

Title: An Economic Analysis of the Tourism Industry- Implications of the Online Travel Intermediary

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Print Source: Chulalongkorn Journal of Economics, September 2003, Vol.15, No.3 pp.204-235

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Abstract: Informational asymmetry and fragmentation of capacity supplier in the tourist industry provide travel intermediaries with market power. Market structure is characterized by over-capacity in off-peak season, high fixed costs and low variable costs, leading to product underpricing. Forward sales of capacity at low contract prices surrender profits from consumer surplus to intermediaries enjoying oligopsony benefits. The creation of formal futures contracts in rooms and seats would permit operations to hedge demand uncertainty and retain more of the profits. Online intermediaries can serve the interests of domestic hotel operations through exploration of database to provide analytical solutions to capacity utilization and to develop demand balancing.

* The contents of this paper or in whole are entirely those of the authors and do not represent the views and opinions of Sasin of Chulalongkorn University and any organization associated with the authors. Comments are welcomed. All correspondence is directed to Pongsak Hoontrakul, Research Fellow, Sasin-GIBA, Chulalongkorn University, Sasa Patasala Building, 8th floor, Soi Chulalongkorn 12 (2), Phayathai Road, Bangkok 10330, Thailand. Private Tel.(662)954-1689; Fax: (662)954-1690; Email: Pongsak@Hoontrakul.com URL: