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**Analysis and evaluation of the influence of  
online travel agencies and online reservation  
systems on the hotels' strategic opportunities**

**T H E S I S   A B S T R A C T**

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# CONTENTS

of the dissertation abstract

|   |           |
|---|-----------|
| <b>I. GENERAL CHARACTERISTICS OF THE DISSERTATION</b>                 | <b>4</b>  |
| 1. Relevance and significance of the researched issues.....           | 4         |
| 2. Purpose and research objectives .....                              | 5         |
| 3. Research thesis and hypotheses .....                               | 6         |
| 4. Object and subject of the research .....                           | 7         |
| 5. Methodological tools .....   | 7         |
| 6. Scientific novelty of the research .....                           | 8         |
| 7. Restrictive conditions of the study .....                          | 10        |
| <b>II. STRUCTURE AND CONTENT OF THE DISSERTATION...</b>               | <b>11</b> |
| 1. Structure of the dissertation .....                                | 11        |
| 2. Content of the dissertation .....                                  | 11        |
| <b>III. SYNTHESIZED EXHIBITION OF THE DISSERTATION...</b>             | <b>14</b> |
| <b>IV. REPORT ON THE SCIENTIFIC CONTRIBUTIONS OF THE DISSERTATION</b> | <b>43</b> |
| <b>V. PUBLICATIONS RELATED TO THE DISSERTATION.....</b>               | <b>44</b> |

# **I. GENERAL CHARACTERISTICS OF THE DISSERTATION**

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## **1. Relevance and significance of the researched issues**

The development of online reservation systems is inextricably linked to modern technology and the growing flow of tourists globally. Tour operators and travel agents for online hotel reservations have become a global phenomenon and now account for a significant percentage of global travel and hotel sales. The requirements for hotels are becoming higher and they need to be updated and improved.

The increasingly digital environment in which hotel services are presented and sold has an impact on the economic performance of hotel businesses. The marketing of a hotel product is the basis of the efficiency of any hotel, be it small or large, luxury, boutique or economical. Hotel companies are extremely active in using the opportunities offered by online travel agencies (OTA), as city hotels in Bulgaria are strongly involved with these intermediaries for the distribution of hotel products. This commitment of the urban hotels in the country encourages their managers to invest time, effort and money in the development of alternative distribution channels.

In the context of developing and maintaining an effective hotel product distribution system, this dissertation is an attempt to organize and systematize the available information related to the participation of hotels in online booking systems and in particular online travel agent (OTA) platforms. The theoretical framework of the influence of OTA on hotels is considered, and the Bulgarian hotels located in developed industrial centers in the country are specifically considered.

## **2. Purpose and research tasks**

The main goal of this study is to determine the strength and direction, whether positive or negative, of the impact of OTA on urban hotels in Bulgaria, as well as the opportunities or limitations that these digital travel agencies provide to hotels in the country. Participation in online hotel product marketing platforms provides city hotels with opportunities to improve occupancy rate, service quality and access to a wider range of potential users. The following sub-objectives have been identified to support the study:

- Development of a model for mutually beneficial cooperation on the OTA-hotel axis.
- Identification of obstacles to the effective development of small and medium-sized city hotels in the online space.
- Implementation of a modern online reservation system in every Bulgarian hotel in order to achieve maximum profitability and a full digital presence on the Internet.

In order to achieve the objectives of the study and assess the scope and entry of OTA into the Bulgarian market, the following objectives of the study are defined:

Task 1: Theoretical study of the nature of hotels and online travel agents, as well as highlighting the peculiarities of their cooperation and the principles of coexistence.

Task 2: Research and establishment of the level of entry of OTA in the hotel sector in Bulgaria and the mechanisms and conditions for cooperation between the two sides. Discovering the peculiarities of the functioning of hotels located in developed urban areas in Bulgaria - their occupancy rate, profile of their guests and establishing the level of digital development, use of information and communication technologies (ICT).

Task 3. Analysis and evaluation of the dependencies that arise between hotels and OTA. Determining the main OTAs used in Bulgaria, their share of hotel reservations, the number of OTAs used

and the amount of the commission - compared to that of traditional tour operators and travel agents.

Task 4: Examining the rating system of Booking.com and determining the level of trust that OTA meet in the face of hotel owners and managers, as well as outlining the overall appearance of the hotel on the Internet.

Task 5: Determining the interest of hotels in Bulgaria in creating their own reservation system and participating in a national reservation portal - OTA type.

Task 6: Making recommendations to the Bulgarian city hotels about the possibilities for introducing practically useful strategies for development and achieving the maximum effect of their cooperation with online travel agents.

### **3. Research thesis**

Based on digitalization, which stimulates objective changes in economic bases, management technologies and solutions of major structural micro-units in tourism - hotels, is formed the main scientific thesis of the dissertation: Online travel agencies are well established in Bulgaria and occupy a serious and growing market share of hotel product. This fact forces hotel business managers to find a way to diversify the distribution channels of a hotel product and improve the interaction with OTA.

The implementation of online reservation systems and their impact on the strategic capabilities of the hotel have resulted in an increase in their competitiveness, profitability, and sustainable development. The proof of the hypothesis in the dissertation is realized on the basis of the following microtheses:

1. Hotels in Bulgaria are presented online mainly through OTA or other similar intermediaries.

2. Hotels in Bulgaria need to develop and implement their own online booking systems in order to save on distribution costs and avoid greater independence from OTA.

3. The creation of a national online portal for hotel reservations, which functions with minimal or even zero commissions, would diversify the channels for marketing a hotel product and would facilitate the process of digitalization of small and medium enterprises in the hotel industry. Serious financial resources will be transferred from the commissions for foreign OTA to the hotels themselves and / or to the state revenues.

#### **4. Object and subject of the research**

The subject of this dissertation are the relationships that arise and develop between online booking systems or travel agents and hotels participating in their databases, with a specific example in Bulgaria. The strength and manner of OTA's influence on hotels and at the same time the opportunities they offer to hotel managers for development and wider market potential are considered.

The object of the study are hotels located in urban areas in Bulgaria, which use online booking systems and online travel agents.

#### **5. Methodological tools**

This dissertation uses the available approaches and methods in their quantitative and qualitative varieties. In the present dissertation the methods of interviewing, questioning, comparison, description, measurement, hypothetical-deductive method, as well as induction and deduction are used to clearly outline the trends and development of modern hotel enterprises in Bulgaria. Several types of analysis have been used to model the relationship between OTA and hotels in

Bulgaria, including empirical, statistical, value chain model, TOE method, analysis of the realization of a tourist product.

The study focuses on a set of 767 accommodation facilities located in major urban industrial centers in the country and represents almost 25% of all such tourist accommodation in the country. The sources of information used are mainly academic publications of leading specialists in the field of tourism and hospitality, statistics and reports of the National Statistical Institute (NSI), the Register of Accommodations in Bulgaria, the Institute of Market Economy, Eurostat, Statista.com and the websites of the world's leading online travel agents.

For the purpose of the research a questionnaire was formed, which is an appropriate tool for collecting information, using quantitative methods for processing the collected information. Quantitative data obtained from the questionnaire are compared and evaluated using statistical software Excel of Microsoft Office and JASP Team (2019), JASP (Version 0.11.1). The formulation of the questions and the selected answers is based on the goals, tasks and problems of the dissertation, as well as on the basis of the literature review and the conclusions made in the First and Second Chapters of the dissertation. The aim is to get the theoretical questions appropriate, accurate and as close as possible to the practical answer.

