Abstract: Distribution is an important element of the marketing mix and is the entire chain of activity that is required to get the product from where it was produced to where it is consumed. In general, a product or service cannot be reached directly to the customer, so there is a need for intermediaries or a distribution channel. Since industrial products are related to physical aspects and they are tangible, unlike the specifications of the tourism products which are intangible, so distribution process works in reverse. In recent years, developments in the Information and Communication Technologies (ICT) have revolutionized distribution channels. Consequently, the economic borders of the countries have abolished, resulting in sweeping changes in the management and marketing strategies of the tourism industry. From the production of tourist products and services to the marketing and destination management, and from the supply chain to marketing strategies, led to the emergence of new technical and operational structures in the modern (contemporary) system as well as neo-classical systems instead of traditional (classic) systems which have been essential for many years in distribution channels. Based on a comprehensive literature review, this study aims at the modern (contemporary) approach the roles of suppliers and travel organizations, their approach to the distribution channels and how they are influenced in the context of new business models.

Key words: Distribution systems, new business models, information and communication technologies, intermediaries, integration.

Introduction

Distribution channels aim to assist the product that is existed in the market and this is only possible by using effective and contemporary distribution channels. It is so important that producers and suppliers should aim to reduce production costs, drive up operational efficiency and increase consumer (tourist) satisfaction at each level of the supply chain. An organization of tourism within a supply chain needs to build close relationships with both upstream and downstream partners. A tourism distribution channel is an organized service system that consists of producers/suppliers, intermediaries and final customers (tourists).

Generally, there are two ways of reaching potential customers;
1- Direct Distribution: The producer/supplier sells his product without using an intermediary.
2- Indirect Distribution: Selling products through intermediaries.

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With the developments in the ICT, apart from traditional (classic) system which is used in distribution channels, modern (contemporary) and neo-classical systems as new structures have emerged.

**Traditional (Classic) Approach**

Traditional (classical) travel agencies were the main players during the implementation of the "Central Reservation System (CRS)" in the 1970s and the "Global Distribution System (GDS)" in the 1980s which were initiated by the airlines providing vertical integration with all suppliers.

In the old system, the business was mainly manual, the communication was simple, slow, inflexible, more likely to fail and the staff cost was high. The operations were depending on the knowledge and skills of the staff. The opportunity to make changes for the customers was very limited. Figure Number 1 shows Tourism distribution Mechanism.

![Figure 1: Tourism Distribution Mechanism](source)


As it is seen from the figure above, the main producers in the distribution system are the hotels, restaurants, airlines, cruise and other hospitality services. Although travel agencies and tour operators are main players of the traditional (classic) system, other suppliers like hotels are often trying to make direct sales in order to gain more profit.

The tourism product cannot be stored. Intermediaries such as travel agencies, therefore, do not hold any stock, Intermediaries have no reason to be loyal to a particular supplier and can, therefore, be influential in the purchase – the intermediary is not partial. Thus, in time, we see that the classical approach partially renewed itself. According to Stern and El-Ansary distribution in tourism is in two ways; 286

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Distribution in tourism is in two ways;
1- Main / Basic distribution, and
2- Reinforced (augmented) distribution.

Main / Basic distribution is the traditional (classical) intermediary activity and brings the seller and buyer together. Consequently, in reinforced (augmented) distribution, the travel agencies create additional value for the customers and they can offer services that other suppliers cannot provide. They also act as suppliers and provide direct consultation with customers by providing them with all kinds of information about products. In the context, the incorporation of tour operators, outgoing travel agencies, hotels and airlines is a typical example of vertical merging.

As it is shown in below figure 2.

![Figure 2: Tourism Distribution Channel Member's needs and requests](image)


You can see in figure 2; functions and features had emerged as a result of a complex relationship between distribution channel members.

However, it seems that traditional (classical) travel agencies will lose their assets by time, but some of the works, criteria, and principles, as shown above, are still being utilized in the tourism industry.

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sector. As the result of developments in the ICT, the Internet has undergone radical changes in the marketing and distribution system. So, modern (contemporary) and neo-classical agencies have gradually included in the system.

**Modern (Contemporary) Approach**

As a result of technological developments the tourism marketing and distribution system have revolutionized and have given a way to "Modern (Contemporary) Approach." Strategic, operational and tactical management of tourism organizations have dramatically changed and have played important role in the planning, production, marketing, operational, financial and distribution functions of the tourism industry.

