

# Tourism and Travel Distribution in a Changed World



## Volume 2 Research Findings

itjc

Irish Tourist Industry Confederation

ITIC is very grateful for the support provided by Tourism Ireland in producing this report.



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## **1. INTRODUCTION**

### **1.1 Background to the Study**

During the past decade, there has been a pronounced shift in how people purchase travel and tourism products. This change has been driven by the rapid growth in the spread and use of the internet, especially in developed economies. It has been estimated that the global number of users of the internet has grown from 16 million in December 1995, through 361 million in December 2000 to reach 1.8 billion by December 2009<sup>1</sup>.

The travel and tourism industry has been at the forefront in the innovative development of ecommerce applications on the internet. So effective has the industry been in this regard that a large majority of tourists in the leading source markets of Europe and North America now research, plan and purchase travel online. While the gallop in the growth of online travel sales was brought to a halt in 2009 by the recession, it appears that the fall in online sales was much less than that in offline sales which suggests that the online share of the market continued to grow<sup>2</sup>.

The pace of change in sales of travel is being paralleled by the development of online marketing and promotional tools. Traditional marketing methods are being challenged as technology has displaced mass marketing and enabled tourism providers to develop personalised, direct communications to consumers. The boom in interactive information sharing and online collaboration on the internet (Web 2.0) is enriching the online marketing mix. Social networking sites, such as Facebook and LinkedIn, are now developing as marketplaces with an increasing array of tourism and travel products being promoted through these networks.

This constantly changing environment presents many challenges to the Irish tourism industry. The Irish Tourist Industry Confederation therefore commissioned CHL Consulting Company Ltd. and AMAS Ltd. to conduct a study into current and anticipated future trends in tourism and travel distribution, and to identify in these trends the implications for Irish tourism.

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<sup>1</sup> Internet World Stats, Miniwatts Marketing Group, 2010

<sup>2</sup> For example, online travel sales in the USA contracted by an estimated 3% in 2009 versus an 11% decline in total travel sales – PhoCusWright, 2009

## **1.2 Study Objectives, Scope and Methods**

The primary objectives of the study may be summarised as follows - the full terms of reference are provided in Appendix 1 of Volume 1:

- to provide a comprehensive and detailed analysis of how global tourism and travel distribution is evolving
- to identify future trends in distribution channels and media
- to identify the potential impacts of these changes on Irish tourism businesses and distributors
- to provide conclusions and recommendations to guide future distribution strategies and systems development for Ireland's tourism sector.

The scope of the study covers:

- consumers and how their buying behaviour is changing, with particular reference to Ireland's principal source markets;
- the use of different distribution channels by the Irish tourism industry
- the impact of technology on distribution channels, and how the latter are likely to evolve over the coming 3-5 years.

The study team conducted its work between February and May, 2010. The research methods were as follows - a more detailed description is provided in Appendix 2 of Volume 2:

- extensive documentary and online research
- specific analyses of data from Fáilte Ireland's annual Visitor Attitudes Survey and Survey of Travellers
- wide-ranging consultative programme
- online survey of the Irish tourism industry
- online survey of Irish tour operators
- survey of overseas online and offline tour operators and travel agents, conducted with the assistance of Tourism Ireland
- workshop with members of ITIC to review research findings and identify implications for the Irish trade.

### **1.3 Structure of the Report**

The report is presented in two volumes, as follows:

- Volume 1: Main Report
  - Executive Summary
  - Trends in Tourism and Travel Distribution Channels
  - Issues for the Irish Tourism Industry
  - Appendices, including Glossary of Terms, guidance on online reputation management and online marketing, and further exploration of key themes.
- Volume 2: Research Findings
  - How Consumers are Buying Tourism Products
  - How the Irish Trade are Distributing Their Products
  - Findings of International and ITOA Surveys
  - Appendices, including references and research methods.

### **1.4 Acknowledgements**

CHL and AMAS wish to acknowledge the assistance of many individuals and organisations with the conduct of this study, including the participants in the consultative programme and workshop, and the respondents to the three surveys. We would like to thank ITIC and the sectoral representative bodies, including the ITOA, IHF, B&B Ireland, ISCA, Car Rental Council, CTTC, Irish Hostel Association, Restaurant Association of Ireland and IBRA who assisted with the surveys. We also gratefully acknowledge the assistance of Tourism Ireland and Fáilte Ireland with the surveys, data sourcing and analysis.

A useful **Glossary of Terms** explaining the technical terms used in this report is provided in Appendix 2 of Volume 1.

## 2. HOW CONSUMERS ARE BUYING TOURISM PRODUCTS

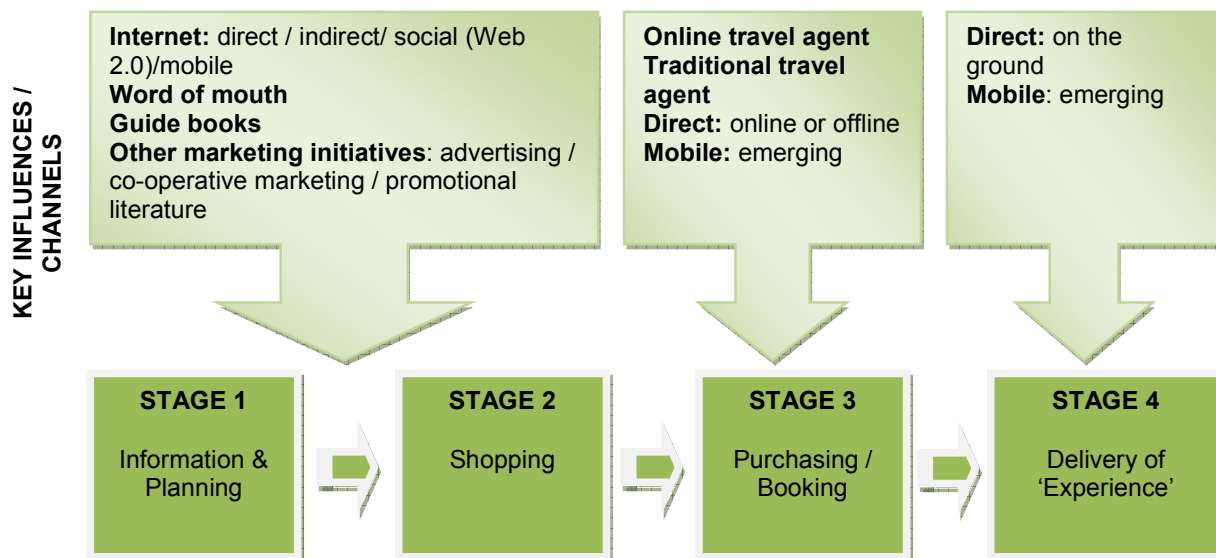
This chapter looks at how people shop for and buy tourism and travel products, and the impact of technology on this process. It includes a detailed analysis of the findings of surveys of tourists visiting Ireland with regard to their buying behaviour.

### 2.1 The Buying Process

#### 2.1.1 Stages in the Buying Process

The tourism product buying process can be broken into four distinct stages, as illustrated in Figure 1. At each of these stages, the buyer is open to external influence and the internet has become an increasingly important influence, especially in the crucial first and second stages.

**Figure 1: The Buying Process**



Other influences such as word of mouth, traditional advertising, films or co-operative marketing initiatives now have the added complication of being available online as well as offline. For example, film is no longer limited to the big screen or television set: potential visitors can readily view YouTube videos of chosen destinations. Advertising campaigns increasingly provide calls to actions to visit a website, to visit a dedicated YouTube channel or to join a community on a social media website such as Facebook.

Finally international research indicates that the window between stages one and two is getting longer, while the jump between stages two and three is shortening. Hence consumers are researching and deliberating, weighing up options and comparing prices waiting for the best possible deal before booking, sometimes taking as long as four or five months before making an actual purchase.<sup>3</sup>

### **2.1.2 Influence of the Internet**

The internet is a key research tool, medium of communication and purchase channel across all stages of the buying process. In the information and planning stage, consumers are likely to visit a number of websites to inform their decision. The online journey may begin with a general search query on a site like Google and/or

- A national tourism organisation (NTO) site
- An OTA site such as Expedia because the consumer assumes that there is considerable choice available
- A travel community site such as TripAdvisor or *Boo.com* which posts online reviews from other travellers
- A metasearch site, such as *Cheapflights.com* or *Kayak.com*, which search multiple individual search engines/websites to generate product and price comparisons.

It may also happen within a social media site such as Facebook or Twitter where users identify suitable locations and properties through their connections and follow links to specific sites.

At the research stage, both US and European travellers typically consult several online resources. During the shopping and booking stage, that pattern continues. However, the connections between research, shopping and actually making a purchase are not necessarily linear or predictable. Frequently, research and shopping to gain information about products, pricing and availability are conducted via one or more OTAs, other travel websites or search engines, but the actual purchase is then executed on another site and often directly with the supplier.

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<sup>3</sup> The Traveller's Road to Decision, Google, July 2009.

Figure 2 below shows the role that search engines and OTA sites play in the pre-booking stages. While OTA sites may attract significant traffic, it does not necessarily follow that this automatically leads to bookings - in fact, almost 60% of travellers who use OTA sites to research a holiday book it elsewhere.

There is considerable evidence that tourism providers' own websites are also part of that online journey. **Consumers expect more detailed content - pictures, text about the property, maps and sometimes video - on a provider's site and some observers believe that there are opportunities to convert such consumers from 'lookers' to 'bookers' and so provide a higher yield than from an OTA or other third-party website.**

**Figure 2: The Online Shopping Process**

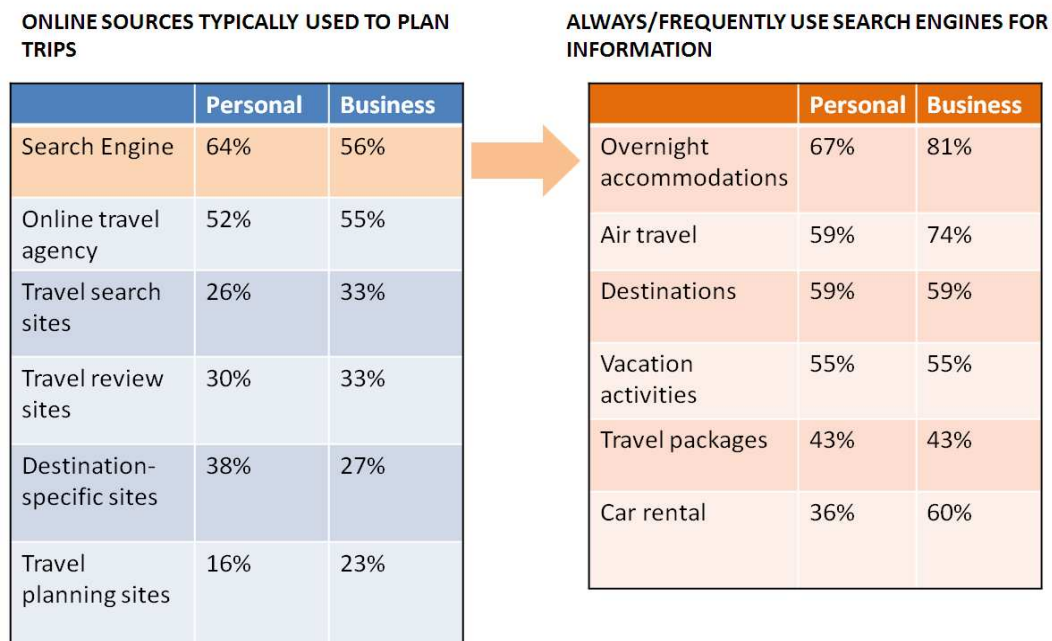


Source: PhoCusWright for statistical data.

Research in the USA carried out for Google in 2009 illustrates the extent to which the internet is influencing purchasing decisions for travel. It is the top choice when planning a holiday and prompts more bookings than TV or word of mouth. As Figure 3 overleaf shows, search engines came out ahead of OTAs, travel search sites and other online destinations when planning a trip, and are used by both consumers and businesses to get information on destinations, accommodation, flights and other activities. The same research showed that online video is increasingly being used by business travellers in particular to inform their travel decisions.

The shift in how consumers' buying decisions are being influenced by the internet has profound implications on marketing at a destination level. An NTO, such as Tourism Ireland, needs to have a strong online marketing presence across the channels where consumers are being influenced. They also need to monitor and respond to both positive and negative comment in channels where consumers log their views and their experiences about holiday destinations.

**Figure 3: Online Travel Research Sources**

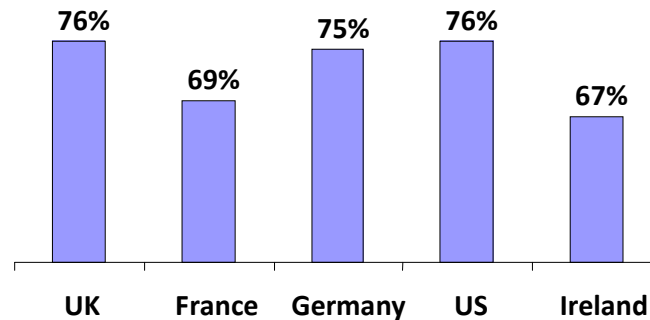


Source: *The Traveller's Road to Decision*, Google, July 2009; sample size 6,500.