## **6. Scientific novelty of the research**

The scientific and theoretical novelty of the research consists in the practical directions, which the present dissertation outlines in order to improve the distribution policy of the city hotels in Bulgaria. Numerous owners of small and medium-sized city hotels were interviewed, which are often neglected in the science of tourism, at the expense of large hotel enterprises. There are discrepancies between the real picture of

hotel occupancy in Bulgaria and the official statistics of the NSI and Eurostat. The importance of channel manager technology and its impact on business results in the hotel sector is affected. Three models have been developed for the operation of city hotels in the context of their successful cooperation with OTA platforms.

Examining aspects of OTA's influence on hotels' business development strategy reveals a number of interrelated factors. It is concluded that a higher level of commitment to OTA does not lead to a higher level of occupancy in hotels, but in combination with a higher price of the room leads to higher RevPAR and profits. It is proposed to introduce a model for hotel business development, in which no more than 25% of occupancy is guaranteed by sales through OTA platforms, while generating high occupancy rate and good values of the RevPAR indicator.

The following conclusions are drawn:

- not committing to OTA platforms to avoid commissions is a self-destructive practice for any hotel business, while well-balanced collaboration is the key to success.
- the only way for city hotels to balance OTA is to develop and implement ICT as a channel manager and booking engine.
- small city hotels, which are heavily dependent on OTA sales, need to be more active in communicating with OTA and try to establish price levels that can improve their financial performance.

The impact of OTA on city hotels is complex and multifaceted, and the correlations found in the study need to be explored in more detail by addressing a larger number of hoteliers in order to create new strategic business solutions.

## **7. Restrictive conditions of the study**

During the development of the dissertation some difficulties and limitations of different nature were identified:

➤ Only large online travel agents and those included in official statistics such as Bookng.com, Expedia, Tripadvisor, Ctrip, HRS, Hostelworld are considered, while much smaller OTAs remain unexplored due to lack of information about them.

➤ The conducted empirical research reflects the situation, positions and attitudes of city hotels specifically in Bulgaria, therefore the results cannot be perceived as universally valid worldwide. A broader study of the hotel business in other countries, taking into account additional factors such as political conditions and cultural differences, would provide more comprehensive results from which to draw general conclusions about the participation of hotels in online booking systems.

The survey reported problems related to the lack of research aimed at the analyzed area, refusal of respondents to participate in the survey, lack of summary and structured statistical information about the hotel and online travel agents in Bulgaria and the world as a whole.

## **II. STRUCTURE AND CONTENT OF THE DISSERTATION**

### **1. Structure of the dissertation**

The present dissertation is structured in accordance with the main goals and objectives, the chosen subject and the object of research. Its volume is 307 standard pages, computer-typed text, of which 39 pages are applications. Structurally, it consists of an introduction, three chapters, a conclusion and twenty-eight annexes. The bibliographic apparatus of the work is presented on 22 pages at the end of the development and includes as follows: 413 information sources, of which 33 in Cyrillic, 342 in Latin and 38 Internet sources. The numbers of the figures and tables in the abstract correspond to those in the dissertation.

### **2. Content of the dissertation**

**List of abbreviations used**

**List of tables**

**List of figures**

**List of applications**

**Introduction**

**Chapter one. Theoretical framework of the hotel-online travel agency relationship**

**1. Features of the organization of activities in the hotel industry**

1.1. Origin and specific features of the hotel service

1.2. Classification of hotels

1.3. Distribution of hotel product

2. Development and trends in tour operator and travel agency activities

3. Theoretical foundations for the organization of marketing communication between travel agencies and the hotel in an online environment

3.1. Central Reservation Systems - CRS, Global Distribution Systems - GDS, Online Travel Agents - OTA

3.2. Social Networks, Sharing Economics and Millennials Generation

## **Chapter two. Methodology for analysis and assessment of the impact of online travel agencies and online reservation systems on the strategic opportunities for hotels**

1. Criteria for analysis and assessment of the impact of OTA and online reservation systems on the strategic capabilities of the hotel

1.1. Criteria for choosing OTA from the point of view of the hotelier

1.2. Criteria for positioning hotels in OTA platforms

1.3. Factors determining the relationship hotel - OTA

2. Methods for analysis and assessment of the impact of online travel agencies and online booking systems on the strategic capabilities of the hotel

2.1. Correlation analysis

2.2. Regression analysis

3. Modeling of the marketing communication between the travel agencies and the hotel in the conditions of online environment

3.1. The TOE model - technology, organization, environment

3.2. The Value Chain Model

3.3. Porter's model for the 5 forces

3.4. Strategic management in the context of the hotel - OTA relationship

## **Chapter three. Applied issues related to optimizing the effects of the impact of OTA and online reservation systems on hotels strategic opportunities**

1. Analysis and assessment of the impact of OTA and online reservation systems on the strategic capabilities of city hotels in real conditions

1.1. Statistical dimensions of the hotel sector in Bulgaria

1.2. Problems of the development of the hotel sector in Bulgaria in the context of dealing with online travel agencies

1.3. An empirical study of the impact of OTA on city hotels

1.3.1. Research methodology

1.3.2. Descriptive hundred statistics and analysis of results

1.3.3. Dispersion analysis of dependencies in the study

1.3.4. Correlations and linear regression analysis of dependencies

1.4. Conclusions related to the main hypothesis of labor

2. Design of a model for optimizing the effects of the influence of online travel agencies based on research data

3. Bulgarian united hotel online portal (BUHOP)

4. General conclusions and recommendations for the cooperation of city hotels in Bulgaria with online travel agencies

**Conclusion**

**References**

**Applications**

### **III. SYNTHESIZED EXHIBITION OF THE DISSERTATION**

#### **First chapter THEORETICAL FRAMEWORK OF THE RELATIONSHIP HOTEL - ONLINE TRAVEL AGENCY**

The first chapter discusses the theoretical aspects of the relationship hotel - online travel agencies and the essence of the development of these units in the tourism market.

Paragraph 1 provides an analysis of the peculiarities of the organization of activities in the hotel industry. The origin of the hotel service, the classification of the hotels and the particularities in the distribution of the hotel product are considered. After a short description of the development of the hotel industry worldwide, the dissertation focuses on the classifications and definitions of hotel and hotel business. Definitions and opinions of scientists in the field of tourism on the essence of the term hotel business are given.

Examining the classification of hotel enterprises, several types of hotel classification systems are found worldwide and the lack of a unified global system for assessing the quality of hotel services is highlighted. Several studies on this topic reveal that the classification category in the hotel sector is an indicator of price rather than quality. The mass penetration of online rating systems such as Tripadvisor, Google, Booking.com, Holiday check and others, providing a stage for customer feedback on hotels` services and products, suggests that these rating systems should be included in the criteria for determining of the hotel categorization. Branding is another modern form of ensuring the quality of services in the hotel industry.

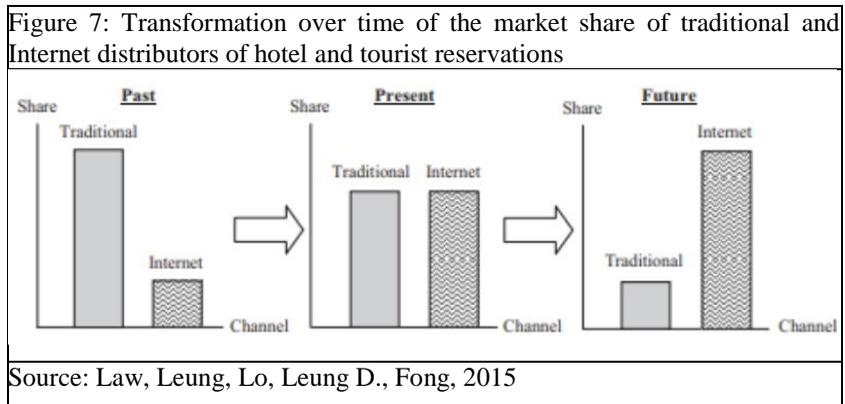
Sub-item 3 of Paragraph 1 deals with the distribution process of a hotel product and provides definitions for this process. The distribution or sale of a hotel product is the basis on which hotel managers set out to get the most out of the business they run. The schemes and systems for

distribution in the field of hospitality are described and the way in which the intermediary significantly reduces the channel transactions both for the producer and for the consumer is revealed. The distribution system of the modern hotel site uses many channels and mainly consists of online travel agencies (OTA), corporate tour operators and travel agents - using the web space, Global Distribution Systems (GDS), switches - software connection and availability management systems between hotels and online distributors, Destination Marketing (Management) Organizations (DMOs), web browsers and other search engines. Direct distribution channels, such as telephone, mail, fax, on-site reservations remain in the background. Fees and commissions paid by hotel companies to intermediaries in the distribution process are presented in Table 4 of the dissertation.