Information and Communication Technologies (ICT) has revolutionized the Tourism marketing and distribution system and gave way to the modern (contemporary) approach.\(^{288}\) And brought e-commerce marketing. Along with the online communications and digital transformation which optimized operational processes and created new business.

Distribution channels affect tourism industries in two ways:

A- the increase and diversity of the intermediaries in direct and indirect directions,

B- the indispensable importance of online channels. Airlines, hotels, rent-a-car companies are reaching out to their customers via their online websites, so as attraction centers are also implementing the same without an intermediary.

Li and Petrick (2008) have taken the issue further and said, "In order to be able to assimilate the role of marketing in the dominant logical paradigm of marketing, we must focus on the complex networks of operations, activities, customers, and suppliers."\(^{289}\)

Goeldner and Ritchie (2009) made a different definition and said that "Distribution refers to the operation structure and system of various travel organization combinations by the producers of travel products and confirms the content of travel agreements with the consumption."\(^{290}\)

Strategic, operational and tactical management of tourism organizations dramatically changed and played important role in the planning, production, marketing, operational, financial and distribution functions of the tourism industry. Thus, tourism enterprises started to manage their communications and interaction with online systems through the external world by internet, internally by intranet and with regular partners by extranet. According to our view, the modern (contemporary) approach to distribution channels have four important elements;

1- The indispensable importance of online channels.\(^{291}\)

2- Diversification and increase of intermediaries.

3- Neo-classic agencies participating to the system, (Travel agencies that use the old and new elements together).

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4- the Classic system is partly continuing as well.

In the modern system, tour operators, wholesalers, retail travel agencies, as well as suppliers who are service providers are actively engaged in intermediation using the ICT tools wholly or partly.

**Tourism Distribution Channels in Modern and Neo-Classical Approach**

Nowadays, the clientele who are individuals, groups and organizations, provide their travel and hotel needs from online travel agencies, however, tour operators and travel agencies are not main but still important players in tourism and travel businesses. In the modern (contemporary) and neo-classical approach, suppliers (producers), intermediaries (distribution channel members) and target groups (customers) in distribution channels are listed in the following figure 3,

![Figure 3: Tourism services, distributors, and target population](source: Luiz Moutinho, Strategic Management in Tourism, CABI Tourism, 2nd Edition, UK, 2010, p. 143.)

As it is shown in the above figure, tourist services can be provided to consumers either by direct suppliers or by tour operators and travel agencies, or even by airlines, accommodation companies called cross suppliers. Travel operators can provide the necessary services from their offices (offline) or online sales systems (online). As it is shown in figure 4, interactions could take place through an offline channel or through an online channel.
Figure 4 shows direct offline & online transactions between suppliers and final customers and also showing transactions between suppliers to final consumers through the intermediaries.

**Intermediaries in Modern Distribution System**

There are many intermediaries and suppliers in tourism distribution channels. In this channel, the upstream and downstream partners need to be in a very good relationship. In the supply chain, the upper intermediaries bring together different products and services and offer to the middle and lower partners as a package tour. In this way, the products that are turned into tour packages are delivered to the final consumers (tourists) through distribution channels.\(^\text{292}\) In tourism, the terms "supply chain" and "distribution channel" are sometimes used interchangeably and both provide links between tourism suppliers and final consumers. However, the difference between them is the direction from the upper suppliers towards the intermediary is called "supply chain" and the direction towards the lower customers from the upper suppliers and intermediaries is called "distribution channel".\(^\text{293}\)


There are two kinds of intermediaries in the distribution system; 1- Tour operators (tour organizers) 2- Retail travel agencies.

It is important to know the importance of intermediaries and intermediation in the tourism distribution channel. Intermediaries include tour operators who combine two or more tourism element such as hotel booking and arranging transportation and sell it to the public. So, producers and tour operators are called "principals" Because it is not easy for a principal to have a sales office in different regions, cities or countries, they work with "Travel agencies" as the second type of intermediary to access to the market.

On the other hand, the widespread use of (ICT) is putting extreme pressure on distribution systems. This is because international Online travel agencies (OTA's) such as Expedia, Orbitz, Travelocity have entered the tourism market. In order to compete with OTA's tour operators and travel agencies not only trying to offer lower prices and are also obliged to add value to their products.

Tour operators are divided into three categories as large, medium and small according to the services that they provide. Today, major international holiday markets are dominated by large European tour operators.