## 2.2 Trends in Internet Usage for Travel

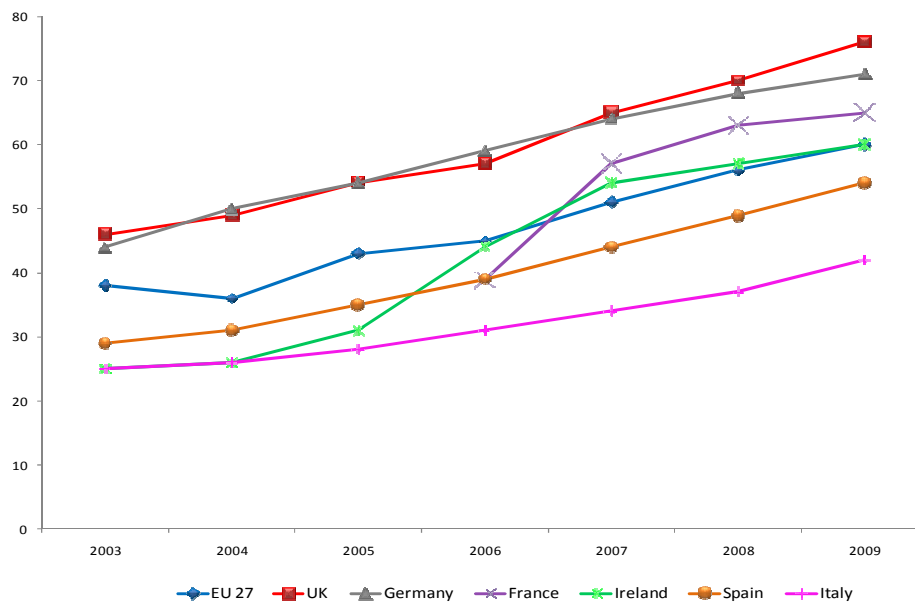
Of all of the economic sectors, the travel and tourism industry is probably the one that has been most profoundly affected by the development of the internet. The soaring level of internet usage in Ireland's major source markets has paralleled by a steep rise in the volume and value of online travel transactions in those markets. The current level of internet penetration in Ireland's leading tourism markets is shown in Figure 4. Growth trends in Internet use in these markets are detailed in Figure 5.

**Figure 4: Internet Penetration in Selected Markets (% population)**



Source: Figures sourced from [www.internetworldstats.com](http://www.internetworldstats.com)

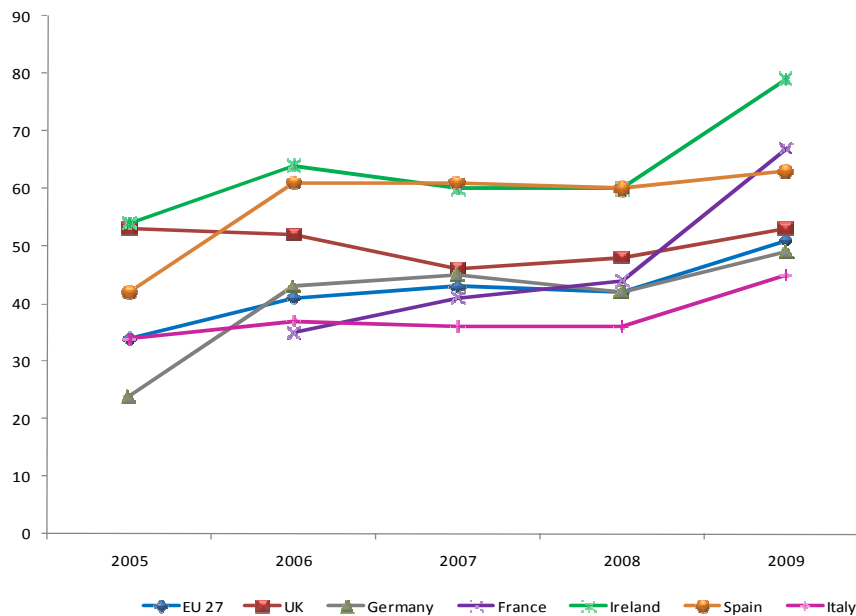
**Figure 5: Individuals who access the Internet, on average, at least once a week (% population, 16-74 years)**



Note: data for France unavailable pre-2006. Source: Eurostat

Figure 6 shows that the extent to which the internet is now used by European consumers in buying travel and hotel accommodation. The base for analysis in the table is the individuals in each market who buy or order travel and hotel accommodation online as a percentage of those who buy or order any goods or services over the internet. Travel and tourism products constitute just over 50% of all online purchases in the EU27, with particularly high levels being recorded in Ireland (79%), France (67%) and Spain (63%).

**Figure 6: Individuals who bought or ordered travel and hotel accommodation over the Internet**



*Note: actual figure for France in 2005 not available. Source: Eurostat*

In the US, eight in ten travellers now buy at least some component of their travel online compared to six in ten in Europe. It can be expected that internet usage for travel in the European markets will rise to match the American level over the coming years. In both markets, half of the online travel purchasers are exclusively online buyers and, again in both markets, price and selection are key motivations behind consumers' reasons for buying online<sup>4</sup>.

Europeans and US travellers are driven to specific websites for a variety of reasons. In both markets, price is the primary driving force for online purchases with six in ten US and European online travellers citing 'best/lower prices' as a reason for using a specific website.<sup>5</sup> This supports the premise that people buy online primarily because of price and, where lower prices are driving behaviour, even the smallest of price differences can have an impact. [It is notable that, especially in domestic markets, consumers who buy offline also do so primarily because they believe they will get a better price deal.]

<sup>4</sup> PhoCusWright: European Consumer Travel Trends Survey, 2009; U.S. Online Travel Overview, 8<sup>th</sup> Edition Update, 2009-2010.

<sup>5</sup> PhoCusWright, 2009, op.cit.

In both markets, but particularly in Europe, a growing proportion of offline travellers will be persuaded to move online as they become more comfortable with the ease of booking online and with credit/debit card security. Both of these factors are becoming less of an obstacle as websites become more user-friendly, consumers become more internet savvy, and consumer confidence in buying online grows.

In the US, past experience and a website's brand will have a greater impact than in Europe. This possibly reflects better brand development of the OTAs in the US. Other factors driving buyers online include better targeting of travel choices and, in Europe, an increasing culture around buying travel online. On the other hand, driving forces for buyers to purchase offline are customer service and their trust in specific brands - core values which once achieved are easier to defend and maintain than price.

Destination and consumer location (source market) both play a role in determining how travellers purchase. For example, the low cost carriers tend to use the internet exclusively as their distribution channel and hence, where these dominate routes, the consumer has little choice but to purchase online. This is prevalent in some markets, such as the UK and Ireland, where online booking for airlines is at virtual saturation point (95%, according to one carrier). On the other hand, tourists travelling to Ireland from the USA may frequently have a more complex trip to plan while also being less familiar with the destination - as a result, they will often want to talk with an agent rather than making a significant investment in a once-in-a-lifetime trip more speculatively over the internet.

### **2.3 Choosing Ireland**

The way in which visitors choose Ireland as a destination reflects international trends. In 2002, just two in ten visitors cited the internet as a source when choosing Ireland with word of mouth mentioned by just under half. The Visitor Attitudes Survey (2008) indicates that, while word of mouth remains just as important as it did in 2002, the internet as a source when choosing Ireland is now cited by five in ten potential visitors making it the most important influence after word of mouth - see Table 2.1.

One of the impacts of the internet, in particular the interactive Web 2.0 sites, is that word of mouth is now delivered to much larger audiences. Social networking sites, travel blogs and travel information sites such as TripAdvisor encourage people to upload and share their travel stories. Thus, an individual traveller's experiences and opinions, which used to be shared with family and friends are now shared potentially with millions of people.

The “internet” share in Table 2.1 may be considered to include online word of mouth, which would suggest that word of mouth remains the most important source of information in the initial buying stages of researching and choosing Ireland.

Other traditional sources do continue to play a role and indeed it can be argued that many of these could in turn influence word of mouth - for example, films or media articles. In certain markets some influences have a greater impact than others, no doubt reflecting proximity and familiarity. For example, travel agents are important to one in five potential US visitors compared to just one in ten UK visitors.

**Table 2.1: Most Important Sources of Information in Choosing Ireland (2008)**

	Total	UK	France	Germany	USA
	%	%	%	%	%
Word of mouth	50	47	56	52	52
Internet	48	55	39	40	45
Guidebooks	28	22	28	33	33
Other brochures/promotional literature on Ireland	19	20	11	18	20
Films	18	9	21	21	23
Media articles	16	14	14	17	15
Travel Agent	15	10	16	11	21
Irish Tourist Board literature	14	15	13	12	12
Travel programme on TV / Radio	14	10	11	19	14
Advertising for Ireland	11	13	18	8	9

Source: Fáilte Ireland's Visitor Attitude Survey, 2008

The sources of information listed in Table 2.1 are those used in researching Ireland. They are not necessarily the same sources that motivate people to consider Ireland in the first place. Obviously, word of mouth plays a significant role in this, but it is likely that other promotional tools including advertising play a vital role in stimulating awareness of Ireland as a destination, and prompt people to enter upon the research stage of travel purchase when they will seek out sources of information, notably those listed in Table 2.1.

## **2.4 Planning Trips to Ireland**

### **2.4.1 Sources of Information**

#### ***By Market***

The sources of information used by visitors to Ireland when planning their trip vary between source markets - see Table 2.2. The internet is the dominant source, referenced by 75% of all visitors, and ranging from 69% of Americans to 81% of Britons. The sources used in individual European markets are generally consistent with the average shown in Table 2.2, although the Germans have a slightly higher propensity to contact tourism specialists while use of the Internet is above average in Spain.

Contact with travel specialists and usage of guide books are much more important sources of information for Americans and Europeans than for the British. However, proximity, familiarity and, above all, the emphasis placed on the internet by the carriers between Britain and Ireland, have pushed internet usage to a high level in this market.

**Table 2.2: Information Sources Used by Overseas Travellers  
when planning their trip to Ireland – by Market**

	<b>Total</b>	<b>UK</b>	<b>North</b>	<b>Mainland</b>
	<b>%</b>	<b>%</b>	<b>America %</b>	<b>Europe %</b>
Internet	75	81	69	73
Phone calls / personal visits to tourism specialists	19	11	27	20
Word of mouth	17	15	20	17
Guidebooks	13	6	19	18
Other printed materials/ brochures	5	4	5	8

*Note: column totals exceed 100% due to multiple responses.  
Source: Fáilte Ireland's Visitor Attitude Survey, 2008*

#### ***By Age-Group***

While internet use is more pronounced among younger age groups, it has gained considerable ground among older age groups with, for example, over half of those over 65 years using it as an information source in the planning stage - see Table 2.3.

Older age groups are more likely to rely on personal visits to tourist specialists than younger age groups with there being a direct correlation between age and use of a tourist specialist. This is consistent with international trends whereby older travellers are more likely to use intermediaries than their younger counterparts.

**Table 2.3: Information Sources Used by Overseas Travellers  
when planning their trip to Ireland - by Age**

	19-24	25-34	35-44	45-54	55-64	65+
	%	%	%	%	%	%
Internet	83	83	76	74	69	56
Phone calls / personal visits to tourist specialists	11	11	16	19	29	36
Word of mouth	22	17	17	17	13	14
Guidebooks	15	15	13	12	14	8
Other printed materials/ brochures	5	6	5	6	5	7

Source: Fáilte Ireland's Visitor Attitude Survey, 2008

### **By Purpose of Visit**

The Internet is used consistently across all major segments by purpose of visit as shown in Table 2.4, but there are differences in the usage of other sources. Word of mouth is more important to business and VFR visitors than holidaymakers, while the latter make greater contact with tourist specialists than either business or VFR visitors. Guidebooks are important to business visitors and holidaymakers but, perhaps unsurprisingly, not for VFR travellers. Other printed materials and brochures have little impact in any segment.

More budget conscious segments - i.e. youth/budget and Dublin breaks - are heavily reliant on the internet with nine in ten of this group using the internet for planning purposes.

**Table 2.4: Information Sources Used by Overseas Travellers  
when planning their trip to Ireland - by Purpose of Visit**

	Total	Business	VFR	Holiday
	%	%	%	%
Internet	75	63	67	77
Phone calls / personal visits to tourist specialists	19	10	7	21
Word of mouth	17	21	28	15
Guidebooks	13	18	3	15
Other printed materials/ brochures	5	4	2	6

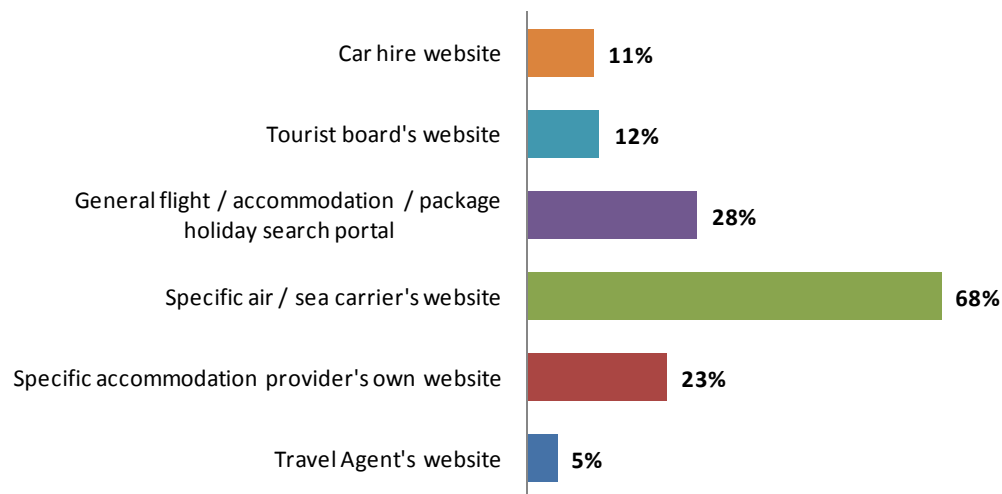
Note: VFR = Visiting Friends and Relatives  
Source: Fáilte Ireland's Visitor Attitude Survey, 2008

### **2.4.2 Websites Used in Planning Trips to Ireland**

The websites most likely to be used in planning trips to Ireland are those of the carriers, reflecting both the emphasis by carriers to Ireland on using this channel and the ease with which such a product can be booked online - see Figure 7. General tourism and travel search portals are the next most frequently used, followed closely by accommodation providers' own websites.

