td>
</tr>
<tr>
<td>- Ability to see competitors</td>
</tr>
</tbody>
</table>

| Indirect routes                                         |
| Benefits                                                |
| - More complicated in relation to problem solving       |
| - Commission                                           |
| - No Information ownership and Misunderstanding         |
| Challenges                                              |

Table 4. Benefits and Challenges of Distribution Channels system.

The table above summarizes all the answers regarding question about benefits
and challenges of distribution channels. An interesting tendency can be seen over here. The benefits of direct routes are the challenges of indirect routes. And benefits of the indirect routes are challenges of direct routes. This phenomenon references reader to the third chapter where figure 3 was presented. Keeping balance is very important when applying channel system. Hotel management has to understand what benefits will bring better results for the hotel on the market arena and which challenges and issues are possible to be solved.

Biggest benefits that hotel gets by applying direct routes are customer ownership and information ownership, no commission and no misunderstanding environment. This environment is very attractive for the managers. They believe that direct channels are easier to be managed because there is no intermediary involved. Biggest benefit of indirect channel is ready-made advertisement. This point is also about cost efficiency. Advertisement costs are very high in Finland, that is why companies are satisfied when on other company provides it. Table 4 also shows that cost efficiency is a big challenge for the hotels. All of them pay attention to commissions level and advertisement costs.

Cost efficiency problem moves to the third research question – which route is the most profitable one for the hotels in this region? After evaluating interview answers author came up with a conclusion that there is no one answer for this question because this market place offers totally different hotels. All of them have different profit, strategy, volume and vision. Small hotels are mostly interested in developing direct channels. They bring lots of benefits for the hotels, reduce costs and help building reliable relationships with customers. Middle size hotel has much bigger volume and money to cover the expenses when using intermediaries. That is why company believes that the online intermediaries are the most profitable and reliable channels in this case. The biggest player on this arena on the one hand feels that hotel still needs to listen to what customers want but on the other believes that no commission benefit of direct channels is very profitable for the company.

Analyzing the results following conclusions can be made. Imatra region is a very well developed tourism destination that offers customers a big range of hotels to
choose from. Hotels in this region are competing against each other and it makes them aware of different marketing systems that can help them to understand their market better and be able to compete successfully. This market is very challenging; the region is small and unique in relation to its geoposition and amount of foreign tourists. All of the observed hotels are developing distribution channel system and understand the benefits and challenges that it provides.

Successful implementation of distribution channels can bring significant profit to the company and make products and services more accessible. However, there is no single answer on how managers have to apply them because it depends on the market, services, competitors and mission of the hotel. Each hotel has to consider all the elements in order to get as many benefits as possible out of the distribution channel system. SWOT analysis presented in the following table overviews the research and gives evaluation to the findings.

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Topic is up-to-date</td>
<td>- The specific region is taken for observation</td>
</tr>
<tr>
<td>- All results are based on the face-to-face</td>
<td>- Economical crisis during observation period reduced the</td>
</tr>
<tr>
<td>interview with managers of the hotels</td>
<td>volume of customers</td>
</tr>
<tr>
<td>- Totally different hotel types are taken</td>
<td></td>
</tr>
<tr>
<td>under observation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Research can help marketers to understand</td>
<td>- This sphere is very fast developing so the results cannot</td>
</tr>
<tr>
<td>the importance of distribution channel</td>
<td>stay relevant for a long period of time</td>
</tr>
<tr>
<td>system and its application in a more</td>
<td></td>
</tr>
<tr>
<td>meaningful way.</td>
<td></td>
</tr>
<tr>
<td>- Future research can be done based on the</td>
<td></td>
</tr>
<tr>
<td>results of this research results.</td>
<td></td>
</tr>
</tbody>
</table>

Table 5. SWOT analysis.

This thesis research was challenging but educating. In author’s opinion all the objectives and questions that were set in the beginning of thesis process were answered. The actual process was very interesting because it involved not only
desk study but also face-to-face interview with professionals. Those interviews were challenging but provided lots of new thoughts and ideas in relation to the topic. The structure of the report goes smoothly from theoretical to empirical part providing the reader with necessary background information and hospitality examples in order to understand the results of the research. Author hopes that this research can help with development of services marketing strategies in Imatra region and make services more accessible for customers.
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References


Clow, K.E. Baack, D. 2010. Integrated Advertising promotion, and marketing communications. USA.


Appendices

Appendix 1 Questionnaire

Background Information

1. What is the name of the Hotel?

2. What is the star rate of the hotel?  
   1–2–3–4–5

3. Which type of ownership is your Hotel?

4. What is your current position?

5. How would you define Service Quality? Is it important for your Hotel and why?

6. Who are your targeted customers?
   - Business travelers
   - Groups
   - Families with children
   - Couples
   - Single travelers

7. What is the nationality division in % of your customers? How does it affect your marketing strategy?

8. How do you reach your customers? Tools of marketing communications for different nationalities. Examples Russians VS Finnish

Distribution Channels

1. Are you aware of Distribution channel system? If yes, when did your company start using it?

2. Do you use direct routes to distribute services?

3. Please scale the importance of each channel for your hotel
• Official web Page of the Hotel
• Social Networks
• Mass Media
• E-mails
• Telephone calls and messages
• Walk-in customers
• Consumer Shows

1. Please name the route from the list above, which is the most profitable one for the hotel.

2. What are the benefits you get by using it?

3. What are the challenges you have by using it?

4. What are the indirect routes of the hotel?

5. Please scale the importance of each channel for your hotel

• Global Distribution Systems
• On-line Travel Agents
• Off-line Travel Agents
• Tour operators
• Hotel Representatives

6. Please name the route from the list above, which is the most profitable one for the hotel.

7. What are the benefits you get by using indirect routes?

8. What are the challenges you have by using indirect routes?

9. Do you believe that the development of distribution channel system can make services more accessible and effective in relation to sales?

10. In your opinion, how will distribution channel system be changed in 5 years?