Deriving from the opinions, statistics and analyzes of researchers on the subject can not be drawn an unambiguous opinion which distribution channel is better for hotels. One group of scholars argues that OTA should be the main source of hotel reservations, as they provide greater visibility and contribute to greater competition and, consequently, better quality of services offered. While a second group of researchers argued that hotels should intensively develop their reservation modules on their websites in order to accept more direct reservations.

Tour operators and travel agencies, as the main channel for marketing of hotel product are discussed in Paragraph 2 of the first chapter of the dissertation. Travel agencies mainly play the role of intermediaries in the realization of a tourist product and do not create it themselves. In real tourism practice, the travel agent is the link between carriers, hoteliers and owners. Looking at the different classifications of travel agencies worldwide, we divide them into traditional – brick and mortar (working in live contact with the client) and online travel agencies. It can be concluded that the horizon for the development of the traditional travel agent is very narrow and efforts must be focused on certain segments in order for the business model to survive. The

conclusions are that the development of the modern tourism industry requires the existence and maintenance of a network of not many, but quality and well-segmented traditional travel agents. The opinion of Law et al. (2015) that internet travel agents and traditional travel agents are in equal positions nowadays, and gradually the influence of OTA is increasing at the expense of traditional travel agents stands out in the foreground. This fact encourages traditional travel agents to invest and enter the online market of modern e-travel agents. The current situation (as of 2015) and the expectations for the future of the market of tourist products and services are illustrated in Figure 7:



The processes of development of the intermediary market in the field of tourism have been developing dynamically in recent years. In Table 10 are presented arguments for the disintermediation and against the disintermediation of traditional travel agencies in the sector.

Table 10: Pros and cons of the disintermediation of travel agencies

| <b>Arguments for the elimination of TA from the distribution chain</b>   | <b>Arguments against the elimination of TA from the distribution chain</b>  |
|--|---|
| <ul style="list-style-type: none"> <li>✓ The added value of travel agents is currently small due to the fact that they operate mainly in the form of reservation offices</li> <li>✓ Travel agents find it difficult to process the information and this makes reservations difficult</li> <li>✓ Travel agents are biased in making business decisions in favor of tour operators offering higher commissions and in favor of domestic partners</li> <li>✓ Informed tourists with more experience than travel agents;</li> <li>✓ Preparation and organization of a trip without a visit to an intermediary;</li> <li>✓ Commissions definitely increase the cost of the trip.</li> <li>✓ Poorly trained and qualified staff at the expense of improving IT and reservation systems;</li> <li>✓ The technology allows the user to perform most of the actions of his reservation from the chair in front of the computer</li> <li>✓ Increasing the share of individual trips and vacations organized by consumers;</li> <li>✓ Flexibility and wide choice of travel, tourism and leisure services offered by electronic (virtual) intermediaries;</li> <li>✓ Occupying free market niches from specialized web portals;</li> <li>✓ Reprogramming and restructuring of tourism activities and the tourism industry in general</li> <li>✓ Easier sale directly from a supplier</li> </ul> | <ul style="list-style-type: none"> <li>✓ Travel agencies are professional travel advisors</li> <li>✓ Objective need for specific and expert knowledge of travel agents;</li> <li>✓ Diverse, difficult to use by consumers and expensive for the individual. acquisition of technology;</li> <li>✓ Many users of travel services are not well acquainted with the Internet and do not have good computer skills</li> <li>✓ Travel agents give free advice and add value to the tourism product through specialized consultations, opinions and assessments</li> <li>✓ Increase in the cost of electronic intermediary services - higher commissions for reservations</li> <li>✓ Travel agencies can achieve a better price for a product or service by using multiple suppliers or by buying wholesale packages at low prices</li> <li>✓ Travel agencies offer human contact, which is indispensable in many cases</li> <li>✓ Customer uncertainty caused by insufficiently reliable transactions on the Internet. Some users do not agree to share bank information and card numbers online</li> <li>✓ Travel agents are responsible for arranging travel formalities for the client and cover any damages.</li> <li>✓ Customer uncertainty related to the actual existence of a particular hotel service provider or simply the individual currently representing it. On the other hand, the travel agent</li> </ul> |

|   |   |
|---|---|
| without unnecessary details and commissions | provides a verified supplier of a tour product. |
|---|---|

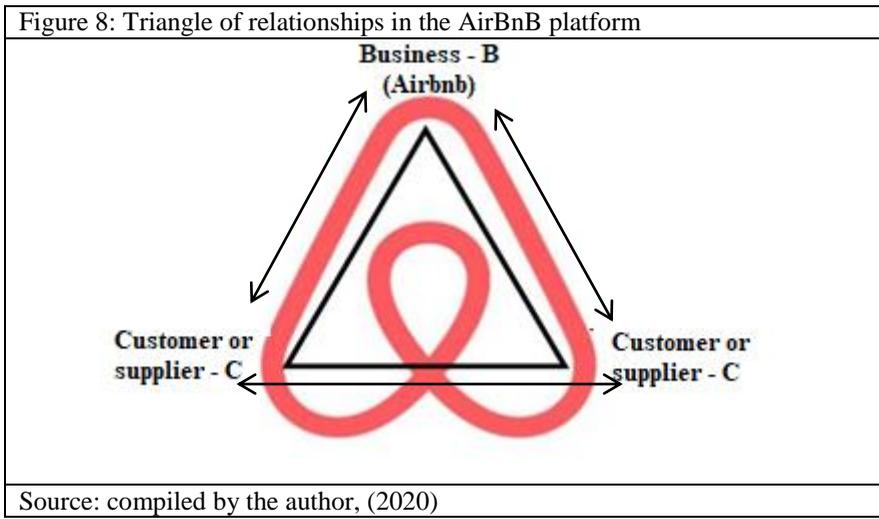
Source: adapted from Buhalis (2003) and Kazandjieva (2013)

Table 10 does not outline unanimous conclusions about the need or not for intermediaries in the process of making hotel reservations, which leads to the conclusion that mediation is not the current trend in the development of hotel reservation systems. Factors that give intermediaries an advantage over direct sales channels for hotel products are: professional attitude, variety of holiday offers, security of reservations, service standards, brand name, price level, additional features and options when making reservations, better knowledge of the market, real customer feedback and others. These advantages of travel agencies, traditional or electronic, lead to the conclusion that the process of disintermediation is not relevant, but on the contrary - we are witnessing a process of enhanced intermediation,

The conclusion of scientists in this field is that the coexistence of traditional and online travel agent will lead to many benefits for consumers, avoiding excessive concentration of market power in only one segment of the market of tourist reservations. Although the predominance of online hotel product marketing channels is gaining momentum and creating new market conditions, traditional intermediaries will remain an important complementary element to meet the requirements of more specific user groups.

