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Multi-Sided Platforms: Understanding their strengths and weaknesses

A qualitative study on MSP utilization within the Swedish hotel industry

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Abstract

Title: Multi-Sided Platforms: Understanding their strengths and weaknesses

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The purpose: is to investigate why small actors use multi-sided platforms (MSPs). Furthermore with the number of hotels connected to the MSP, the competition intensifies. We therefore also aimed to investigate how the actors are able to differentiate themselves on the MSPs.

Method: We conducted our study on the Swedish hotel market and the use of booking sites. We applied a qualitative case study, with primarily a deductive approach. We made three delimitations: we concentrated on online MSPs allowing users to book hotels online, and limited ourselves to the hotel market in cities. Lastly, we excluded larger hotels and hotel chains, due them having different amounts of resources and varying organizational structures.

Theoretical framework: In order to investigate the utilization of MSP we selected Porter's five forces analysis, Nalebuff and Brandenburger's coopetition, Hagiu and Yoffies theories on MSP, Katz and Shapiro, and Farrell and Klemperer's theories on network effects and externalities. To investigate the differentiation on MSP we selected Porter's theories on competitive advantages and value activities, and Barney's theory on firm resources.

Empirical data: Through a number of semi-structured interviews and an online survey we gathered information about the hotels and the hotel market.

Conclusions: We found that hotels utilize MSP because it is easy, allowing hotels to focus on their everyday activities gaining more customers. Furthermore we found that the hotels differentiation lies outside of the MSP and their possibilities to market those on the MSPs are limited and only exist in a basic form. Therefore hotels should more carefully investigate the effects of using MSPs.

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1 Introduction

The first chapter will introduce the fundamentals of this thesis in relation to the field, background, purpose and problem formulation. This chapter also includes the thesis definitions, delimitations and its disposition.

1.1 Disposition

Chapter 2 – Method :In the method chapter we introduce the reader to the research approach and how we designed our research. In this chapter we will also present how we collected our empirical data and motivate our theoretical selections. A discussion about the quality of the research will conclude this chapter.

Chapter 3 – Theory: In this chapter we present the readers with selected theories we used in order to form a theoretical framework. The chapter includes a section, that further explains how we intend to use the framework.

Chapter 4 - Empirical Data: The empirical data collected through interviews and an online survey are presented in this chapter. We further present the data collected in themes, such as “utilization of MSP”, “MSP demands” and “Differentiating on a MSP”.

Chapter 5 – Analysis : In this chapter we analyze our empirical data based on our theoretical framework. The analysis follows the same themes that are presented in our theoretical framework and the thematization in empirical data.

Chapter 6 - Conclusions, main findings and future research : In the final chapter we have answered our research questions and presented our findings. Furthermore this chapter suggests implications for business managers and MSP-providers in the utilization of MSPs. The thesis is concluded with a discussion regarding possible future research.

1.2 Background

On a daily basis we use technology and different internet solutions to come into contact with friends, family, clients, suppliers, and business partners. Internet has somehow become a way of life, not only a valuable tool when doing business. If you are in need of answers, you “google it”, or you turn to your friends through Facebook, Instagram or other social medias. When you are looking for merchandise you turn to Ebay or other local alternatives, such as Swedish Tradera for example. In more recent years, these internet phenomena have received increased attention, and have been labeled “multi-sided platforms”.

A multi-sided platform (MSP) is a business concept that allows its users to reach a wider assortment of offers, and in its most basic form, it connects consumers and producers in a simple way. This connection is a two-way street and enables businesses to develop smart ways to better connect with customers, and to showcase their goods in a more efficient way than seeking the customers out one by one. It is when an increasing number of customers are connecting through this same intermediary that the MSP increases in efficiency and becomes a true MSP and not just a regular internet search tool or a web shop. (Hagiu & Yoffie, 2009 p. 76)

A MSP creates value and benefits for both the companies that utilize MSPs and the potential consumer. For the companies it enlarges the market and for the consumers it makes it easy to find the companies that provide the products or services they are interested in. This double-sided network effect creates interesting opportunities for companies and MSPs.

The business concept to link businesses with MSPs has for a while now grown considerably, and it is very likely that its popularity is not about to decline. We daily come across situations where we make use of these MSPs, be it by paying a parking ticket or by ordering online. To be able to have access to all our wants and needs at the click of a button online has turned into a new and valuable commodity.