There are some distinctions in website usage between different **source markets**. The use of carrier websites is particularly pronounced among UK visitors, with almost eight in ten of those who used the Internet to plan their trip using a specific air or sea carrier's website compared to just five in ten from North America. Americans are also more likely to use general search portals, tourist board sites, car hire sites and sites with general information on Ireland than other nationalities – see Table 2.5.

**Figure 7: Websites Visited by Those who Used the Internet in Planning a Trip to Ireland**



Source: Fáilte Ireland's Survey of Travellers, 2008

**Table 2.5: Use of Websites by Source Market**  
*(% of those using the Internet to plan their trip to Ireland)*

	Total %	Britain %	North America %	Mainland Europe %	Other %
Specific air/sea carrier site	68	77	55	66	54
General flight/accommodation/package search portal	28	24	35	28	33
Specific accommodation provider's site	23	25	24	21	20
Tourist board website	12	8	19	13	15
Car hire website	11	10	17	10	8
Other site with general info. on Irish holidays	7	3	11	9	5
Travel agent's website	5	4	7	5	10
Other	4	3	6	4	2

*Source: Fáilte Ireland's Survey of Travellers, 2008*

The impact of distance and unfamiliarity is indicated in the data for the North American and Other Markets in Table 2.5. In both cases, there is much greater use of general travel portals and tourist board websites, but below average use of carrier websites.

In Europe, the market is fragmented and hence no one search engine or online travel agency dominates all of Europe, although Expedia is the clear market leader. Meanwhile in the US, there are indications that older, more frequent and loyal travellers prefer supplier sites with younger segments favouring OTAs.<sup>6</sup> The leading OTAs in the US market are Expedia, Orbitz and Travelocity.

There are some significant differences in website usage between market segments categorised by **purpose of visit** - see Table 2.6. In brief, business travellers make below average use of carrier websites and above average use of travel search portals. They also are greater users of accommodation providers' and car hire websites. On the other hand, VFR travellers are below average users of all website categories with the exception of carrier websites.

<sup>6</sup> PhoCusWright, 2009, op.cit.

**Table 2.6: Use of Websites by Purpose of Visit  
(% of those using the Internet to plan their trip to Ireland)**

	Total %	Business %	VFR %	Holiday %
Specific air/sea carrier site	68	58	79	66
General flight/accommodation/package search portal	28	38	12	30
Specific accommodation provider's site	23	27	12	25
Tourist board website	12	11	6	13
Car hire website	11	16	8	12
Other site with general info. on Irish holidays	7	2	3	8
Travel agent's website	5	4	4	5
Other	4	7	1	4

Source: Fáilte Ireland's Survey of Travellers, 2008

**Prior knowledge and experience of Ireland** has an impact on website usage. As the data in Table 2.7 show, while specific air/sea carrier websites are the most widely used in planning trips to Ireland irrespective of experience, first-time visitors are much more likely to use general travel search portals than are repeat visitors and those visiting friends and relatives. First-time visitors also make more use of tourist board and travel agent websites, as well as websites offering general information on Irish holidays.

The experience of repeat visitors is demonstrated in their greater use of specific carrier, accommodation provider and car-hire websites. Ethnic Irish visitors make relatively little use of websites other than those of the carriers and accommodation providers.

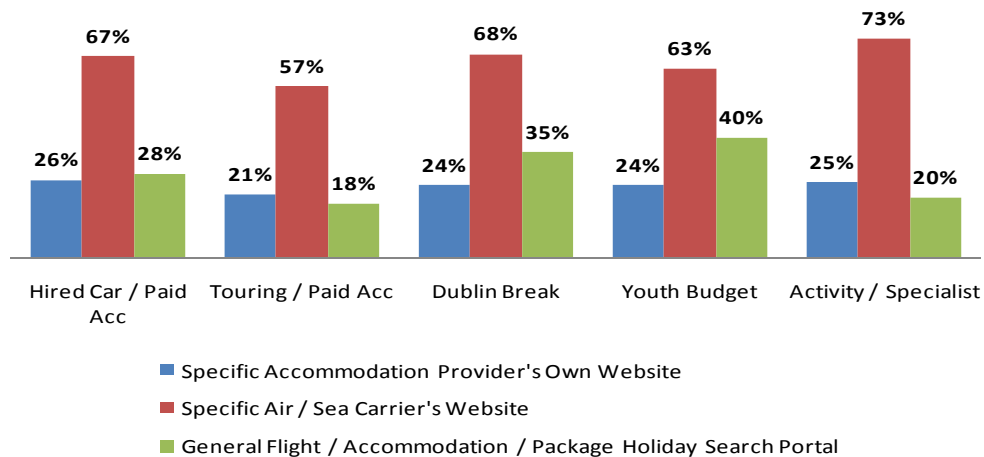
**Table 2.7: Use of Websites by Experience of Ireland**

	Total %	First Visit %	Repeat Visit %	Irish / VFR %
Specific air/sea carrier site	68	60	75	78
General flight/accommodation/package search portal	28	34	24	9
Specific accommodation provider's site	23	22	25	18
Tourist board website	12	15	10	3
Car hire website	11	10	13	9
Other site with general info. on Irish holidays	7	9	5	3
Travel agent's website	5	6	4	4
Other	4	5	3	-

Note: VFR = visiting friends and relatives. Source: Fáilte Ireland's Survey of Travellers, 2008.

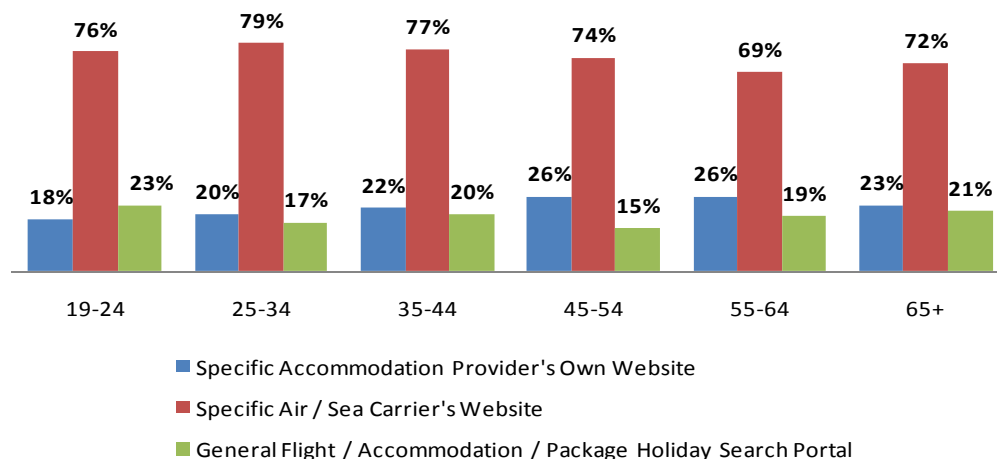
There is little variation in website usage across different **promotable segments** and **age groups** - see Figures 8 and 9. Travel agents' and tourist board websites are most likely to be used by touring and paid accommodation segments, while those aged between 35 and 65 are more likely than other age groups to use tourist board websites. Activity/specialist segments are more likely to use air/sea carrier websites than touring groups. This reflects the higher likelihood of activity/specialist segments piecing together their own holidays.

**Figure 8: Principal Types of Websites Used, by Market Segment**  
*(% of those using the Internet to plan their trip to Ireland)*



Source: Fáilte Ireland's Survey of Travellers, 2008

**Figure 9: Principal Types of Websites Used, by Age Group**  
*(% of those using the Internet to plan their trip to Ireland)*

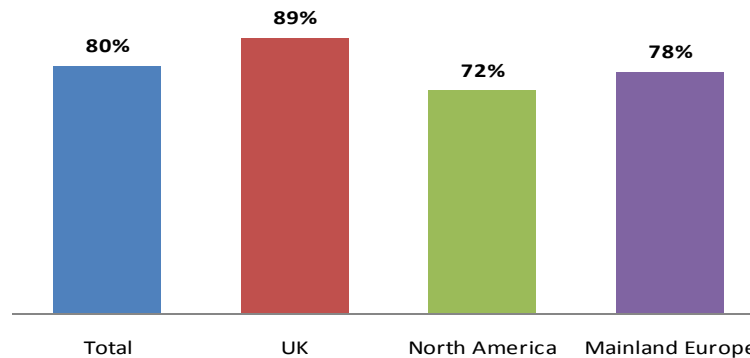


Source: Fáilte Ireland's Survey of Travellers, 2008

## 2.5 Purchasing Trips to Ireland

There has been a steady increase in purchasing via the internet in all markets. In 2008, eight in ten holidaymakers visiting Ireland booked at least some of their trip online with this being most marked among UK visitors – see Figure 10.

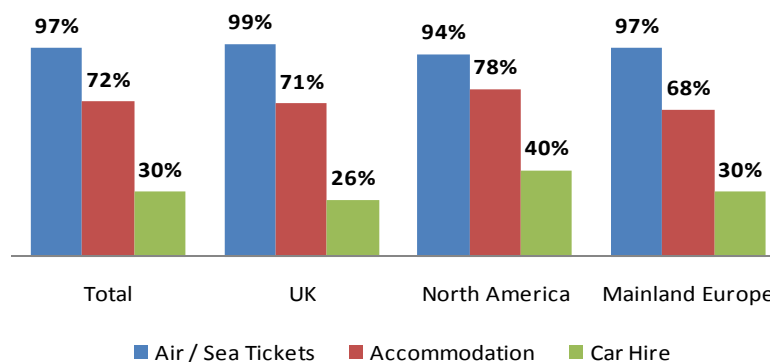
**Figure 10: Use of Internet in Purchasing any part of Trip to Ireland  
- by Market, 2008 -**



Source: Fáilte Ireland's Survey of Travellers, 2008

By far the most popular online purchases are carrier tickets – see Figure 11. British and American online purchasers are more likely to purchase accommodation online than others while Americans are the nationality most likely to make online car hire purchases. (This may reflect the fact that UK and European visitors can bring their own car and many also opt for short breaks where a car is unnecessary.)

**Figure 11: Travel Purchases Made on the Internet by Market  
(% of travellers to Ireland purchasing any part of trip on Internet)**

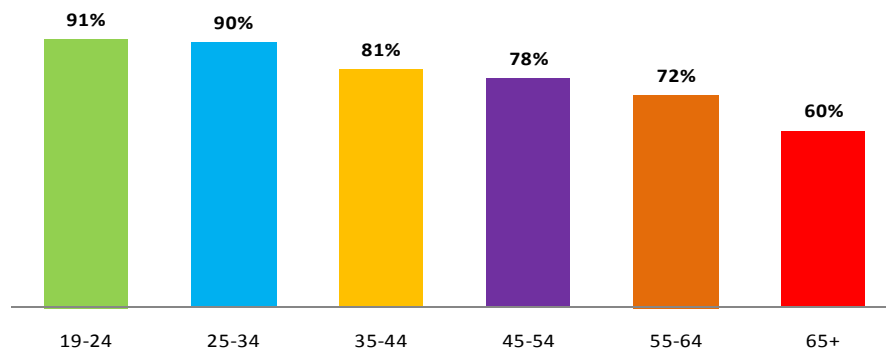


Source: Fáilte Ireland's Survey of Travellers, 2008

**By Age-Group**

The young and more budget conscious along with those just taking a break in Dublin were the segments most likely to purchase components of their trip to Ireland online. For example, nine out of ten 19 to 24 year olds book at least part of their trip online compared to just six in ten of those over 65 (Figure 12).

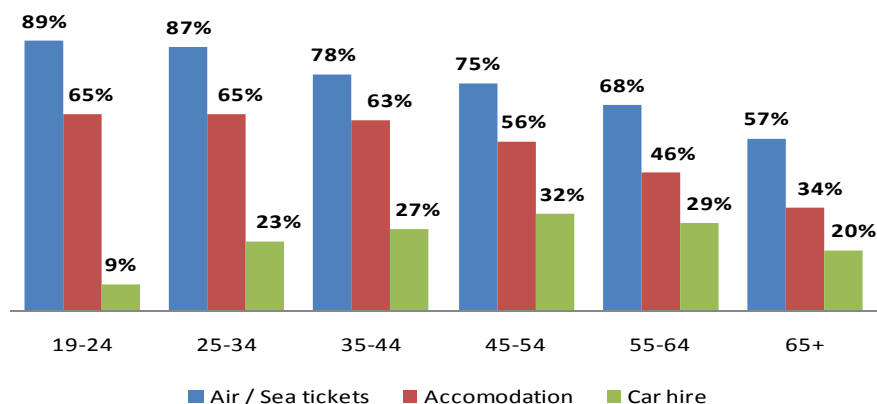
**Figure 12: Use of Internet in Purchasing any part of trip to Ireland  
- By Age, 2008 -**



Source: Fáilte Ireland's Survey of Travellers, 2008

Predictably, air and sea tickets are the most commonly bought travel products on the internet for all age groups, although there is a distinct fall-off among the older age groups – see Figure 13. It also appears that most people aged over 65 only purchase one type of product online on a trip to Ireland. The level of online sales among older age groups is likely to increase significantly in the coming years as internet savvy people get older.