Paragraph 3 of Chapter One of the dissertation deals with the marketing communication between travel agencies and hotels in the online environment. The principles of e-commerce are considered and the models of communication are highlighted. It was concluded that the implementation of e-commerce in business has a positive effect on both customers and merchants, because they make financial transactions online without having to seek direct contact and thus business processes are easier, faster and with less additional costs. Considering examples from the shared economy in the field of tourism, the model of the Airbnb platform is indicated. A triangle of consumer-business

relationship is formed, which regulates, supports and encourages the relationship between accommodation providers and tourists. This form of cooperation between users and business takes place entirely in the digital space, and sometimes even the supplier and the consumer (users) do not have direct personal contact. Figure 8 illustrates the relationships within the Airbnb platform.



In sub-item 3.1. of Chapter One are considered the Central Reservation Systems - CRS, Global Distribution Systems - GDS and Online Travel Agents - OTA. The central reservation system - CRS, which hoteliers know today dates back to the 50s of the 20th century, when after occasional meeting of the CEO of American Airlines and representatives of "IBM" decided to develop such a system (Lulla, 2018). This system is called SABRE (Semi Automated Business Research Environment) and represents a major advance in the design of computer systems for its time (Sheldon, 1997). In the 1960s, the first

computer (central) reservation systems in the field of tourism began to operate, and hoteliers started using such systems a decade later.

Until the early 1990s, no computer reservation systems were developed in Europe that were available for use by travel agencies (Truitt et al., 1991). At a later stage, the two European systems Amadeus and Galileo appeared, as well as the Asian Abacus, conceived as computer reservation systems that evolved into Global Distribution Systems. In the process of development, reservation systems (CRS) have become Global Distribution Systems (GDS), which over time merge and unite gradually to form comprehensive systems of global coverage and reservations in various areas of tourism. Today, four companies dominate the global GDS market: Amadeus, Travelport, the Chinese national system TravelSky and Sabre, the primary source for the development of these systems (Skift.com, 2017). According to Buhalis and Licata (2002), GDS should not be seen as a distribution channel, but as a stimulus to ensure interconnection between suppliers and travelers. They support the thesis that the GDS will become the "backbone" of modern tourism distribution, supporting electronic intermediaries in tourism through its distribution mechanism. In addition, the authors anticipate the consolidation that is taking place today, leading to a reduction in the number of global distribution systems to form the big three consisting of the following companies for global distribution of tourism products:

1. "Amadeus" - based in Europe, this GDS occupies over 43% of the global market (McDonald M., 2016), concentrated mainly in air transport at the expense of the hotel market.

2. "Sabre" - with a market share close to that of Amadeus, and its sales are more proportionally distributed between the hotel and air transport market. More than 200,000 hotels use this network, based in Texas, USA. While Asia and the Pacific is served by Abacus, a system previously acquired by Sabre.

3. "Travelport" is a company that brings together its predecessors Galileo, Worldspan and Apollo. With offices in the United States and

the United Kingdom, it provides a variety of travel services on all continents.

In addition to the above GDS Travelsky dominates in N.R. China, a national distribution system serving mainly Chinese and international corporate clients.

Online travel agents give hoteliers the opportunity to present and promote hotels, which is especially important for independent hotels and at the same time it's an expensive process, thus attracting new customers and increasing revenue. This process involves the payment of a commission, which often reaches 30% of the room price (Feinstein, 2018) and conditions that often limit the pricing policy of hotels.

The main OTAs on a global scale are described, including:

1. Booking Holdings - with reservations worth over \$ 92.7 billion in 2018 Booking Holdings is a world leader in travel services.

2. Expedia group - founded as a division of Microsoft in 1996. Well-known platforms of the company are: Hotels.com, Trivago, Homeaway, Orbitz, Travelocity, Vrbo and others.

3. TripAdvisor is the world's largest travel platform, helping more than 490 million travelers organize their travel each month. The company's most popular platforms are bookingbuddy.com, flipkey.com, housetrip.com, oyster.com, seatguru.com, viator.com.

4. Ctrip - founded in 1999, the company is based in Shanghai and is one of the largest travel companies in the world operating mainly in the Chinese market, owns travel sites Trip.com and Skyscanner.

5. HRS Group - a German travel company with stronger positions in Germany, Austria and Switzerland. Owner of the platforms HRS.de, Hotel.de, Tiscover.

6. Airbnb - founded in 2008 in California, the company operates on the principle of sharing economy - users of the platform can rent their property to other participants in the platform or they can participate in the role of customers.

7. Hostelworld Group - concentrated in the hostel accommodation market, its better known platforms are Hostelworld, Hostels.com and Hostelbookers.

In addition to the above companies, there are hundreds of OTAs worldwide that operate in different countries and have a small market share. One of the reasons for the rapid spread of OTA and the great interest in hotels participating in their platforms is the so-called "billboard effect" (Starkov, 2011). The billboard effect brings benefits to hotels such as greater visibility on OTA sites, which in turn leads to more bookings via the hotel's website.

In point 3.2. of the first chapter of the dissertation social networks, the sharing economy in tourism (Airbnb) and the "Millennium Generation" are observed. The main tool for influencing social networks on the Internet is called e-WOM (e Word Of Mouth), a term that can be used for online word-of-mouth sharing. E-WOM is defined as any positive or negative statement made by a potential, current or former customer about a product or company that is available online to many people and institutions (Hennig-Thurau et al., 2004). Information that is disseminated completely freely and unrestrictedly on social networks affects the cognitive abilities, feelings and behavior of users.

Summarizing the opinions of experts and scientists in the field of tourism, we can say that the loyalty programs of companies in the tourism sector are evolving as the choice of the modern consumer expands and becomes more complex, influenced by e-WOM and social networks available online from any mobile device connected to the global Internet. To develop a successful business in the modern tourism sector, a company must create a synergy of several elements, including: digital marketing approach, including all components of e-business and participation in social networks, encouraging active e-WOM, visibility in online distribution channels such as GDS and OTA, as well as development and maintenance of communication systems with loyal customers and business partners.

## **Chapter Two**

### **METHODOLOGY FOR ANALYSIS AND ASSESSMENT OF THE INFLUENCE OF ONLINE TRAVEL AGENCIES AND ONLINE RESERVATION SYSTEMS ON HOTELS` STRATEGY**

The research was carried out using selected scientific tools, through which the collection, systematization, processing and analysis of the necessary information from various sources - national, local and international. Examining the research in the field of hotel-online travel agent relations, a selection of articles was made focusing on different methodologies and approaches to research the problem.

In sub-item 1.1. of Chapter Two are discussed the criteria for choosing an OTA from the hotelier's point of view. Hotel managers are faced with the complex but sometimes very obvious decision of where and how to deploy their vacancies for sale. In the modern market mechanism, it is easy to find the best localized and reputable online travel agents who are ready to advertise and promote the hotel product, albeit in order to maximize profits for their own company. The opinion of Inversini and Masiero (2014) that the commission paid to OTA is not as important as the popularity and importance of the platform in the Internet space, as well as its marketing effectiveness and resourcefulness is fully relevant in the current market stance.

However, regardless of the nationality of the platform, large online companies such as Expedia group and Booking Holdings occupy the lion's share of sales and preferences of travelers in many countries, a fact outlined in studies by Schegg (2018), Melinas (2017), EU commission (2017), Bonazzi & Schegg (2016), Martin-Fuentes & Mellinas (2018) and others. In general, the criteria for selection of OTA by hotel managers are systematized as follows:

- Popularity of OTA
- Amount of commission paid to OTA
- Practical and easily accessible platform interface
- Nationality of the platform

- Multilingual platform
- Market share of OTA
- OTA's market orientation towards a certain segment of tourists who visit the respective type of hotel
  - Compatibility of OTA with the hotel's PMS system and the channel manager software
  - Providing marketing analysis and in-depth sales statistics through the OTA platform.