How we rely on MSPs in our everyday life becomes even more apparent if we look at how most of us are planning a trip. This normally means looking for the best price or deal on transportation, whether it is by ferry, train or airplane, you want the best option for you. The

same goes for how to choose a hotel and maybe also when you decide what to see, do and eat in the area that you want to visit. For those involved in the hotel industry it has become essential to use MSPs, not only in order to market themselves as a hotel, but also to use the platform as a mean to be competitive towards all other hotels in the area so as not to lose market shares. It has also become a strategic tool for hotels that lack the human or the financial resources needed to run an efficient business.

On the MSPs, customers are able to search, compare, see photos, read reviews and finally book the hotel. According to a report by Olery (2012) the amount of customer reviews is rapidly growing. This is important when 81 percent of travelers find reviews important. The report also states that 49 percent of travelers would not book a hotel without reviews. In the third quarter of 2013 the online booking for travelers (from North America) increased by 13.6 percent, compared to the same period in 2012 (Travelclick, n.d)

This simplification that the use of MSPs offers for both consumers and businesses, is of course not free of charge, and the bill most often ends up with the businesses. This raises an interesting question regarding in what way, and to what extent businesses should engage in MSP practices. We have chosen to take a closer look at the smaller hotels on the Swedish hotel market and their utilization of MSPs.

1.3 Purpose

The purpose of this thesis is to investigate why, and to what extent, small actors utilize MSPs. We further wish to extend our research to include what implications increased MSP utilization has had on actors ability to differentiate themselves within the Swedish hotel industry. We will conduct this investigation through an analysis of the state of the competition and try to see what benefits can be gained through cooperation. We will further examine what means exist of gaining a competitive advantage. We will finally investigate how firm resources and value activities are affected, and what effect the use of MSPs has on these mechanisms.

To summarize, our research questions are:

Q1: Why do small actors utilize Multi-sided platforms?

Q2: How are small actors, on the hotel market, able to differentiate themselves on Multi-sided platforms?

1.4 Problem formulation

With the rise of utilization of MSPs there has been a surge of literature promoting the use of larger and well-established MSPs. The main reasons for using bigger MSPs are attributed to the need for increased access to a bigger customer base as well as to serve the purpose of reducing transaction costs. However, existing literature, on the other hand, also suggests the use of self-created MSPs, or collaboration between smaller businesses. The advocates for this reasoning claim that this helps keep the companies in control of customer interaction, as well as it being method of decreasing ever-existing agency theory issues that arise when dealing with third parties.

Existing literature on the subject of MSPs has also been dominated by the examination of MSP providers (Cusumano & Gawer, 2002 p. 53), and not the firms employing their services and their strategic implications. Others further suggest strategies for how to use MSPs, but do not discuss activities nor firm resources and their relation to the companies using MSPs (Hagiu & Yoffie, 2009 p 74-81). Our goal is to shed light on the situation of MSP users, and more precisely analyze how MSPs affect activities and resources within the company of those who use them. This will be done by studying companies that are faced with the strategic issue of deciding what measures to take to best increase customer reach without losing bargaining power to larger, more powerful actors.

Finally, with all actors relying on the same strategies for reaching customers, what will be the basis for competition? We wish to examine the criteria further for the choices that are being made and try to explain how to make the best decisions in regards to MSP utilization.

1.5 Definitions

1.5.1 Definition of hotels

It is necessary to make a definition of the size of the hotels, since our purpose is to investigate why *small actors* utilize MSPs. For this research we define the hotels in terms of number of beds. Hotels with less the 170 beds are defined as small hotels. To be even more specific, we have made a number of delimitations, see 1.6 *Delimitations*.

1.5.2 Definition of multi-sided platforms

It is necessary to have a clear definition of what a MSP is. In our research we will follow Hagiu and Yoffie's definition of MSPs, from their article in *Harvard Business Review* (2009):

An MSP is both a platform and an intermediary. MSPs can insert themselves between you and your customers, though they don't take ownership of the goods and services whose sale they facilitate. MSPs support players that are interdependent, which creates indirect network effects. (Hagiu, Yoffie, 2009 p. 76)

Examples of MSPs are according to this definition companies such as: iTunes, Google Play, eBay, Amazon, hotels.com and booking.com.

1.6 Delimitations

Below follows the delimitations we have made to in order to be able to present a structured thesis.

1.6.1 Delimitation - Multi-sided platforms

In the previous section we stated that a MSP is both a platform and an intermediary. Such a definition however will give us an endless amount of different MSPs. Therefore we make the delimitation to only investigate *online* multi-sided platforms, which specifically allow you to book a stay at a hotel. The MSP acts as an intermediary between the consumer and hotels. A MSP will based on this delimitation be platforms such as agoda.com, booking.com, expedia.com, hotels.com and verene.com.