**Figure 13: Products Purchased on the Internet by Age Group  
(% of visitors to Ireland who purchase any part of their trip on the Internet)**



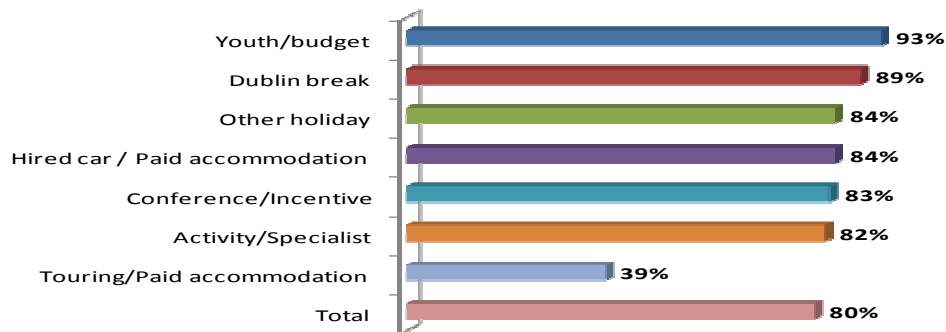
Source: Fáilte Ireland's Survey of Travellers, 2008

**By Market Segment**

The extent of purchasing travel to Ireland online is fairly consistent across most of the promotable segments - see Figure 14. The main variation arises in the touring/paid accommodation segment where only 39% make online purchases - this is the package holiday segment. A high level of online purchasing occurs in the youth/budget holiday and Dublin break segments.

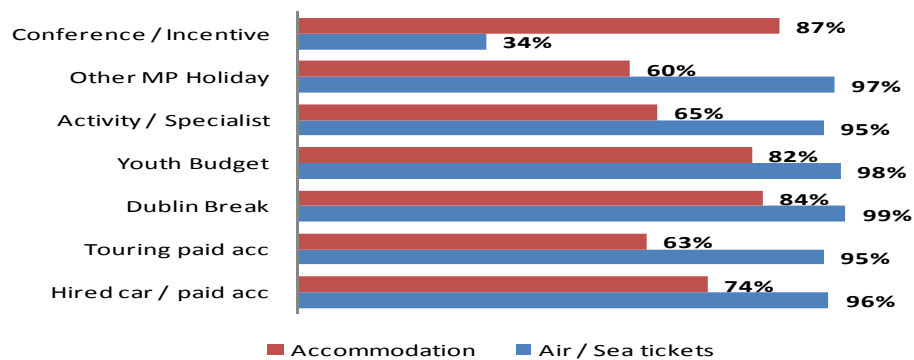
Purchasing carrier tickets does not vary much by segment - see Figure 15. However purchasing accommodation online is more prevalent among those on a short break to Dublin and younger visitors on a budget. These segments are more likely to put together their own packages than other segments, and hence are attracted to the prices and choice available to them online.

**Figure 14: Use of Internet in Purchasing any part of Trip to Ireland - by Segment, 2008 -**



Source: Fáilte Ireland's Survey of Travellers, 2008

**Figure 15: Products Purchased on the Internet by Market Segment (% of visitors to Ireland who buy any part of their trip to Ireland online)**



Source: Fáilte Ireland's Survey of Travellers, 2008

## **2.6 Summary of Main Points**

The tourism product buying process can be broken into four distinct stages, each of which has become increasingly open to influence by online sources.

### **2.6.1 Information, Planning and Shopping Stages**

The Internet has become a vital medium for researching, planning and purchasing Irish travel and tourism products. At the information and planning stages, consumers are likely to visit a variety of sites which will invariably include any one or more of the following:

- General search query websites such as Google
- Destination marketing websites such as *Discoverireland.com*
- OTAs such as Expedia
- Travel community sites such as TripAdvisor
- Metasearch sites, such as *Kayak.com* or *Cheapflights.com*, which can search multiple individual search engines/websites to generate product and price comparisons
- Links identified within social media sites such as Facebook and Twitter.

Weeks can be spent exploring the various options before an actual booking is made. Undertaking research through a particular channel is no guarantee that an actual booking will be executed at this same site: for example 60% of travellers who use OTA sites to research a holiday book it elsewhere.

In choosing and planning trips to Ireland, the internet plays a dominant role in all source markets with its use highest among British visitors. The internet is used by all age groups with there being a direct correlation between age and usage: i.e. younger age groups are more likely to use the internet than older age groups. The internet is also used across all segments by purpose of visit, although word of mouth is more important to business and VFR visitors than it is to holidaymakers. The latter, particularly American visitors, are more likely to use tourism specialists than other segments.

Websites most frequently used in planning the trip to Ireland are, in order of importance, as follows:

- 1) Specific air / sea carrier websites (68% of those using the internet to plan their trip to Ireland)

- 2) General flight/accommodation/package search portals (28% of those using the internet to plan their trip to Ireland)
- 3) Specific accommodation providers' websites (23% of those using the internet to plan their trip to Ireland).

### **2.6.2 Purchasing and Delivery Stages**

While the internet is not the only route through which Irish tourism products are purchased, 80% of all visitors to Ireland in 2008 purchased some part of their trip via the internet. Visitors from Britain are the most likely to use the internet reflecting proximity, familiarity and their higher propensity than other markets to take short breaks in Ireland; moreover the fact that carriers on the Irish Sea strongly favour direct sales over the internet pushes consumers onto the internet. However, the majority of both Mainland European visitors (78%) and US visitors (72%) also buy online. Price, product choice and convenience are the driving forces behind online purchasing. Intermediaries are widely used in both markets, particularly where travel is more complicated (for example, multi-stop tours of Ireland, long haul trips etc.).

Air/sea tickets are the components most frequently purchased followed by accommodation. As with choosing and planning, there is a direct correlation between age and internet purchasing, with a distinct fall off of in online purchasing among older age groups. As internet savvy people get older this difference is likely to diminish. The extent of purchasing travel to Ireland online is undertaken in similar measure across all promotable segments with the one exception being touring/paid accommodation. This finding is not surprising as the complexity of such holidays necessitates interaction with a specialist.

### **2.6.3 Concluding Comments**

The internet has already transformed the way in which visitors research, plan and purchase their trips, and its role will only increase in importance, particularly among European travellers. The internet's power as a marketing tool cannot be ignored and should not be underestimated, and tourism product providers must respond actively to the opportunities that it offers – or suffer the consequences.

Understanding buyers' motivations (i.e. convenience, price and selection) for buying online need to be incorporated into suppliers' online strategies. Attracting visitors to their websites provides suppliers with an opportunity to:

- make a strong first impression and
- convert 'lookers' into 'bookers.'

To this end, it is important that providers' websites are available, accessible, easy to use and informative. Uploading good photographs, online video and reviews of the product will enhance a provider's site.

### **3. HOW THE IRISH TRADE ARE DISTRIBUTING THEIR PRODUCTS**

Over 600 tourism product providers were surveyed during the course of this study. A series of in-depth interviews were also conducted with leading industry executives. The purpose of this Chapter is to present the key findings from this research.

#### **3.1 The Importance of Different Distribution Channels**

The rating of the importance of different distribution channels by Irish product providers is summarised in Table 3.1. Direct distribution, both online and offline, is regarded by accommodation providers as being the most important way of reaching consumers. Indeed, almost nine in ten IHF members consider their own websites to be ‘very important’ or ‘important’ in securing business. Third party websites, such as OTAs, are also very important. Incoming tour operators are considered ‘important’ or ‘very important’ by four in ten respondents, with greater emphasis being placed on this channel by hotels and bed & breakfasts, than self-catering.

**Table 3.1: Proportion of Irish Product Providers who consider each of the following Distribution Channels to be ‘Important’ or ‘Very Important’**

	Total %	Hotels %	B&Bs %	Self-Catering %
Own website	79	88	75	73
Direct offline	73	86	72	84
Third party website	63	78	55	65
Incoming tour operator	44	40	49	19
Overseas travel agents/tour operators who book directly	42	36	6	26
Tourist offices	34	28	36	31

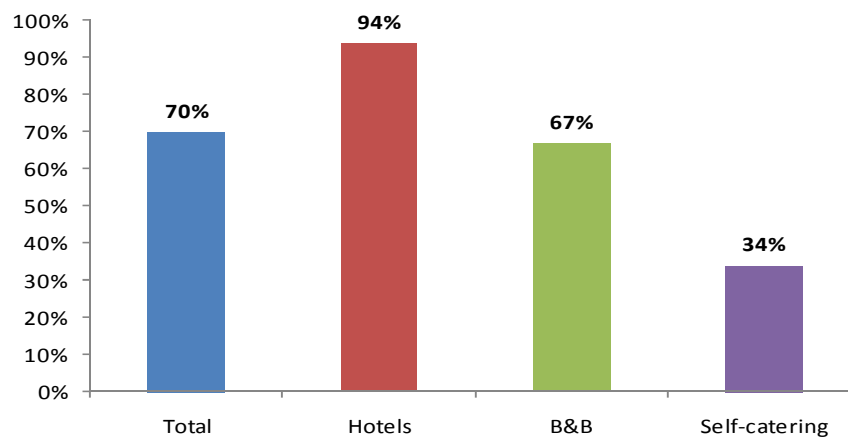
Overseas travel agents and tour operators who book directly are at a similar rating in terms of importance. Tourist offices are the least important of the channels listed, but are still rated as ‘important’ or ‘very important’ by one-third of all respondents.

### **3.2 Online Bookings**

#### **3.2.1 Online Booking Capability**

Overall, seven out of ten respondents' websites have an online reservation capability - see Figure 16. This proportion rises to 94% for hotels. Two-thirds of respondent bed and breakfasts also have a website with an online reservation capability, but the proportion falls to 34% in the case of self-catering accommodation. This low figure for self-catering suggests that an online reservation capability is considered to be less important in this sector, despite their highlighting the value of their websites for distribution (see Table 3.1).

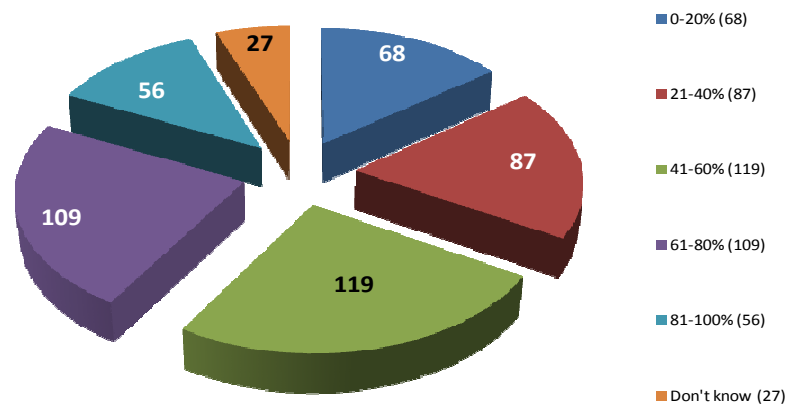
**Figure 16: Online Booking Capability**  
*(% of websites with online reservation capabilities)*



#### **3.2.2 Online Share of Bookings Received**

A large proportion of Irish tourism product providers receive a significant share of their total bookings online. Figure 17 shows the numbers of respondents receiving different shares of their bookings online. Just over one-third of the respondents received more than 60% of their bookings online in 2009, while a further quarter received between 40% and 60% of their bookings online.

**Figure 17: Proportion of Bookings Delivered Online, 2009**  
(n=466)



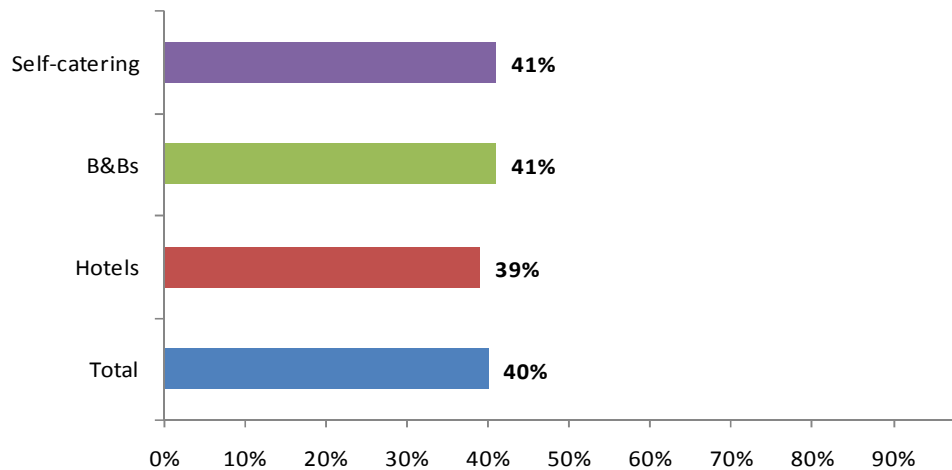
The survey findings show that:

- Two-thirds of respondent B&Bs received more than 40% of their bookings online in 2009, with 43% receiving more than 60% of their business online
- Half of the respondent hotels received more than 40% of their bookings online in 2009, but just 22% received more than 60%, which reflects the wider range of distribution systems used by hotels
- Surprisingly, given the relatively low proportion that have an online booking capability, 61% of respondent self-catering properties said that they received more than 40% of their total bookings online in 2009; it is possible that this figure includes email bookings received via a link on their websites.

### **3.2.3 Growth Trends**

Respondents generally reported a high rate of growth in online bookings over the past three years, notwithstanding the sharp downturn in 2009. The overall weighted average increase among respondents was 40%, and this was reported consistently across all sectors including the three main accommodation sectors - see Figure 18. Half of all hotels and B&Bs reported an increase in online bookings of more than 40%.