**Suppliers, Strategic Dimensions, and Options of the Modern Approach**

Suppliers (producers) have to decide the most effective channel structure to fulfill the distribution task. The right decision about channel length and width should be made accurately. Channel length defines the number of channels that a supplier can reach final consumers (tourists). Multi-channel distribution is the most common application in the tourism industry.

Obviously, more channels provide more flexibility to customers and reduce the risk. Three main delivery options have been identified for suppliers as shown below:

1. **Exclusive**: The supplier should select a limited number of channels to best distribute the product and this is most appropriate for the marketing strategy plan. In exclusive distribution tourism suppliers' often give the right to distribute their products through one intermediary. For this reason, the intermediary has no other competitors and the supplier receives strong support.

2. **Intensive**: The product is brought to the highest level through all existing channels. But the main difference with the exclusive distribution channel is that the supplier is in a dominant position and intermediaries have to compete with each other in order to meet the sales targets specified by the supplier.

3. **Selective**: Distribution of the products of the supplier through a limited number of intermediaries. All three types are shown in below figure 5.


As we can see above, there are many interdependent players in distribution channels. Naturally, within the above three distribution channels, the intermediaries prefer the most exclusive form, and all of them have their own specific tasks. This may at times give rise to ideas or compromise between channel members. In the past years, opposite behaviors were exhibited among the members who tried to gain more market share and channel power. Among the distribution channel there are two main approaches; 1-Micro-economic approach, 2-Behavioral approach.

In the microeconomic approach, the operator concerns about the length of the distribution channel and how much it will cost. They want the best benefit of the operation. All options are carefully studied and financial burden and benefits are discussions around the table. The behavioral approach focuses on issues such as the behavior of the organizations in the channel, their relationships, how they compete with others, and the strengths of the channel.

Today, there are two concepts in intermediation: a- Existing intermediaries b- New intermediaries.

**B2B ve B2C**

The relationship between the two travel operators is called business to business (B2B) and the relationship between travel operator with consumer called (B2C). Communication between businesses and consumers have become much easier with the internet use. In this sense, the most important use of the internet is in the field of tourism marketing, in regards to purchasing and procurement processes as a business to business (B2B) transactions. On the other hand,
internet users will find wide use in the business world and in the coming years will have an
even more important position in commercial life. In tourism, the internet serves as a bridge
that fills the gap between customers and operators, and also allows for interactive
communication and commercialization between travel operators. Apart from B2B and B2C,
there are relations like customers to customers (C2C) business to citizens (B2C) and business
to government (B2G).

Cross suppliers in the distribution system

The option of direct sales through the internet create new opportunities for hotels and airlines
so they usually do not prefer to use travel agencies and tour operators. Indeed, many airline
companies are offering services of hotel or car rental reservations and in the same way; hotels
are also offering airline bookings, guided city tours or car rentals etc. Thus, suppliers are able
to sell their products directly via the Internet, distribute their products on a global

Integration Strategy in Modern System

In the distribution channel, each member has a particular role and functions but all of whom
dependent on their activity. In the channel relationship each member is striving to gain market
share and channel power from other. Channel power depends on the changing of the behavior
of each channel members. According to Ujma (2001), each channel member forms "Base of
power" according to the size of the company, the limits of the owners' authority and the
agreements they have made with other member firms. The companies that have the most power
in the distribution channel undertake the channel leader role. Some channel members are much
powerful that they are known as channel leader who formulates policy for the whole channel.

In this context, Mill and Marrison described three channels on the base of power.

1-Consensus: No member has any power over the others. Each company works equally for the
same goal. 2-Horizontal Integration: Horizontal integration occurs when there is a
convergence between similar types of companies in the distribution channel. For example a tour
operator deals with another tour operator, it is very common in the tour operator and travel
agency sector and such integration does not involve capital participation between the parties.
The main supplier is a strong and leader in product range and distribution. The main benefit is;
creation of purchasing power, Provide a market profile, Recognition in a wider area, More ICT
access and lower cost of ownership, Higher return per transaction.

3-Vertical Integration: Vertical integration is the degree to which a company owns its
upstream suppliers and its downstream buyers. For example, a tour operator can buy a hotel
chain or an airline company to reduce warranty costs. On the other hand, a tour operator can

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Cliffs, NJ.
buy a chain of travel agencies to protect their sales. This is called forward integration. This type of integration is still developing in retail agencies, where the independents are predominant.  