The delimitation means that other players, such as momondo.com, trivago.com, Tripadvisor and reseguiden.se, are not seen as MSPs. This is due to the fact that the customer is unable to book the hotel on their page and that he or she will make the actual reservation with hotels.com or similar sites. These platforms operate as an intermediary between the consumer, hotel and a true MSP. Furthermore we need to exemplify the impact it has for the Tourist Office (TO). The TO itself may be seen as a MSP, since they connect the consumer with the hotels. But as we are investigating the online MSP, the TO is not seen as a MSP. In those cases, on the other hand, where the TO has an online platform where the consumers can book the hotel room, this will be considered a MSP.

1.6.2 Delimitation - Cities

In addition we are investigating the hotel industry *in the city*, which means that hotels that are situated in the countryside or outside of the city are excluded from the research. This delimitation is made under the assumption that a stay at a hotel in the countryside differs from a stay in a city. A stay in the countryside most often means that the possible activities on offer in the surroundings is what has attracted the customer to this particular area destination, whereas the choice of a hotel in the city serves the main purpose of minimizing the distance to the main

reason for the stay. We have not conducted a full investigation into how preferences in different market segments affects reasoning behind choice of hotel, but we feel that our line of thought is reasonable and valid enough to form a correct delimitation.

Part of the practical delimitations will be a focus on the hotels in the city. We have further chosen to limit our study in regards to size and structure of the hotels. Our main focus lies with small hotels, that is, hotels with less than 170 beds. It is important to note that the actual size of the hotel is of less importance than how the hotel in question conducts business, and what amount of time managers spend with strategic issues. We have consequently strived towards gathering a sample of hotels that are operating under the same conditions. During our data collection process we have come to the realization that hotels of varying sizes dedicate the same amount of time to strategic decision making, regardless of size. They are therefore, for all intents and purposes of this thesis, equal in the ways they operate and in how much time and resources they allocate to activities relevant to us.

1.6.3 Delimitation - Hotel Chains

In our investigation of the hotel industry, we have made the delimitation not to include larger hotel chains, such as Scandic, Clarion, Best Western, Ibis and Radisson. These hotels have been excluded since they operate in a different way compared to smaller hotels, in regards to resource allocation and possibilities of strategic efforts. In some cases, the hotels we have studied are in networks such as Sweden Hotels, but that does not change the ownership structure, and therefore those hotels are included in the research.

2 Method

In this chapter we explain the chosen research method, how we conducted our research and why we designed it the way we did. The chapter also includes our selection of sample and examples of interview questions in our research.

2.1 Research method

2.1.1 Qualitative research

In order to design a research method one needs to decide which of quantitative or a qualitative research method is more appropriate. A quantitative method is generally used when the researcher has gathered a large data sample and the purpose is to measure factors in your field and use it as a way to reject or prove existing theories. A qualitative method is normally used on smaller samples and is less numerical compared to the quantitative method (Backman, 2008 p.33). It is used when the researcher wants to investigate peoples experience or their point of view on a specific matter. For our research we found that a quantitative research would not suit the nature of our research questions. But as we mention in section 2.2.3 *survey*, our research will partly be based on a survey, therefore there it will have elements of a quantitative research. So, as we will investigate a sample of small hotels, and because it is the persons behind the hotel that will in several aspects be of interest, a qualitative research method is most suitable to our research.

We will in our work gather qualitative data through a number of interviews conducted with the hotel owners or head managers at the hotels, and in addition we will form a survey for the hotels to answer. This data will then be analyzed, and it will allow us to draw conclusions regarding the influences of MSPs on hotels in our designated area. These conclusions will then be subjected to further analysis regarding implications for players in the industry.

2.1.2 Research approach

In our research approach we have used both a deductive and inductive approach, but at different steps in the process. Below we will explain why, and in section 2.2.1 we will explain how we carried out our research. When conducting research, researchers normally choose between an inductive or a deductive method approach. The former method means that you draw general conclusions based on empirical findings to form a theory. With the latter you use empirical finding to reject, or to confirm a hypothesis.

We mainly applied a deductive approach, which seemed more adequate after having looked at existing theory, and after conducting the literature reviews we did in preparation for this research. The theoretical framework was built before we started collecting our empirical data, and we therefore applied a deductive approach. We have some experience and knowledge of the hotel industry. Elin Mathies has worked part-time at a family run (small) hotel between 2004 and 2014 and is familiar with the activities within and around a hotel organization, this further suggests that we could not be completely inductive. There were, however, some elements of an inductive approach when we collected our empirical data, in the sense that we did not know how each individual hotel operated and how they made their strategic choices. When we combined our theoretical framework with our empirical findings, we were again closer to a deductive approach (Backman, 2008 p.54).