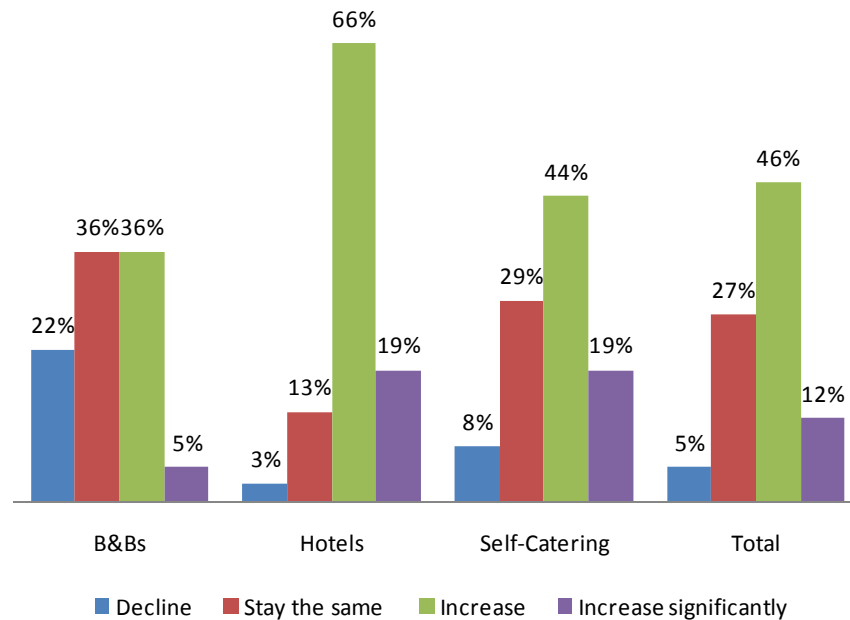
**Figure 18: Proportion that Online Bookings have Grown in the Past 3 Years  
(weighted averages)**



Looking ahead, a large majority (73%) of respondents expect their online sales to either increase 'significantly' or simply 'increase' over the next three years. As shown in Figure 19, there is some variation between the main accommodation sectors, with hotels having much higher expectations of online sales than either B&Bs or self-catering providers. It may be noted that:

- one-third of B&Bs and self-catering respondents but just 13% of hotels expect online sales to stay the same over the next three years.
- 23% of B&Bs but just 8% of self-catering properties and 3% of hotels expect online sales to decrease over the next three years; the figures for B&Bs is very high and it is possible that the response was affected by declining sales from all channels in the present recession.

**Figure 19: Future Expectations of Online Sales**

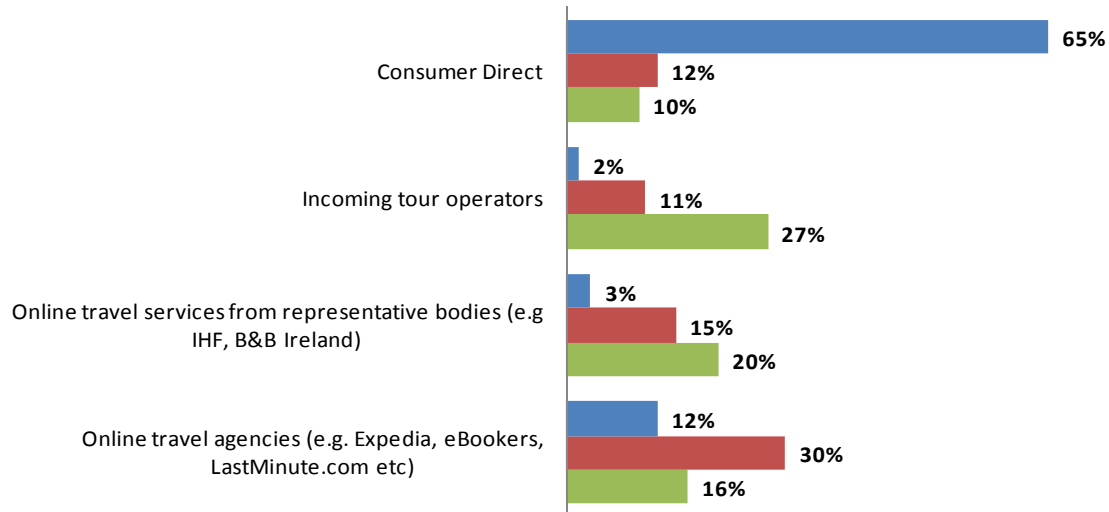


### **3.2.4 Sources of Online Bookings**

Online bookings come from incoming tour operators, direct from consumers, online travel services from representative bodies and online travel agencies (OTAs). Two-thirds of hotels claim that direct from consumers is their most important source of online bookings with one-third considering OTAs such as Expedia to be their second most important source (Figure 20). Direct from consumers is also considered to be the most important source by B&Bs (45% ranked it number one - see Figure 20) with online travel services from representative bodies such as B&B Ireland regarded as the second most important source for online bookings (27% ranked it number two) – Figure 21.

In the case of self-catering, again the majority of respondents (63%) highlighted direct from consumers as the most important source of online bookings, followed by online travel services from representative bodies. Online travel agencies appear to have little impact in this sector.

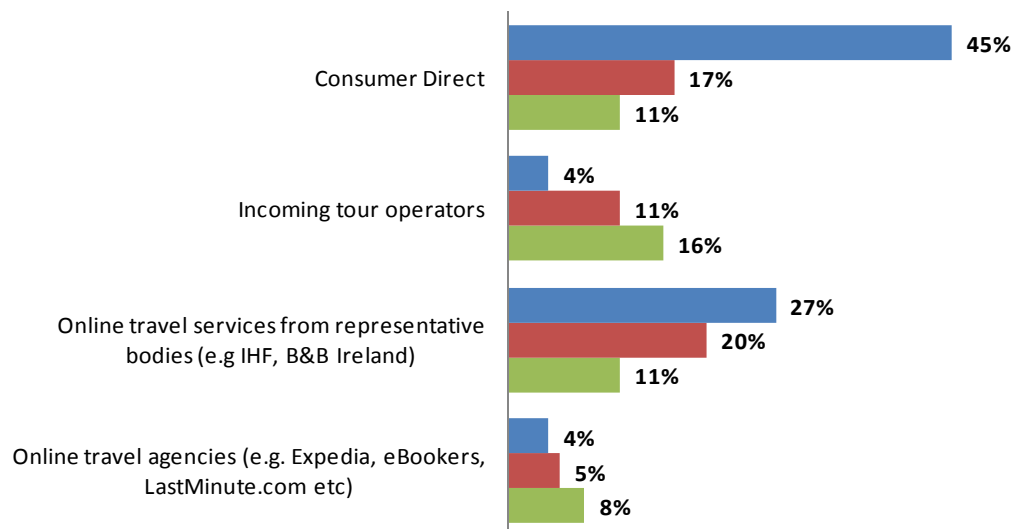
**Figure 20: Hotel Rankings of Main Sources of Online Bookings – Top Three**  
**(n = 122)**



Ranking: #1 #2 #3

*(Q: What were the main sources of online bookings? Please rank each source in order of importance. Assign rank 1 to the source you consider to be the most importance).*

**Figure 21: B&B Rankings of Main Sources of Online Bookings – Top Three**  
**(n = 273)**



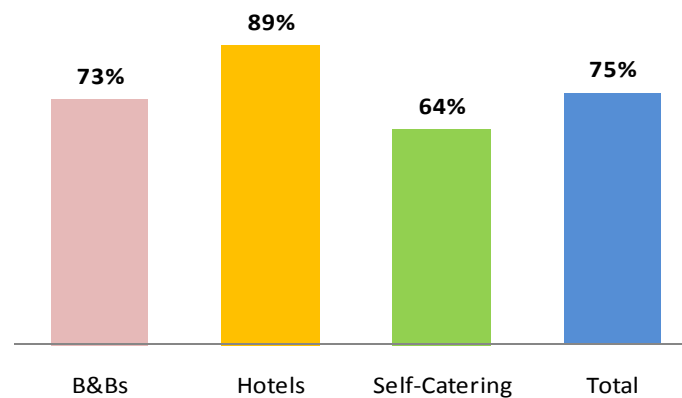
Ranking: #1 #2 #3

*(Q: What were the main sources of online bookings? Please rank each source in order of importance. Assign rank 1 to the source you consider to be the most importance).*

### 3.3 Use of Online Intermediaries

The use of online intermediary reservation services is prevalent amongst hotels and B&Bs with those in the self-catering sector less reliant - see Figure 22. For example, nine in ten hotels and over seven in ten B&Bs are using such services compared to six in ten self-catering suppliers.

**Figure 22: Proportion of Respondents Who Use Online Intermediaries**  
(n = 521)



Systems used vary by sector with hotels most likely to use *Booking.com* and *Expedia*, and B&Bs and self-catering most likely to use *Gulliver* and *B&B Ireland/Town & Country.ie* - see Table 3.2.

**Table 3.2: Online Intermediaries Used by Respondents**

	B&Bs %	Hotels %	Self-Catering %
Booking.com	3	54	-
Expedia	1	40	-
Gulliver	47	30	58
B&B Ireland / Town & Country.ie	46	-	-
Lastminute.com	-	32	-
Laterooms.com	-	29	-
Bookassist.com	3	25	3
IrelandHotels.com	-	9	-
Discover Ireland / Fáilte Ireland*	-	-	17
Imagine Ireland	-	-	8

\* While, technically, *Discover Ireland / Fáilte Ireland* is not a booking website, it is a referral site and hence was mentioned by a significant number of respondents in self-catering.

Other third party websites such as Avvio and HostelWorld are used although to a limited extent. Few self-catering suppliers and just nine percent of hotels are using sites developed by their trade bodies, namely SelfCatering Ireland and *IrelandHotels.com*. This is despite lower associated costs and may reflect a perception that these sites have a low penetration of tourist markets relative to the leading intermediaries. However, almost half of B&B respondents identified B&B Ireland as a source of business.

Two-thirds of hotels believe that the level of business from online intermediaries is increasing compared to just one-third of B&Bs and one in five self-catering suppliers.

The level of commission paid to online intermediaries varies widely, with international intermediaries charging significantly more than locals. Even among the same OTAs, product providers reported significantly different levels of commission. In part, this refers to the type of service that they sign up for and, in part, it may reflect a weak negotiating position on the part of Irish accommodation providers in view of the current over-capacity in the market. While it is acknowledged that OTAs will charge a high commission in return for their promise to deliver business based on their distribution and marketing strategies, there is a view that

- 1) hotels are dropping rates for short-term gain with potential risk to long-term distribution, and
- 2) the over-supply of Irish hotel rooms is being exploited by OTAs.

Tackling this is an issue for the industry as a whole.

**Table 3.3: Commission paid to Online Intermediaries**  
**(n=319)**

	<b>% Commission (Range)</b>
Expedia	15-30%
Hotels.com	15-25%
Lastminute.com	15-20%
Laterooms.com	10-19%
Booking.com	15%
Gulliver	7-12.5%
Bookassist.com	3-12%
B&B Ireland	2-10%
IrelandHotels.com	10%

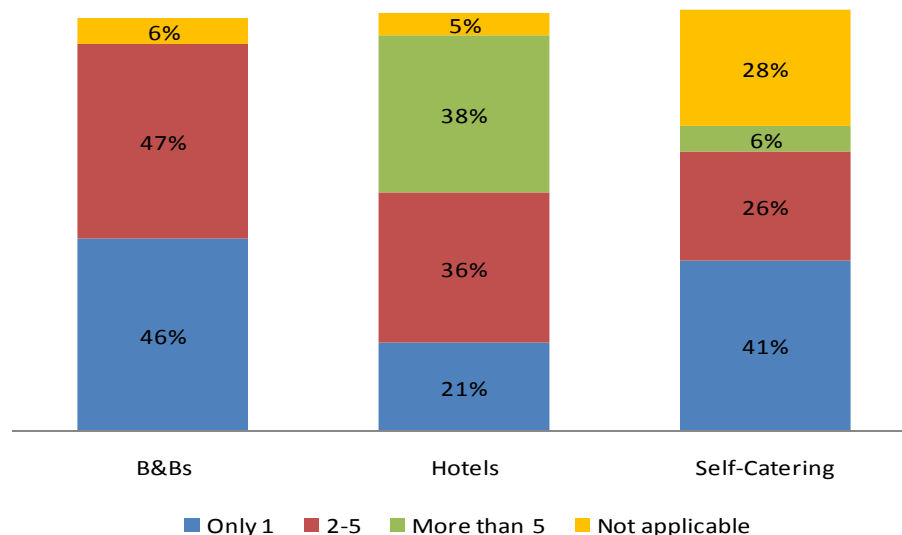
### 3.4 Managing and Promoting Distribution Channels

Each product provider’s distribution and marketing mix is ultimately dependent on its target markets. While there is overwhelming evidence that an online presence is a must for providers in virtually every market segment, they are faced with the challenge of managing this time and resource investment wisely in order to ensure that they do not end up with a fragmented and in-coherent distribution strategy.