In sub-item 1.2. of Chapter 2 are set out the criteria for positioning hotels on OTA platforms, using Booking.com's algorithm. In order to rank and order the hotels on its platform, Booking.com has created an algorithm of conditions and criteria that sets the position of each hotel on the web platform of the online travel agent as follows:

- Rating of customer reviews on a ten-point scale, but in the range of 2.5 to 10, with 10 being the maximum.
- The amount of commission paid by the hotel, as the minimum commission on Booking.com is 15%, and in some cases reaches almost 30% (HotelRez, 2019; Gursoy D., 2017). Booking.com "encourages" hotels to pay a higher commission in order to be treated as "preferred partners".
  - The "genius" program that encourages hotels to offer discounts for regular users of the OTA platform.
  - Competitive prices compared to other platforms - the "best price" clause.
  - Contingent of rooms offered on the site of the platform.
  - Number of reviews is a criterion that, together with the average rating of the reviews, that is extremely important for the popularity and ranking of hotel sites on the Booking.com platform.
  - Number of canceled reservations is a criterion that also affects the ranking of hotels on the platform.

In sub-item 1.3. of the second chapter are described the factors determining the hotel-OTA relationship. In order to find out what factors are behind the success of a cooperation between a hotel and an

online travel agent, a list has been compiled, which lists the most important of them:

- 1) Percentage of bookings received through OTA in the total number of hotel bookings.
- 2) Amount of the commission fee.
- 3) Popularity of OTA.
- 4) The number of distribution channels a hotel uses.
- 5) Location of hotels.
- 6) Size of the hotel site.
- 7) Categorization of the hotel.
- 8) Rating and reviews for the hotel on the Internet and on OTA sites.
- 9) Own website and the presence or absence of own online reservation system.
- 10) Personnel engaged in communication with the OTA and qualification of this staff to cope with the tasks.
- 11) Service, staff attitude.
- 12) Seasonality.
- 13) Hotel occupancy.
- 14) Presence of loyal customers, contracts with traditional tour operators, business customers.
- 15) Stage of the life cycle of the business unit, period of existence.
- 16) Superstructure of the site, completeness and complexity.

Point 2 of the second chapter describes the methods for analyzing the empirical data from the study. In order to find interdependencies between hotels` indicators such as occupancy rate, category, number of rooms, number of OTAs used, share of OTAs in the total number of bookings, Booking.com rating and accommodation price, correlation and linear regression analysis were used.

In point 3 of the second chapter are set out theoretical models and strategies in the context of the hotel - OTA relationship. Modeling relationships and connections on the hotel-travel agency axis in an online environment is a dynamically evolving and changing process.

For the purposes of the dissertation are used the TOE - technology, organization and environment, the value chain model and the model of the five forces of Michael Porter. The synergy of these three models was used to build a theoretical model to describe the hotel - OTA relationship, as well as to provide guidelines for strategic development.

### **Chapter three**

## **OPTIMIZING THE EFFECTS OF THE INFLUENCE OF OTA AND ONLINE RESERVATION SYSTEMS ON HOTELS` STRATEGY OPPORTUNITIES**

In the third chapter of the dissertation the attention is focused on the results of the empirical study of the hotel - OTA relationship. In sub-item 1.1. the statistical dimensions of the hotel sector in the country are considered. Based on data from the NSI and the Register of Accommodations, detailed data on the number and categorization of accommodations in the country are displayed. The conclusion made is that in Bulgaria prevail low-category hotels with an average capacity of about 25 rooms. Using as a basis a study of the Institute of Market Economics (IME, 2018), the general population of the study consisting of 767 hotels is formed.

In sub-item 1.2. are considered the issues of the development of the hotel sector in Bulgaria in the context of the relations with the online travel agencies. Stated is the reluctance of many owners to implement ICT (information and communication technologies), their lack of awareness of opportunities for cooperation with some travel agents, ignorance of the difference in commissions of OTA and traditional travel agents are obstacles to the development of some hotels.

In sub-item 1.3. of the third chapter are presented the results of the research, based on a questionnaire consisting of 46 questions (Appendix 1 of the dissertation) and sent to the researched hotels. The sample is formed of 104 fully completed questionnaire forms. The

obtained sample was formed using a random irrevocable selection, that represents about 14% of the general population of hotels in the urban areas under consideration. Table 25 presents the main characteristics of the respondent hotels. The data in Table 25 are based on questions 1, 2 and 4 of the questionnaire. Most hotel respondents stated "business travelers" as the main contingent of guests in response to question 3 of the questionnaire.

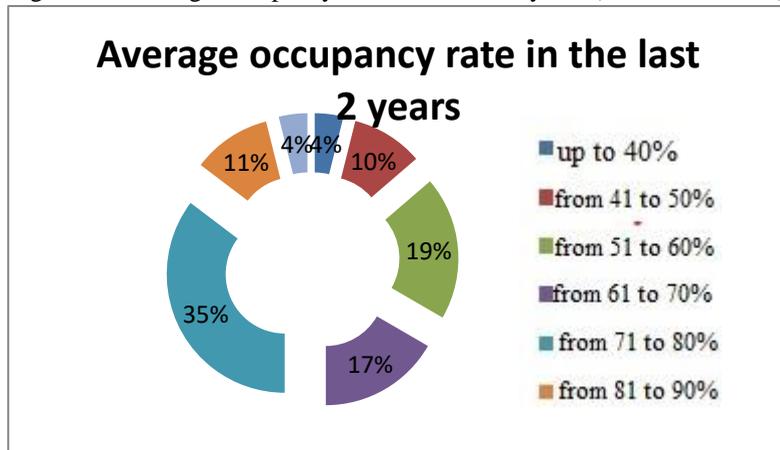
Table 25. Characteristics of the hotels in the sample

| Category             | Distribution |       | Number of rooms | Distribution |        | City where the hotel operates        | Distribution |        |
|----------------------|--------------|-------|-----------------|--------------|--------|--------------------------------------|--------------|--------|
|                      | Number       | %     |                 | Number       | %      |                                      | Number       | %      |
| 1 star               | 7            | 6.7%  | up to 10 rooms  | 19           | 18.27% | Up to 100,000 inhabitants            | 23           | 22.1%  |
| 2 stars              | 28           | 26.9% | 11 to 29        | 52           | 50%    | From 100 to 200 thousand inhabitants | 20           | 19.23% |
| 3 stars              | 42           | 40.4% | 30 to 49        | 14           | 13.46% | From 200 to 500 thousand inhabitants | 49           | 47,12% |
| 4 stars              | 22           | 21.2% | 50 to 99        | 9            | 8.65%  | Over 500 thousand inhabitants        | 12           | 11.54% |
| 5 stars              | 5            | 4.8%  | 100 to 150      | 4            | 3.85%  |                                      |              |        |
|                      |              |       | over 150 rooms  | 6            | 5.77%  |                                      |              |        |
| <b>Average value</b> | <b>2.9</b>   |       |                 | <b>37.67</b> |        |                                      |              |        |

Source: compiled by the author

The fifth question aims to reveal the average occupancy rate for the last 2 years (before COVID - 19) of hotels, as it is an average of 67% for city hotels in Bulgaria. Figure 18 presents more detailed data on the occupancy of the respondent hotels, noting that 35% of hoteliers indicate an occupancy rate of 71% to 80% for the accommodation they manage.

Figure 18. Average occupancy rate for the last 2 years (before Covid-19)



Source: compiled by the author

Questions 6 to 12 focus on two of the main tasks of the study, and they are: establishing the level of OTA sales into the hotel sector in the country and the readiness of hotels to use their own reservation systems combining PMS, Channel manager, Booking Engine, CRM in a complete and efficient system. The main sources of reservations are "Reservations by phone" and "Online tour operators", while in the background are "Reservations by email or through the hotel website" and "Traditional tour operators". Almost 60% of respondents use 1 to 2 OTA intermediaries in the distribution process, with the average share of sales through OTA being 27.5% in Bulgaria. The main online platform for hotel reservations is Booking.com, used by as many as 98.1% of respondents.