2.1.3 Case study method

A case study method will be the most suitable for our research questions, since they are ‘how’ and ‘why’ based, which is in line with Yin’s recommendations (Yin, 2003 p.27). A further criterion for a case study approach is that the investigators have little to no control of the events in situations in real-life (Yin, 2003 p.18-19). Within a case study it will be possible to capture the hotel owners and managers personal experience through actual practical observations, which will be a part of the research work. With a more complicated social and strategic dynamic to capture, we mean to create a sample which we can compare to one another, in order to create a rewarding analysis.

Furthermore we find this method suitable to get a greater understanding of the subject in those areas where there is no related recognized research, theories and models to originate from (Yin, 2003 p.11-12). Finally, we find the case study model is a necessity due to the nature of our raised problem, because it seeks to answer practical frameworks and procedures of aforementioned business owners, rather than explaining what existing theory dictates.

2.2 Research design

2.2.1 How we conducted our research

We started by formulating our research purpose and research questions to form a base from which to build on. The next step was to perform a literature review in order to gain an increased understanding of our chosen field, we then chose applicable theories and models. We furthermore conducted both interviews and surveys and structured our empirical data as a thematized material. We then created a framework in which links between empirical data, theories and models were closely related, which laid the foundation for the analysis that followed. In the following sections the reader may find, more specifically, how the research in some areas was conducted.

2.2.1.1 Selection of cities and hotels

In the process of choosing hotels, we randomly selected a number cities of in Sweden, of different sizes and different geographical locations. By using MSP-pages, Google and respective city's TO-webpage we found the hotels that were within our delimitations. We contacted hotels in Helsingborg, Umeå, Malmö, Kalmar, Söderhamn, Sundsvall, Ystad, Borlänge, Örebro, Hässleholm, Växjö, Hudiksvall, Östersund, Falkenberg, Västervik, Skövde, Arvika, Mariestad, Gävle, Trelleborg, Karlskrona, Jönköping, Kristianstad and Lund.

2.2.2 Semi-structured interviews

As previously mentioned, parts of our empirical data was collected through interviews with small hotels in Lund. We found that a more free interview structure would be most applicable for the research questions we have formulated. We consequently decided that semi-structured interviews was well-suited as a method of data collection, due to its flexible structure and due to it allowing the interviewee to speak more freely (Backman, 2008). The total number of interviews in the research is four. There were three interviews for our empirical data collection; two in person and one telephone interview.

The last interview, per telephone, was with the former owners of a small hotel (Mathies, H., Mathies, K., 2014), and worked as an additional source with valuable insights for the analysis of the hotel market. Hans Mathies (2014) has a long experience of running companies, dating back to the 1970s. The Mathies' (2014) opened their hotel in 2004 and ran it themselves until 2014, when they decided to sell it. Along with the hotel they also ran two other businesses, one which was sold in 2011 (Mathies, H., Mathies, K., 2014). The Mathies' will not be included in our empirical data, due to our delimitations: the hotel was not located within a city.

Table 1. Overview of interviewed hotel owners.

	<i>Interviewee</i>	<i>Date</i>	<i>Duration</i>	<i>Where and by who</i>
Hotell Oskar	Owner: Marie-Louise Wimmerstedt	2014-02-27 11.am	60 minutes	Lund, L.E & E.M
Hotell Ahlström	Owner: Rodrigo Sanchez	2014-03-26 10.00 am	45 minutes	Lund, L.E & E.M
Hotell Blue Blues*	Owner Anders Andersson*	2014-04-23	30 minutes	phone interview, E.M

*Fictional names

Our interviewees preferred not to be recorded, since they felt it would make the interview stiff, and that they would be unable to speak freely. One of us primarily held the interview and the other one took notes. The arrangement made the interview setting more relaxed and opened for valuable information, concerning the hotels. We transcribed our notes and used them for our empirical data and later our analysis. All interviewees have received a transcript of their respective interview, and have been able to correct or adjust information. This procedure was made to verify our transcripts from the interviews.