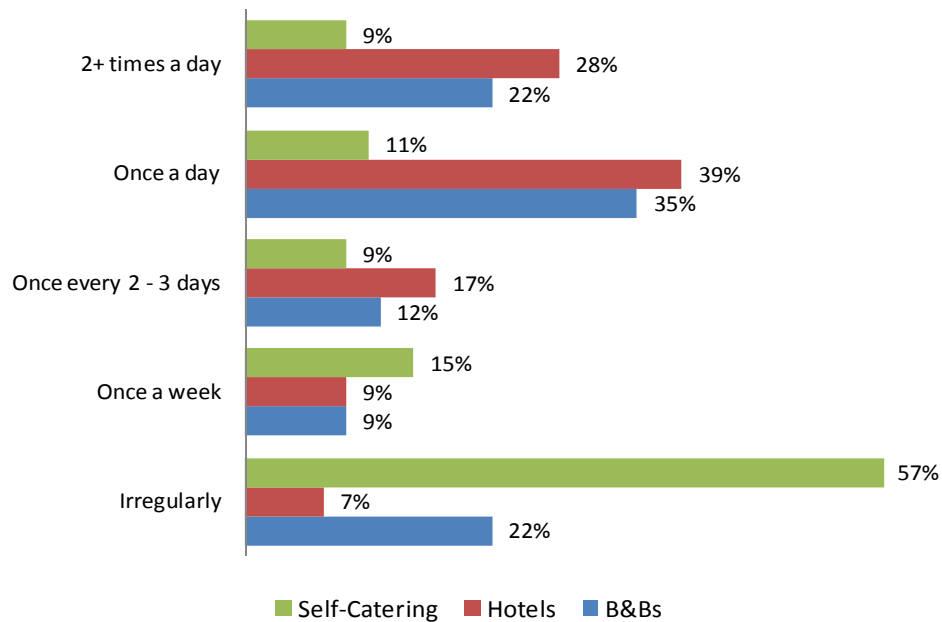
Use of the internet needs to be continually monitored and evaluated and this year’s strategy may not necessarily be appropriate in two years’ time. Many providers are managing more than one inventory system with a substantial proportion managing at least five - see Figure 23. Inventory needs to be updated constantly with the majority of hotels updating at least once a day - see Figure 24.

During the course of interviews with providers, it was evident that many properties in the hotel sector in particular may be managing engagement with a large number of reservation systems – substantially in excess of five. Some have bought in technology or service providers, such as Rate Tiger, to manage this process for them. They then only have to update through that service which updates other systems on their behalf. However, this adds another layer to their distribution costs.

**Figure 23: Number of Inventory Systems Being Managed**



**Figure 24: Frequency with which Online Inventory is Updated**

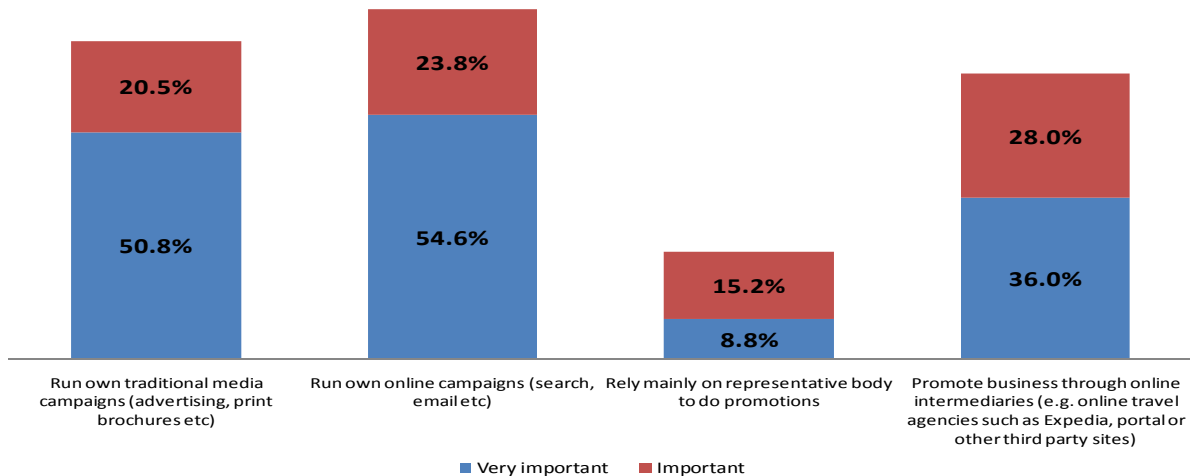


Perhaps the most common complaint raised by intermediaries and reservation service providers is the failure of suppliers to update their inventory status with adequate frequency. The survey responses summarised in Figure 24 indicate that a majority (57%) of self-catering properties and one-in-five B&Bs only update their online inventory irregularly. Almost 10% of hotels and B&Bs and 15% of self-catering properties only update their online inventory once a week. This level of attention is unlikely to be adequate to maintain efficient online sales performance. However, it may also be a consequence of over-capacity in a declining market and an effective position of almost constant freesale on the part of some properties.

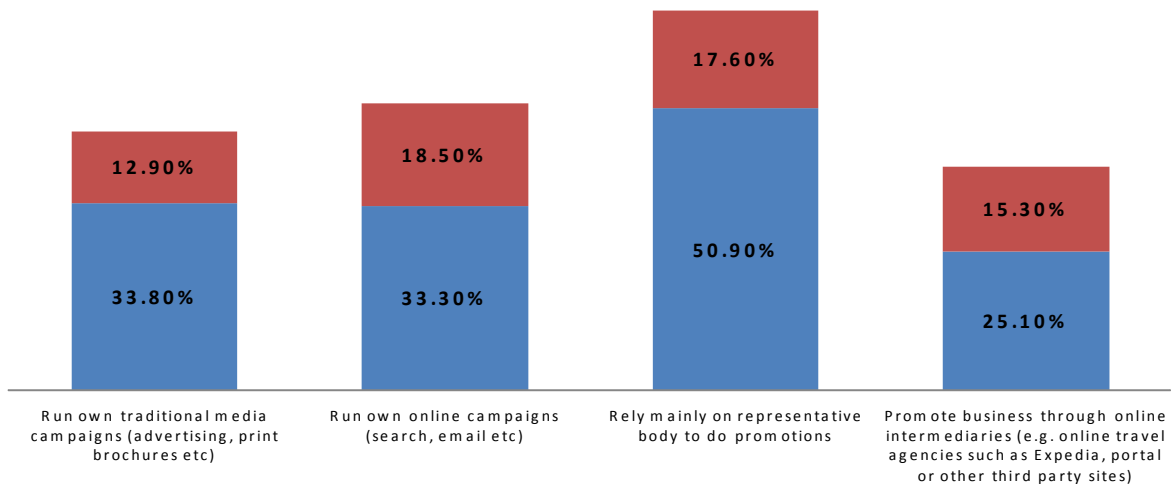
### **3.5 Marketing and Promotion**

Figures 25 and 26 overleaf summarise the methods of promoting business both online and offline for hotels and B&Bs. Hotels place emphasis on running their own campaigns, both online and offline, as being the most important means of generating business. On the other hand, B&Bs and self-catering properties place a higher emphasis on their representative bodies to promote them, reflecting the smaller size of individual business enterprise in these sectors.

**Figure 25: Promoting Business: Hotels**



**Figure 26: Promoting Business: B&Bs**



Traditional media campaigns and online campaigns (for example search/email) are equally important to all three sectors. Promoting business through online intermediaries is undertaken although it is not as highly regarded as other methods.

While hotels and B&Bs are continuing to run their own traditional media campaigns as well as relying on their representative bodies to do it for them, promotional activities are moving beyond the traditional. Online marketing has become enormously important to

the trade with over half of all hotels considering their own online campaigns to be very important.

Managing social media is a recent development and can be viewed as both an opportunity and a threat: the emergence and evolution of social networking platforms, such as Twitter, Facebook, LinkedIn and YouTube, all provide product providers with additional means by which they can reach and communicate with their customers. However, as with other distribution channels, ineffective selection and management of promotional tools will lead to a half-hearted and fragmented approach. Many hotels are using Facebook to drive sales - for example, promoting special offers to their fans (in other words previous guests who have agreed to sign up).

Such promotions can be scaled very effectively through fans referring content to their contacts. This 'viral' promotion means that, for a relatively low budget or in some instances with no marketing budget at all, a tourism product provider can achieve substantial returns.

The same messages and deals can be relayed to past and potential guests using Twitter which has the added advantage of being conversational. For example, in the US a wedding planner tweeted about considering either an Omni hotel in San Diego or a competitor. The Omni Hotel immediately tweeted back offering what they could do and a conversation ensued between both parties while the competitor remained silent. Not surprisingly, the Omni Hotel won the business.<sup>7</sup> By understanding how best these channels work, smaller independent hotels are given the ability to compete more effectively with bigger players.

YouTube can also be used to upload videos and some hotels are using this for PR purposes. For example, Best Western International has a YouTube channel - Best Western TV - which it uses to showcase its hotels.

In addition to using these channels to promote their businesses, product providers must keep abreast of user-generated reviews such as TripAdvisor. In effect, the internet has facilitated easy and widespread conversations about providers' products which in turn have the ability to affect reputations and business. Hence providers, particularly those in

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<sup>7</sup> 'How are Hotels Embracing Social Media in 2010', HVS Sales & Marketing Services, New York.

the accommodation sector, need to monitor online mentions on these sites and ultimately make the reviews work for them by responding promptly both to praise and complaint.

Monitoring can be done by subscribing to a social media monitoring tool and, in the meantime, hotels can ask guests who have a positive experience to consider posting a review by providing a simple review process on their website. It is also vitally important that, where negative reviews are found, suppliers are quick to respond to head off the potential spiral of negative publicity which can follow. These points are discussed in more detail in Chapter 7.

### **3.6 Summary of Main Points**

#### **3.6.1 Online vs. Offline**

Online sales account for a large and increasing share of bookings received by Irish accommodation providers. Just over one-third of the respondents received more than 60% of their bookings online in 2009, while a further quarter received between 40% and 60% of their bookings online. While most respondents anticipate further growth in online sales over the coming 3 years, offline bookings still account for a larger share of business than online bookings for a majority of respondents. Since Fáilte Ireland research has found that a high proportion of overseas visitors book Irish tourism products online (Figures 19 and 20) it seems likely that the domestic market is the largest source of offline bookings.

Consumers typically make offline bookings by telephone or email, although there still may be some business done by fax and post. Offline bookings are also made by incoming tour operators and overseas tour operators/travel agents who were rated as important or very important distribution channels by more than 40% of survey respondents (Table 4.1). However, it is also evident that leading tour operators are investing heavily in online reservation systems and this will impact on how they do business with product providers in the future.

#### **3.6.2 The Importance of Direct Sales**

Direct sales, via own website and direct calls, is the most important distribution channel for most accommodation suppliers. Some two-thirds of respondents place direct sales to consumers as the most important source of online bookings.

A strong website with an online reservations system is a must, and this is recognised by the vast majority of accommodation providers. 70% of all respondent accommodation providers' websites have an online reservation capability, rising to 94% for hotels. However, a provider's online distribution strategy cannot end there as, in isolation, direct sales alone are not enough for most providers.

### **3.6.3 The Role of Intermediaries**

Intermediaries, including online travel agencies (OTAs), incoming tour operators and overseas travel agents who book directly, all play an important if secondary role in selling Irish tourism products, especially accommodation bednights.

Survey respondents reported that OTAs such as Expedia are the second most important source of online bookings and hence it is not surprising that nine in ten hotels, seven in ten B & Bs and six in ten self-catering providers use OTAs. For most providers, avoiding OTAs would be an unrealistic and unwise strategy. The goal is to identify and work with OTAs that can deliver the most effective results with respect to a provider's target markets. This is discussed further in Chapter 3 in Volume 1.

Clearly the payment of commissions to intermediaries is an issue. Some respondents reported paying as much as 30% to certain OTAs. For their part, the OTAs would argue that this is in return for access to a far wider market than a product provider could ever achieve independently. Higher levels of commission are also associated with packages offering additional services, such as prominent positioning on the OTA's website, inclusion in marketing campaigns and into bundled vacation packages.

Encouraged by the promises offered by intermediaries, it is hardly surprising that accommodation suppliers use a lot of them. A substantial proportion of hotels manages at least five inventory systems and about half of all B&Bs manage in between two and five systems.

### **3.6.4 Concluding Comments**

While offline distribution channels continue to be very important, the challenge for product providers is to develop their online distribution strategy wisely to achieve their marketing targets. Given the pace of change in online technology, this is less familiar territory, and smaller independent providers need specialized external support.

A provider's distribution strategy must form a coherent and integrated part of their overall marketing and sales strategy. While traditional promotional methods are still used (i.e. print, brochures and advertising), online campaigns have become increasingly important and any offline marketing initiatives should incorporate referrals to the provider's website. Finally, online marketing and the impact of social media is perhaps the most difficult and unwieldy area for suppliers to understand and manage. This issue is discussed in more detail in Chapters 2 and 3 in Volume 1.

## **4. INTERNATIONAL AND ITOA SURVEYS**

Two surveys were conducted among travel intermediaries - a survey of incoming tour operators in Ireland and a survey of overseas tour operators and online agents. The findings of these surveys are presented in this Chapter. The main emphasis in these surveys was on the distribution technology and the positioning of the Irish tourism industry.