To get a clear idea of how hotels sell their product and how they use the available information and communication technologies, we consider question 7 in Table 28.

Table 28. Which of the following digital technologies do you use in your business?

| <b>ICT used</b>  | <b>Percentage</b> | <b>Number</b> |
|--|-------------------|---------------|
| Own website  | <b>94%</b>        | <b>97</b>     |
| Social networks profile  | <b>75%</b>        | <b>77</b>     |
| PMS reservation management system  | <b>54%</b>        | <b>56</b>     |
| "Booking engine" - a module for direct reservations on the hotel's website | <b>44%</b>        | <b>45</b>     |
| Channel manager  | <b>16%</b>        | <b>16</b>     |
| CRM customer relationship management system                                | <b>4%</b>         | <b>4</b>      |
| Chatbot and / or digital receptionist                                      | <b>3%</b>         | <b>3</b>      |

Source: compiled by the author

The table shows that 94% of respondents have their own website and 75% use a social networks profile, while the few hotels that do not have their own website use their profile on social networks and especially Facebook. Although only 6% of the respondents do not have a website, they have a fairly high share of sales through OTA platforms - 39.3%, with an average of 27.5% for all respondents in the sample. It is noteworthy that only 16% of urban hotels use Channel manager technology, which is extremely low compared to the average percentage of hotels using Channel manager in Europe - 56%, according to a 2020 survey of prof. Roland Schegg.

Question 12 "What is your rating score from guest reviews on the Booking.com portal?" Forms an average score of 8.6 on a ten-point scale. The average rating of city hotels in Bulgaria on Booking.com completely coincides with the average rating of hotels in Barcelona according to a study by Aznar, Pous and Sayeras (2020).

The second part of the questionnaire contains 10 positive and 10 negative statements, which the respondents have to rate on a scale from 1 to 7, as well as three more questions:

“32. Is there a difference between the commission you pay to the online travel agent and the standard travel agent? “;

“33. What is the price range for single room per night in your hotel? “;

„34. What is the reason why you do not have your own system for accepting direct online reservations on your website?“.

Question 32 clearly shows that according to 62% of the respondents the commission paid to OTA is higher than that charged by traditional travel agents and tour operators. The average price per single room for the city hotels is BGN 72, and 41% of them use their own system for accepting direct online reservations on their website. According to the respondents, the positive impact of OTA on the business performance of city hotels is described by the four statements: "OTA helps increase hotel occupancy", "OTA increases customer base - attracts new customers", "OTA provides greater online visibility" and "OTAs help in increasing last-minute sales and in periods of low occupancy." On the other hand, two stronger negative statements stand out: "OTAs charge a high commission rates" and "OTAs increase competition in the sector".

The third part of the survey examines one of the main ideas set out in the study, and it is the creation of a national portal for online hotel reservations at the Ministry of Tourism. This part of the questionnaire examines the respondents' opinion on the possibility of participating in the Bulgarian United Hotels Online Booking Reservation Platform (BUHORP), as well as the provision of "booking engine" and "channel manager" for each hotel on this platform. 89.5% of the respondents in Bulgaria want to participate in the "United national reservation portal of hotels" in Bulgaria. Evaluating 5 positive and 5 negative statements, concerning the participation in the national reservation portal, the positive statement "A national reservation portal would be both an advertisement and a source of income for the hotel business and the country" stands out. The negative statements "the state will not cope with the maintenance and introduction of an online reservation portal"

and "foreign tourists will not use the Bulgarian national reservation portal because they do not know it and use other platforms" stand out. Question 41 "If you had your own online reservation system, would you set prices for your services lower than those you offer on your online travel agent's platform?" divides respondents into two almost identical groups, with 47.6% setting lower prices for overnight stays in the own reservation system than in the OTA platform,

In subsection 1.3.3, a dispersion analysis of the dependencies in the study is performed and the following more important dependencies found in this part of the study are derived:

- The price of the room in the surveyed hotels shows a statistical dependence on the utilization of a "booking engine" on the website of the hotel and the use of "channel manager" to manage the distribution channels for hotel products.

- The share of sales made through OTA intermediaries shows a statistical dependence on the main source of reservations: being the OTA channels or reservations made by phone.

- A positive answer to the question "Would you set a price in your reservation system lower than the one you offer on OTA platforms?" is statistically dependent on the share of sales through OTA channels. Hotels that sell large volumes through OTA intermediaries want to offer lower prices on their online reservation system.

- The number of OTA intermediaries used is statistically significant depending on the category of the hotel and the utilization of a "channel manager".

- The hotel's rating on Booking.com shows statistical dependence on the main source of reservations and whether the hotel uses Channel Manager technology.

- The use of Channel Manager technology has shown numerous statistically significant dependencies, but the most pronounced of them are the correlation with the share of sales through OTA intermediaries,

the rating on Booking.com, the number of OTA intermediaries used and the availability of "booking engine" on the website of the hotel.

In sub-item 1.3.4. "Correlations and linear regression analysis of dependencies" are considered dependencies between indicators represented by quantitative values. The main observed correlations are outlined and the strength of their interconnectedness is assessed:

➤ Category - number of rooms ( $r = 0.441$ ,  $p < 0.001$ ), category - price per room (significant dependence,  $r = 0.668$ ,  $p < 0.001$ ), category - RevPAR ( $r = 0.596$ ,  $p < 0.001$ )

➤ Number of rooms - price per room ( $r = 0.378$ ,  $p < 0.001$ ), number of rooms - RevPAR ( $r = 0.340$ ,  $p < 0.001$ )

➤ OTA share - Booking.com rating ( $r = 0.412$ ,  $p < 0.001$ )

➤ Booking.com rating - room price ( $r = 0.373$ ,  $p < 0.001$ ), Booking.com rating - RevPAR ( $r = 0.333$ ,  $p < 0.001$ )

➤ Price per room - number of OTA ( $r = 0.292$ ,  $p = 0.003$ )

In order to verify the reliability of the above correlation coefficients, an individual linear regression analysis is used for each pair of indicators, as well as multiple linear regression analysis for some combinations of predictor factors. The clearly expressed and statistically significant linear regression dependences are outlined:

➤ The dependent variable "price of rooms" depends moderately on the predictor "number of rooms" ( $R^2 = 0.143$ ), on the "Booking.com rating" factor ( $R^2 = 0.139$ ) and on the combined influence of "number of rooms" and "number of OTAs used" ( $R^2 = 0.202$ ).

➤ The share of sales through OTA channels shows a moderate dependence ( $R^2 = 0.170$ ) on the factor "Booking.com rating".

➤ The "Booking.com hotel rating" as a dependent is statistically significantly influenced by the "share of OTA" ( $R^2 = 0.170$ ), the "price of the room" ( $R^2 = 0.139$ ) and shows a strong dependence ( $R^2 = 0.366$ ) on the combined influence of the three predictors "number of hotel rooms", "OTA share in sales" and "price of the hotel room".

➤ As a dependent variable, RevPAR has a statistically significant moderate linear regression ( $R^2 = 0.159$ ) on the combined influence of the two factors “number of rooms” and “number of OTAs used”.

In point 1.4 of the third chapter are outlined conclusions related to the main hypothesis, such as the fact that online travel agencies are sufficiently established in Bulgaria and occupy a significant and increasing share of the hotel product market. Over a quarter (27.5%) of all hotel reservations take place within the online platforms of OTA. Confirmed is the micro-thesis that OTA is the main online representative of many city hotels and that these hotels need to develop and implement their own online reservation systems in order to save on distribution costs and achieve greater independence from OTA. The use of technologies such as "channel manager" and "booking engine" are the aspects in which Bulgarian city hotels lag behind and this raises the need to accelerate their technological development.