**Reactionary Strategies of the Others:**

The integration of major suppliers in distribution channels and their vertical integration with tour operators and horizontal integration with airlines, Hotels, cruise ships made non-integrated companies vulnerable and encouraged them to find new strategies to protect themselves. In this regard small travel operators have contractual cooperation with the independent Agencies they try to protect their competitiveness. This type of system which is called franchising and is widely used in the tourism industry and there is no management relationship between tour operators and travel agencies. The only relationship between them is entirely business. The measures companies take to protect themselves are:

1. Independent travel agencies set a consortium among themselves to minimize the risk of losing market share. This can give them an equal bargaining power against large integrations.
2. Independent agencies may adopt new strategies that are different from the existing market and offer consumer special services in destination selection.
3. Small agencies and tour operators can benefit by offering attractive packages called dynamic packages, which provide flexible opportunities and can quickly affect customers.
4. With bargaining power, they can get attractive prices from different hotels in destinations.

In future in the distribution channel tour operators will be divided into two different groups;  

1. Multi-national, large and vertically integrated, wide distribution, strong global network, intensive sales, but less profitable tour operators,
2- Small, adapted to market conditions, focused on specific products and destinations, fewer sales intensive but high-profit tour operators.

Of course, for both tour operators and travel agencies, their future will be determined by how successful they are in use of technological tools.

**New trends and threats in distribution**  

Tourism is a very volatile sector and every passing day facing new dynamics and threats. In future possible trends and those threats can be listed as follows;

1- **Threat of new entrants:** When new competitors entering the market with a strong force can make the work of existing travel agencies and tour operators difficult.

2- **Bargaining Power of Suppliers:** Online distribution channels offer direct sales from the suppliers to the tourists and that reduces the business relations with the travel agencies and by that distribution will be combined with multiple channels, but It will give priority to the company's own distribution channel.

3- **Bargaining Power of Customers:** Consumers can compare the prices of products and services over the internet, make reservations, change reservations, and make purchasing transaction. Because they can see different products it gives them bargaining power.

4- **Competition in the market:** in this regard; there are two different concepts;
   - Innovation will be very important to bring competitive advantage to travel operators
   - When the online channels focus more on the customer the role of consumers will be increased. the power of online systems is taken into consideration.

**Strategies developed by neo-classical agencies**

Neo-classical travel agencies effort on motivation, innovation, specialization and integration management and the products and services they offer to the tourism market that determines the customer's desire and satisfaction level both should be compatible.  

As a result, both the traditional (classical) travel agencies and neo-classic travel agencies should focus on the following activities;

1- **Workshops:** travel agencies organize workshops to promote their products both at home and abroad.

2- **Trade Fairs:** are the major marketing activities in today’s highly competitive marketplace nationally or internationally. Its aim is to create opportunities for contact and exchange discussion and information.

3- **Fam Trips:** It is a good opportunity for the participants to meet local counterparts and establish business contacts.

4- **Support for new products:** Support may be needed when products initially do not attract customer interest.

5- **Marketing intelligence:** Knowing who your competitors are, and what they are offering, can help you to make your products, services, and marketing stand out and improve your own business performance.

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Conclusion

In recent years the developments in Information and Communication Technologies (ICT) have rapidly increased. In this context, distribution systems, digital transformation and the tendency towards globalization of communication systems are also showing increasing trends. Lately, besides the internet and especially website applications, the position of social media and their relationship with the channels has come to the highest level priority. In parallel with these developments, the modern approach as new technical and operational structures appeared and the scope of classical travel agencies has narrowed, so, they will not exist if they do not adapt to the new technological developments in time.

In today's life, on one hand, the consumer became more conscious, and on the other hand, the spread of the use of ICT caused severe competition and changed the business models in the tourism industry. All stakeholders should develop their businesses according to the ICT. Suppliers created new strategies, dimensions, and options and at the same time, this caused the emergence of cross-suppliers and they gained a position in the modern system.

At the time when cards are being redistributed with this new approach, distribution channels have created new power on consensus and integrations. Due to the diversity of online channels and the increase of intermediaries, neo-classic agencies have been participating in the system and developing customer-centric products for the preferences of the customers.

Every day there are new entries in the tourism market, so the tourism enterprises have to modify their systems in order to protect themselves from the new entrants and should develop new strategies.

Ideas that seemed impossible just a few decades ago are now a reality. It seems the developments in the ICT will never come to an end. It is a fact that as a result of the continued use of technical facilities and increase in tourist needs, in the future new intermediation forms, new structures and new management styles will have occurred.

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