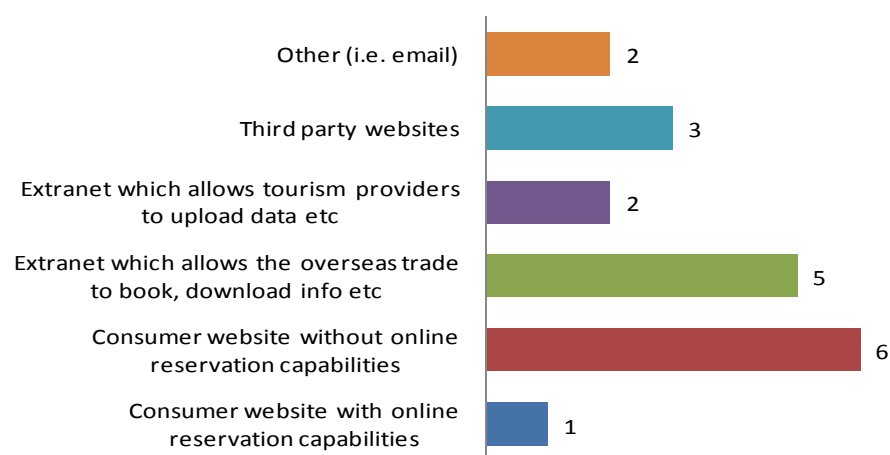
### **4.1 Incoming Tour Operators**

Survey responses were received from 12 operators, representing 40% of the membership of the Irish Tour Operators Association and 50% of the number of tourists handled by ITOA members in 2009.

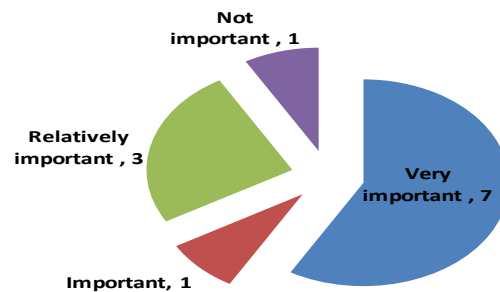
#### **4.1.1 Online Distribution among ITOA Members**

ITOA members in using online channels tend to rely most on consumer websites, without online reservation capabilities, and/or extranets (i.e. password protected websites which allow suppliers' information to be downloaded) - see Figures 27 and 28. The majority of ITOA members surveyed also consider these to be important in securing business with almost two-thirds describing them as 'very important'.

**Figure 27: Online Channels Used by ITOA Members**



**Figure 28: Importance of Online Channels Used**

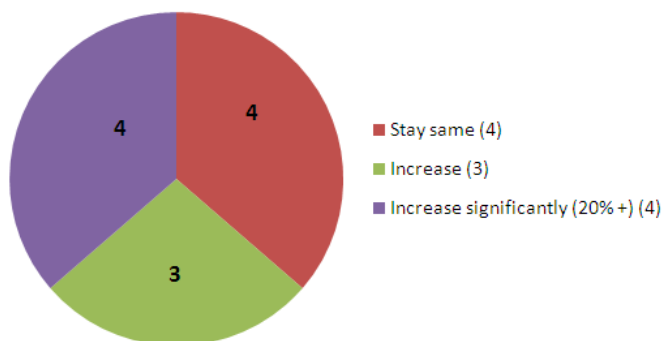


#### **4.1.2 Online Sales**

Although the majority of respondents described online channels as being ‘very important’, it appears that the volume of business received directly through these channels is still low with seven of the 12 respondents putting it at 0%-5%. That said, the same proportion of the respondents also expects online sales to increase over the coming three years - see Figure 29. It may be noted that a distinction can be made between sales and the broader conduct of business, a high proportion of which is online.

Tour operators interviewed indicated that group tours and conferences/incentives continue to be booked by personal communication. A growing share of FIT business booked through the trade is booked online, but is still a relatively small share, while a substantial and growing share of FIT booked directly by consumers is online.

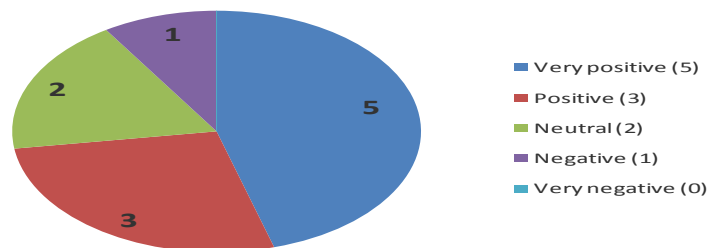
**Figure 29: How do you expect the trend in your online sales (from trade and consumers) to develop over the coming three years?**



### 4.1.3 Impact of the Internet

There were mixed views among respondents with regard to the impact of the internet, as indicated in Figure 30. While 8 of the 12 respondents stated that it was either ‘positive’ or ‘very positive’, two believe it to be neutral and one feels that it has had a negative impact. The negative response derives from a view that the operators negotiate rates with product providers such as hotels, but are subsequently undercut by cheaper prices offered by the same providers on internet sites. The tour operators then lose competitive positioning.

**Figure 30: Perception of the Internet’s Impact on Business**



In terms of impact on business, as shown in Figure 31, all respondents stated that use of the internet has increased sales. 5 of the 12 respondents also reported that the internet has led to staff or other cost savings, but the other 7 stated that no savings had been achieved. With regard to cost savings, much seems to depend on the size of company with larger operations more likely to achieve efficiencies. Some operators noted that the switch to increased online activity has led to a change in the profile of staff rather than staff reductions, as they have replaced sales and administrative staff engaged in traditional roles with new staff skilled in computer and internet applications and management.

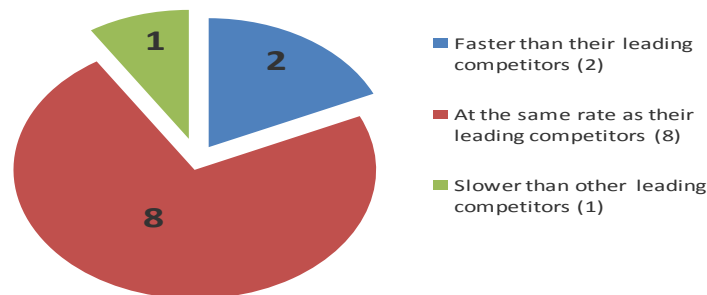
**Figure 31: ITOA Members – Use of Internet**



#### **4.1.4 Position of Irish Product Providers**

Incoming tour operators were asked to rate Irish product providers against those in competing destinations with regard to their development of online reservations services. Their responses are summarised in Figure 32.

**Figure 32: Q: In comparison with competing destinations, are Irish product providers developing their online reservations services:**



8 of the 12 respondents rated Irish providers as being on a par with their leading competitors in other destinations. Two believe the Irish industry is developing online systems at a faster rate and one believes that they are behind their competitors.

One operator commented that, while they had themselves invested heavily in technology to facilitate online and XML connectivity<sup>8</sup>, they found that many of their overseas partners (tour operators) are only now considering their platform requirements for the future. It is evident from this survey and from interviews with incoming tour operators that there has been considerable investment in B2B systems that allow their overseas clients to book, check inventory and carry out other transactions. On this basis, it is likely that an increasing amount of transactions between intermediaries, including overseas tour operators and incoming tour operators in Ireland, will shift online in the coming years.

## **4.2 Ireland's Positioning in an International Context**

### **4.2.1 Survey Coverage**

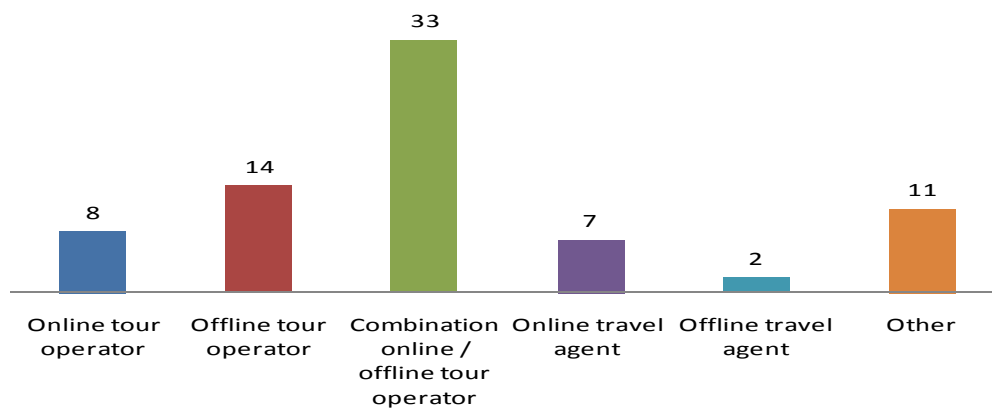
An online survey was distributed among international tour operators and travel agencies, both online and offline, in order to gauge their impression of how Irish suppliers are distributing their product to the trade.

<sup>8</sup> XML stands for Extensible Markup Language and is a set of rules for coding.

Seventy-five organisations responded from over twenty source markets spread throughout the world - see Figure 33. Of these, just under half regard Ireland as being a 'very important' destination with a further quarter regarding Ireland as being important to their business. While the sample sizes of specific categories are relatively small and hence may not be statistically representative, the findings are indicative of the international trade's view of how Irish tourist providers are distributing their product.

**Figure 33: Breakdown of Respondents**

(n=75)

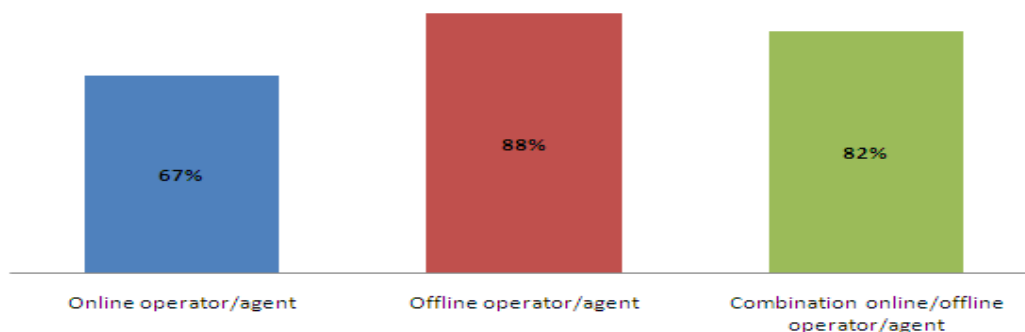


**4.2.2 Experience of Ireland**

Just over half of all respondents have been promoting and selling travel to Ireland for over ten years with a further third involved in promoting and selling travel to Ireland for over three years. The vast majority (86%) would agree that the number of Irish tourism providers that they deal with has grown over that time; this growth has been pronounced among offline and combination intermediaries – see Figure 34.

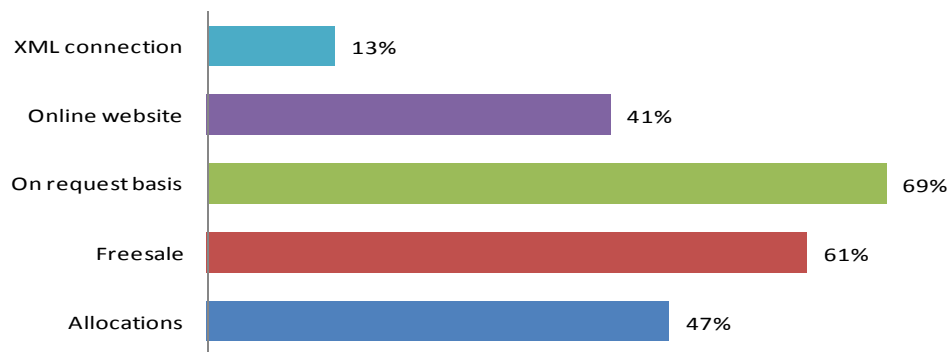
**Figure 34: Distribution of International Respondents Who Agree that they are Dealing with more Irish Tourism Providers**

(n=70)

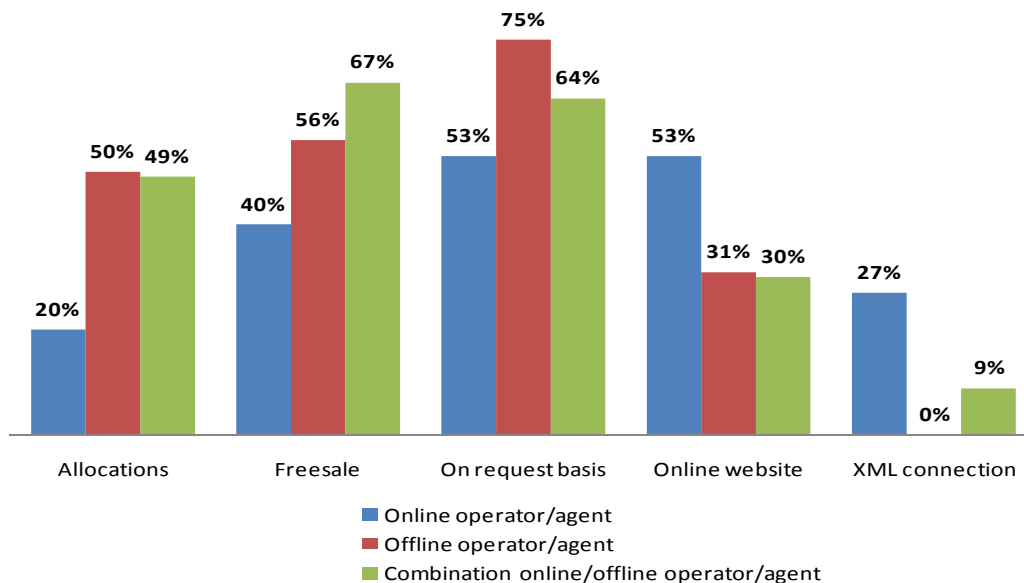


Irish tourism products are accessed in a combination of ways with the most likely route among overseas intermediaries, particularly those offline, being either on a request basis and/or by freesale - see Figures 35 and 36. On the other hand, online agents and operators are the group most likely to access the product online.