Discussing the creation of a national online portal for hotel reservations, the majority of hotel owners and managers agree that this would diversify the channels for marketing product products and would facilitate the digitalization of small and medium enterprises in the hotel industry.

In point 2 of the third chapter a model for optimizing the effects of the influence of online travel agencies based on empirical data is designed. Using the method of induction in order to find the appropriate model for cooperation with OTA, several sample models for the development of hotel facilities in Bulgaria are compiled. The leading indicator for the formation of the three exemplary models is the level of ICT penetration in the operational activity of the considered urban hotels.

Table 57. Models for hotel development in connection with ICT and sales through OTA channels

| Grouping by ICT used   | <b>Model 1</b>   | <b>Model 2</b>   | <b>Model 3</b>  |
|------------------------|------------------|--|---|
|                        |                  | Hotels that do not have a website, channel manager or booking engine | Hotels that actively use the Channel Manager and Booking Engine |
| OTA share              | 39%              | 37%  | 15-25%  |
| Category               | 1, 2 and 3 stars | 3 and 4 stars  | 2, 3 and 4 stars  |
| <b>Number of rooms</b> | <b>19</b>        | <b>29</b>  | <b>50</b>   |
| Price per room         | BGN 56           | BGN 97   | BGN 61.33   |
| Rating                 | 8.8              | over 9   | 8.5   |
| RevPAR                 | BGN 39           | BGN 65.60  | BGN 40.36   |
| Occupancy rate         | 66.1%            | 67.3%  | 70%   |

Source: compiled by the author

In order to get a theoretical idea of the amount of commission costs that hotels in the three models pay to online travel agents and the corresponding revenues they generate, Table 58 is compiled. Revenues from overnight stays on a monthly basis are calculated as the product of number of rooms, RevPAR and 30 days a month. Operating costs, the amount of the monthly commission to OTA and the monthly Net RevPAR are obtained with the following formulas:

Activity costs = 50% \* Average RevPAR (BGN 46.69) \* Number of rooms \* 30 days

Commission per month = Income from overnight stays \* Share of OTA \* commission 15% \* 30 days

$$\text{Monthly Net RevPAR} = \frac{\text{Net revenues} - \text{monthly commission}}{\text{number of rooms}}$$

$$\text{Monthly profit} = \text{Net RevPAR} * \text{Number of rooms}$$

Table 58. Revenues from hotel sales and expenses for commissions to OTA - 3 models

| <b>Indicators on a monthly basis</b>     | <b>Model 1</b>             | <b>Model 2</b>              | <b>Model 3</b>              |
|--|----------------------------|-----------------------------|-----------------------------|
| income from hotel sales                  | BGN 22,230.00              | BGN 57,072.00               | BGN 60,540.00               |
| operating costs                          | BGN 13,306.65              | BGN 20,310.15               | BGN 35,017.50               |
| <b><i>net income</i></b>                 | <b><i>BGN 8,923.35</i></b> | <b><i>BGN 36,761.85</i></b> | <b><i>BGN 25,522.50</i></b> |
| amount of commission to OTA              | BGN 1,300.46               | BGN 3,167.50                | BGN 1,830.73                |
| % of the commission on income            | 5.85%                      | 5.55%                       | 3.02%                       |
| <b><i>% commission on net income</i></b> | <b><i>14.57%</i></b>       | <b><i>8.62%</i></b>         | <b><i>7.17%</i></b>         |
| <b>monthly Net RevPAR</b>                | <b>BGN 401.21</b>          | <b>BGN 1,158.43</b>         | <b>BGN 473.84</b>           |
| <b>monthly profit</b>                    | <b>BGN 7,622.90</b>        | <b>BGN 33,594.35</b>        | <b>BGN 23,691.77</b>        |

Source: compiled by the author

In order to calculate the costs of the hotels related to its main activity, it is assumed that they incur costs per room equal to 50% of the average RevPAR (BGN 46.69) in the sample, ie about BGN 23 per room per day.

The results of the revised empirical data are presented in Table 58 and show model 1, as the most engaged in OTA, having a small number of rooms and low category rate, offering the lowest room price and respectively lowest RevPAR and low occupancy. Models 2 and 3 differ in their commitment to OTA, as well as in room price levels, RevPAR and their Booking.com rating score.

Considering the three models of urban hotel development in Bulgaria it can be concluded that each of them is applicable depending on the market situation of the destination where the hotel operates, the available capacity of rooms and the category of the hotel. Model 1 seems the most vulnerable, as hotels of this type are small companies without a website and a lack of developed ICT. These hotels often need

a skilled workforce that can implement, use and manage the necessary technologies in the hotel sector. These hotels need the assistance of qualified professionals to implement and use the necessary ICT. Often, even those with the financial ability to introduce new technologies are managed by owners who are reluctant to do so or are simply afraid to change the way they work. Model 2 hotels can be considered as an example of a successful hotel in urban conditions, based on the theoretically derived financial results. However, these hotels would feel difficult to survive in a market with low price levels. In the conditions of low hotel market prices, a model 3 hotel with a share of OTA from 15 to 25% is doing very well. This model is worth mentioning as an example of the development of a medium-sized hotel in the competitive conditions of the Bulgarian reality, especially in cities with high competition and low price levels.

Using the TOE Model (technology, organization, environment) and Porter's models of the 5 Powers and the Value Chain, as well as based on empirical data from the study, a hotel business model is formed in the light of the relationship with OTA. Combining the TOE model and applying the value chain to the hotel industry as two interconnected models, the final cost of the hotel product is formed. In the hospitality industry, the value chain model adheres to the Porter model with small features, such as the ability of companies to outsource elements in the production chain, both in the role of suppliers or partners. In this aspect is the role of OTA as an intermediary between the hotel service provider and consumers. The online travel agent takes over the distribution, marketing, and sometimes after-sales customer service. In the last decade, OTAs such as Expedia and Booking.com have been the most influential players in the value chain of modern hotels and have had a profound influence on the formation of the final margin in the hotel business.

The schematic model (Appendix 27) visualizes the way in which the value chain model flows through the TOE model in order to form an appropriate margin for each individually considered hotel site. The

influence of OTA and Porter's five market forces is taken into account, with the market power of consumers at the center. This is due to the fact that the consumer communicates with all participants in the market mechanism.

Each activity included in the value chain is related to the part of the TOE model to which it corresponds. Considering the environment as an element of the model, it can be seen in the diagram that it goes beyond the value chain and includes the influence of each of the market forces, including OTA, whether as a service provider or a competitor, seriously affects the formation of the markup (margin) of the company.

Online travel agencies, although located outside the value chain of the hotel, have an extremely strong influence on the formation of the profit margin of each city hotel and actively participate in the TOE model. OTAs provide technological development, organization and marketing, sales, and even after-sales service to many city hotels in the country, thus saving significant efforts of their managers. The goal of every hotel manager is to preserve the advantages offered by OTA and to upgrade them by creating their own distribution channels and diversifying the sources of revenue.

In point 3 of the third chapter the issue of formation of the Bulgarian United Hotel Online Portal (BUHOP) is considered, which will ensure a competitive advantage of the hotels in Bulgaria and independence from the foreign OTA. The creation of a national reservation portal, which would provide hotels with an individual reservation system and a platform for accepting reservations online without requiring fees and commissions, is a solution that would diversify the distribution channels of hotels in Bulgaria. Most small hotels do not have their own system for accepting reservations online or it is not well developed, while if such a system is provided free of charge to all hoteliers in Bulgaria - a market similar to that of large OTA platforms will be formed. The advantages and disadvantages of the introduction of the Bulgarian United Hotel Online Portal are outlined. In the aspect of the hotel-OTA relations, the conclusion is that

it would bring more positives for the representatives of the hotel business in the country.

Point 4 describes the general conclusions and recommendations for optimizing the cooperation of city hotels in Bulgaria with online travel agencies. Summarizing the presented opinions, research and empirical data, the main task of the work has been solved - outlining the opportunities for strategic development of urban hotels in Bulgaria within their relations with online travel agencies and the development of their own online booking systems. The main strategic problems facing the hotels are identified and how a certain approach in partnership with OTA can help solve them. Starting entirely from the point of view of the city hotel in Bulgaria and taking into account the peculiarities of the situation in the sector, the following practical guidelines for strategic development are presented:

1. Concentrating efforts on the development of technological and innovative products that will provide the opportunity for greater visibility in the Internet.

2. Developing own website or enriching an existing one, as well as creating hotels` own online reservation system.

3. Maintaining a high rating in online of the managed hotel and betting on the advertising budget in Google.

4. Active management of available rooms contingents and relations with OTA depending on the possibilities for improving the financial results of the hotel by limiting the cost of commissions to OTA.

5. Engaging the hotel management with more distribution channels in the form of new OTA platforms, own "booking engine" and use of "channel manager" to enable diversification of distribution channels.

6. Improving the quality of the offered hotel product in order to maintain price levels that would contribute to stable business development and strengthen the independence from intermediaries.

7. Directing efforts to business customers and creating a base of loyal customers through trade discounts and promotions for direct reservations.

8. Avoiding price competition with hotels in our destination in terms of the fact that this competition would weaken the position of most hotels involved in it (in a given destination), which will happen at the expense of the quality of services offered.

9. Target intermediaries that offer better terms and commissions than those of large OTAs such as Expedia and Booking.com. Participate in sharing economy platforms such as Airbnb and group shopping websites such as Grabo, Vipoferta and others.

10. Achieving a high level of occupancy of hotel capacity should not be an ultimate target at the expense of reduced quality and low prices of service. Higher occupancy rate does not significantly correlate with higher operating profit.

The above guidelines do not include all the opportunities for strategic development of a city hotel in Bulgaria, but in the context of its relationship with OTA are useful and important for maintaining a healthy economic silhouette of the hotel business. By adding to these strategies the opportunity to participate in a national hotel online reservation portal, a more stable basis for the development of the city hotel in the country is formed.

## **CONCLUSION**

The development of modern hotel enterprises is inextricably linked with sales through online booking systems and online travel agencies. As internationally established hegemony in the online space, OTA offers many opportunities to promote urban hotels in Bulgaria and increase their Internet visibility. Consumers of hotel services have great confidence in the brands of the big OTAs, which makes them an increasingly important and even the main source of reservations for

many hotel managers. They help hotels to improve their occupancy rate, but this does not always mean more profit for the hotel business in terms of higher commission costs and exceptional price competition within OTA platforms.

The dissertation examines the opportunities for city hotels in Bulgaria to get the most out of their cooperation with online travel agencies, using theoretical and empirical data from the study. The essence of both OTA and city hotels in this study was analyzed. The specific features of the operation of hotels and OTA in terms of operational activities, marketing, economic aspects of their activities, human resource management and product quality are studied. A generalizing image of a hotel enterprise has been formed, which would develop a successful business model with a serious engagement in the cooperation with online travel agencies. A theoretical model describing the hotel-OTA relationship is outlined through the prism of the TOE models, the value chain model and the five market forces of M. Porter. The purpose of the listed models is to present the complex nature of the hotel-OTA relationship and provide a basis for their further study in terms of creating a stable model of hotel development, ensuring partial independence of the hotel unit from sales through online travel agents.

The considered relations hotel - OTA are studied only from the point of view of the city hotel in Bulgaria and its need to create a fruitful and profitable cooperation with OTA and improve the financial and quality indicators of the hotel business in the country. Guided by the objectives of the study, the lines of a model that would ensure mutually beneficial cooperation on the OTA - hotel axis are outlined. The indicators that the hotel managers should monitor and strive to observe in order to derive a good financial effect from the cooperation with the online travel agencies, without disturbing the hotel-OTA relationship, are indicated.

Based on empirical data, the study concludes that most owners and managers of city hotels in Bulgaria would not refuse state support in the form of technology and know-how. Hoteliers in the country support the

idea of creating a national online portal for accepting reservations at the Ministry of Tourism, which would provide each hotel with a tool for accepting reservations online, without being subject to high commissions. Such a project would ensure the technological growth of urban hotels and will contribute to achieving maximum profitability and a full digital presence on the Internet.

The introduction of an online reservation system on the website of every Bulgarian hotel will give an inevitable competitive advantage to the tourist sites in the country. Hotels with their own reservation system have the ability to operate a wider range of tools to manage the distribution of hotel products and be more efficient in the work process. The dissertation outlines in detail the actions that each hotel manager must take to optimize the relationship of the hotel he manages with online travel agencies partners.

Examining the results of the empirical study reveals the involvement of Bulgarian city hotels in relations with OTA platforms, which allows to assess the economic condition of these business units. The role of OTA is outlined, which by providing greater visibility of hotels on the Internet attracts new customers and helps to increase sales at the last minute and in periods of low occupancy rate, and in general help to increase the occupancy rate of hotel businesses .

Regardless of the positive or negative influence of OTA, Bulgarian hoteliers assess their influence as reliable business partners and understand the need to maintain mutually beneficial relations. Many hoteliers want to develop their own reservation systems, realizing that this option will not exclude OTA from the overall business process of product distribution, but could only strengthen the hotel business they manage as a more equal partner. Online travel agencies and hotels need each other because they are an integral part of a common business process. From the point of view of the manager of a city hotel in Bulgaria, Booking.com in particular is a litmus test for the quality of the offered hotel product, through the consumer opinions on the OTA platform.

Despite the attempt to comprehensively study the relationship between urban hotels and OTAs in the country, the topic offers significant potential for larger studies in this area. The current study can be used as a starting point for new research and publications in this field.

#### **IV. REPORT ON THE CONTRIBUTIONS TO THE DISSERTATION WORK**

The dissertation contains scientific and applied results that contribute to the field of hotel business, with emphasis on online booking systems and relationships with online travel agencies, and more specifically on the role and importance of OTA for strategic opportunities for urban hotel development in Bulgaria.

1. The scientific knowledge regarding the role and importance of online reservation systems and online travel agencies in the context of hotel and tourism has been enriched, and the leading world trends have been studied and highlighted.

2. Exemplary models for the need of the city hotels have been adapted and strategies of hotel sales have been set within the platforms of the online travel agencies in the conditions of the Bulgarian market.

3. It is proposed to create a Bulgarian national online portal for hotel reservations, which would provide a significant advantage for city hotels in their quest to diversify their distribution channels.

4. A theoretical model representing the hotel and its cooperation with OTA through the prism of the TOE model and the value chain has been developed.

5. Recommendations have been made and guidelines have been set for the improvement of the business results of hotel enterprises in Bulgarian industrial centers, by controlling their engagement with online travel agencies.

## V. PUBLICATIONS RELATED TO THE DISSERTATION

1. **Ivanov, I. & Atanasova, I. (2019).** “Hotel reservations via online travel agency Booking.com. EU dimensions of the “best price” clause”, 2019, International Conference Innovations in Science and Education, Prague, Czech Republic, March 20-22, 2019
2. **Ivanov, I. (2019).**"Current trends in the development of hotel online reservation systems", conference on "Tourism in the new millennium - status and prospects", October 11-12, 2019. Academy of Economics "D. A. Tsenov"- Svishtov
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