**Figure 35: Means by Which Product in Ireland is Accessed**  
**(n=70)**



**Figure 36: Means by Which Product in Ireland is Accessed, by Intermediary Type**

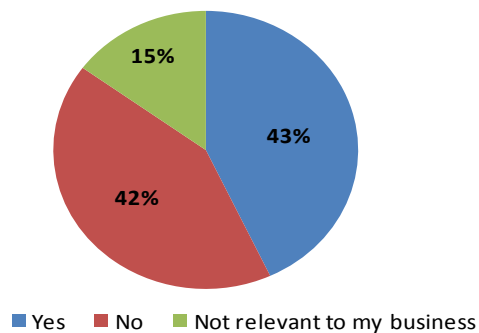


### **4.2.3 Use of Incoming Tour Operators**

Four in ten respondents use the services of incoming tour operators located in Ireland while another four in ten do not - see Figures 37. 55% of offline operators/agents and 40% of online operators/agents use the services of an incoming tour operator - see Figure 38.

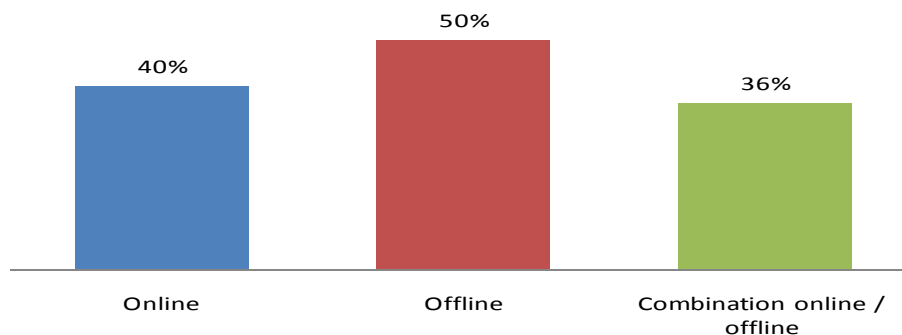
**Figure 37: Use of Incoming Tour Operators**

(n=67)



**Figure 38: Proportion of Respondents Using the Services of an Incoming Tour Operator**

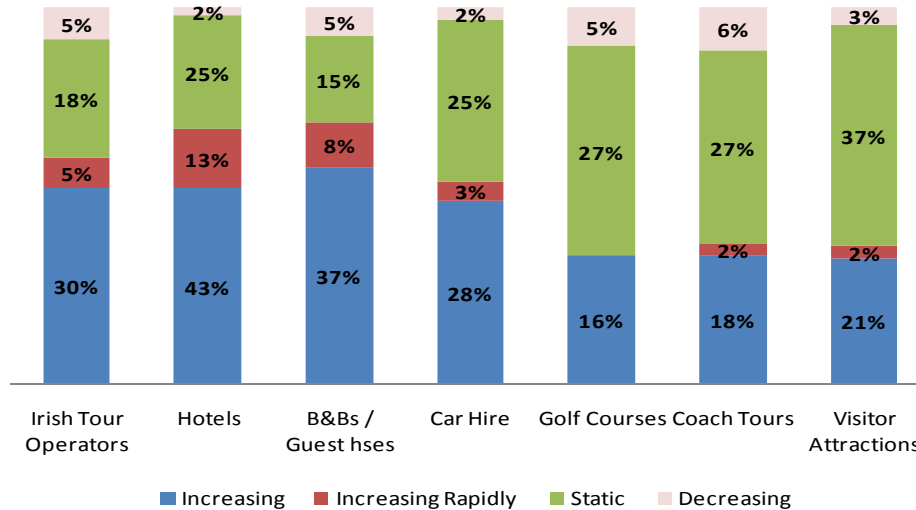
(n=26)



### **4.2.4 Usage of Online Reservations**

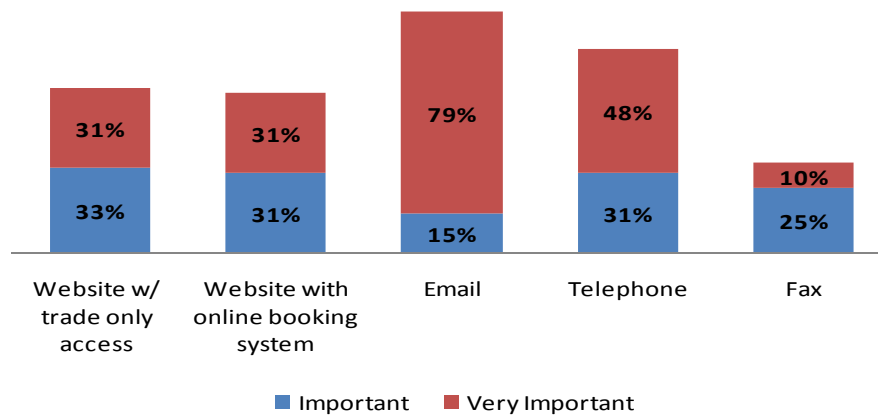
Over half of all the respondents claim that their use of online reservations with accommodation providers (i.e. hotels, bed and breakfasts and guest houses) is increasing, with one in six agreeing that their use of online reservations with hotels is increasing rapidly – see Figure 39. This trend is particularly pronounced among OTAs. Five of the seven OTAs also agree that their use of online reservations with Irish tour operators is increasing.

**Figure 39: Areas in Which Use of Online Reservations with Irish Providers is Changing (n=67)**



E-mail and telephone are the most important ways by which the overseas trade make reservations with Irish tourism providers with email less marked amongst OTAs than it is with offline and combination intermediaries – see Figure 40.

**Figure 40: Importance of Routes Used to Make Reservations With Irish Tourism Providers (n=67)**

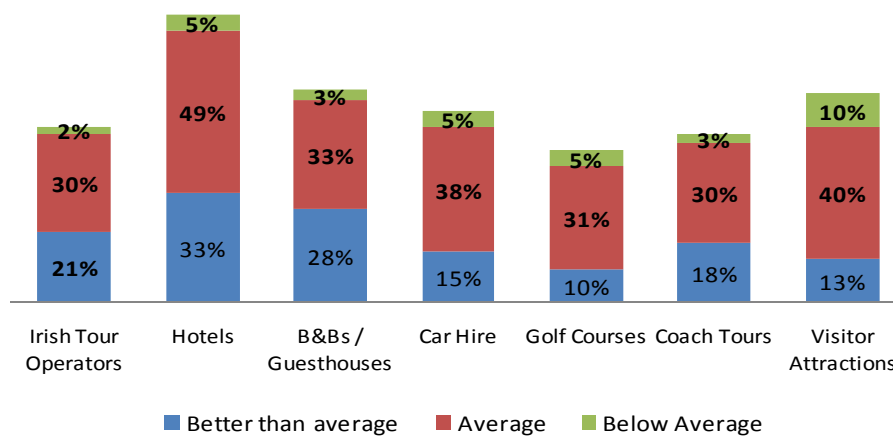


#### **4.2.5 Competitive Position of Irish Tourism Product Providers**

In terms of the ease with which reservations can be made with different categories of Irish tourism product providers, Ireland compares well with other destinations Overall, the accommodation providers rate well, with three in ten of those surveyed agreeing that the

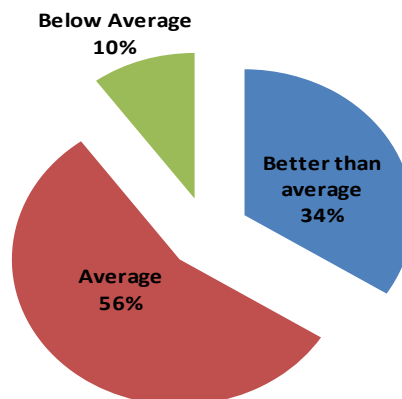
ease with which they can make reservations is better than average when compared with competing destinations. None of the online tour operators regards Irish suppliers as being below average and just two of the seven OTAs view accommodation providers as being below average - see Figure 41.

**Figure 41: Ease Which International Intermediaries can make Reservations with Different Categories of Irish Tourism Providers (n=61)**



When examining access to product and distribution in Ireland, one in three of the intermediaries consider Ireland to be better than its competitors with over half viewing it as being just average - see Figure 42.

**Figure 42: How Ireland Compares to Other Destinations in Terms of Access to Product and Distribution**



### **4.3 Summary of Main Points**

Intermediaries, including incoming tour operators to Ireland, consider the internet to have had a generally positive impact on distribution and sales. While incoming tour operators, like many suppliers, are less likely to agree that the internet has led to cost savings, they are unanimous in agreeing that it has led to an increase in sales. They are also increasing their online activity with seven of the twelve incoming tour operators and more than half of international intermediaries claiming that their use of online reservations is increasing. This is particularly the case with accommodation providers.

The Irish tourism industry's capability with regard to online distribution and product access is well regarded by intermediaries. Eight out of twelve incoming tour operators feel that Irish product providers have developed their online reservation services at the same rate as their leading competitors and eight in ten of the international intermediaries view Ireland as being at least up to the average if not above average in terms of product access and distribution.

Overall these findings are quite positive with Ireland regarded as performing well in comparison to other competitor destinations, principally identified by the respondents as being Scotland, England, Wales and France. While this implies that there is room for improvement, it is reassuring to know that Ireland is at least on a par with its competitors. Incoming tour operators to Ireland and international Intermediaries are able to effectively access product and they recognise that Irish product providers are distributing it well.

Personalised contact is still very important: 'on request basis' is the means by which product in Ireland is accessed by seven in ten international intermediaries, and email and telephone are regarded as the most important routes used when making reservations with suppliers. While the current high level of investment by tour operators in online technology implies that a growing share of business will be transacted on line, direct contact is likely to remain a central element of product distribution in the medium term.

## **5. APPENDICES**

### **Appendix 1: *List of References***

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**Appendix 2:**  
***Research Methods***

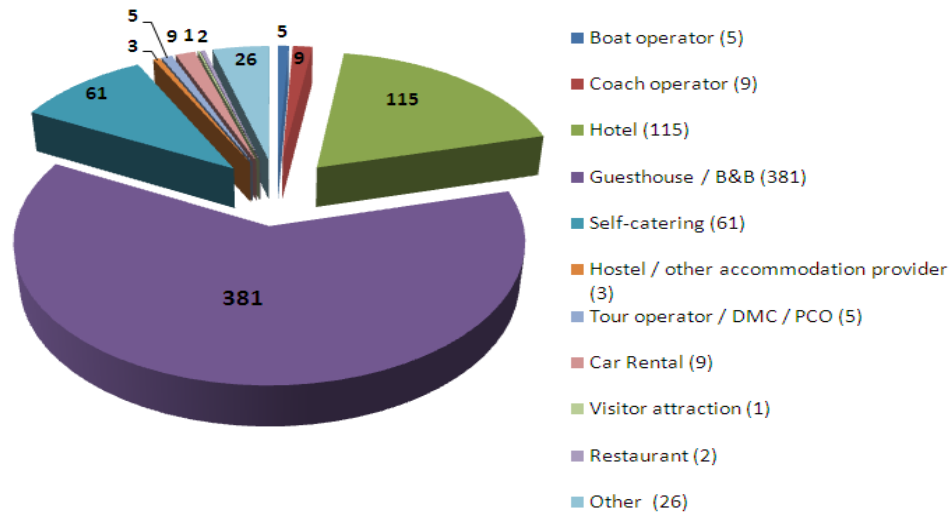
## **A2. RESEARCH METHODS**

The study team conducted its work between February and May, 2010. The process included periodic progress meetings with ITIC. The main elements of the work programme were as follows:

- **Documentary research:** the team gathered and studied an extensive set of published and unpublished reports, papers, articles, presentations and other documents of relevance to the study. This desk-based work included much online research and review of numerous websites in the field of tourism and travel distribution and marketing. Fáilte Ireland also supplied data analyses drawn from the annual Visitor Attitudes Survey and the Survey of Travellers. A list of references is provided in Appendix 1.
- **Consultative programme:** the members of the team met with a cross-section of Irish tourism product providers. We also met with the principal tourism development and marketing agencies, and with tourism distribution channel intermediaries, both online and offline. These consultations enabled the team to discuss in depth the developments in travel distribution and the issues arising for the Irish tourism industry.
- **Survey of the Irish tourism industry:** a key component of the research was a survey of the Irish tourism industry with regard to distribution and marketing practices. The survey was conducted online, and the industry was encouraged to participate via emails sent by the sectoral representative bodies to their members. Some 617 responses were received, providing a strong set of data for the study. The distribution of the responses by sector is shown in Figure A2.1 overleaf.

Of the 617 responses, over 60% (381) came from B&Bs, with 115 from hotels and 61 from self-catering operators. The balance of 60 was spread across all other tourism sectors, including boat rental, coach operators, hostels, restaurants, car rental and visitor attractions. In some cases, notably boat rental and coach operators, the responses represent a significant share of the population of enterprises in those sectors. In the analysis in this report, the main accommodation sectors – hotels, B&Bs and self-catering - are treated separately to give due recognition to their differing characteristics.

**Figure A2.1: Distribution of Industry Survey Responses by Sector**  
*Base = 617 respondents*



A variation of this industry survey was run among the Irish tour operators, also on an online basis. Some 12 responses were received, representing 40% of the membership of the Irish Tour Operators Association, but a total of 50% of the volume of business channelled through the Association's membership.

- Survey of International Tourism Distributors:** this online survey was conducted with the assistance of Tourism Ireland, and targeted tour operators and travel agents - online and offline - in Ireland's major markets. The survey focused on the comparative international position of Irish tourism in terms of distribution, and a total of 75 responses was received providing useful benchmarking data.
- Workshop:** the study team conducted a half-day workshop with members of ITIC in the closing stages of the research programme. The purpose of the workshop was to review the data emerging from the research and to identify and consider the implications for the Irish tourism industry. Many useful insights emerged from this workshop.





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