2.2.3 Survey

When creating our survey, we did so having in mind the results of our interviews. This helped create the structure of the survey, and allowed us to fill information gaps we perceived from our interviews. A survey also made it possible to reach more hotels and thereby get a larger sample. We further aimed to create a survey in which open-answers were encouraged, so as to allow a thorough future analysis and see Appendix I for a copy of an unanswered survey form. The survey form also allowed hotels that wanted to stay anonymous to participate more easily. We found that a survey might limit the possibility of using follow-up questions. We therefore added information that would help the hotel managers answer the questions better, and would make them more prone to describing their thoughts further. In order to be able to send the survey to the hotels, we used several different search tools which helped us to locate the hotels email addresses on their web pages or on the TO web page. We sent our survey to 74 hotels in 24 cities in Sweden. We received 13 answers, which results in a response rate of 17.6 percent.

Table 2. Overview of hotels, whom answered on the survey.

Hotel	City	Name of respondent and position
Hotell Linnéa	Helsingborg	Owner Lise-Lott Modin
Hotell Conrad	Karlskrona	Owner Sofia Conradsson**
Hotel Tornet	Helsingborg	Reception Manager Thor Tornesson*,
Hotell Happy Sleep*	Hässleholm	Owner Hans, Hansson*
Hotell Green House*	Gävle	Owner Gustav Gustavsson*
Grand Hotel Jönköping	Jönköping	Owner Göran Göransson*
Hotell Jämtborg	Östersund	Owner Johan Johansson*
Hotell Happy Face*	Hudiksvall	Owner Bengt Bengtsson*
Hotell Teg	Umeå	Owner Daniel Danielsson*
Lilla Hotellet	Sundsvall	Owner Frans Fransson*
Hotell Homely*	Helsingborg	Owner Ingvar Ingvarsson*
City Hotel	Jönköping	Owner Lars Ericson
Lavaretia Hotell Saga	Borlänge	Owner Karl Karlsson*

*Fictional names, **Only surname is fictional

An implication of our chosen survey structure, was that hotel owners answered questions with what came to mind first. To exemplify: when we asked about the MSP demands, not all hotels answered that they pay a commission fee per booking. This does not mean that they do not pay commission fees to the MSPs, which can be seen in the relation between MSP demands commission fees and the hotels criteria in selecting a MSP. Nine hotels stated that the commission fee is of interest in the selection, but only five stated that the MSPs have commission fee demands.

2.2.4 Forming a theoretical framework

With the intention of investigating why small actors decide to use MSPs, as well as how their means of differentiation is affected, we built a theoretical framework from literature on MSPs, firm resources, value activities and market collaborations.

For our study we used existing theory in the field of MSP to understand how MSPs work and what effects were created within the network. The design of our research questions also raised the issue of what importance theories on firm resources and value activities have on MSP utilizers. We furthermore study the aspect of how hotels working with MSPs create a mechanism of collaboration on the market, in the sense that the hotels to some extent are dependent on one another in order to create MSP power. A part of the research questions drew our attention to the problem with a shared “market cake”. This involved identifying who on the market you should consider a competitor or a supplier, and further that there might be other factors that would make it more suitable for the hotel to re-evaluate its strategic position on the market. For more of these theories, see *3 Theory*. As touched upon earlier, we will through applying a deductive method use our theoretical framework to answer our research questions. In the following section we will explain how we conducted our research.

2.2.5 Empirical data collection

Our empirical data was collected through a series of semi-structured interviews and surveys with several hotels. The interviews were conducted as an open discussion regarding several key aspects that we considered to be of interest, while also giving us the insight we needed into the hotel industry. In some cases we have had additional contact with the hotels, per email or phone for clarifications and or follow-up questions. Both survey and semi-structured interview questionnaires can be found in Appendix I.

2.3 Quality of research

In this section we will take a closer look at reliability and validity of our findings. We have applied Alan Bryman's arguments in the matters of reliability, replication and validity (Bryman, 2012 p. 46).

2.3.1 Reliability

The question of a research's possibility to be reiterated, strengthens or weakens the research credibility, depending on whether other researchers are able to recreate the study with similar results (Bryman, 2012 p.46). In the aspect of reliability it is also important to be thorough explaining how data is collected, or a control study will have no success because of lack of accuracy in the description of this part of the previous study. (Thurén, 2010 p.26). In the case of a qualitative research approach, Bryman has two subgroups: internal and external reliability. A division made by LeCompte and Goetz (Bryman, 2012 p.390):

- Internal Reliability; in research with more than one researcher or observer of the collection of the empirical data, it is essential for the researchers to agree on what they observe.
- External Reliability; to what extent is the research possible to replicate? Bryman refers to LeCompte and Goetz's work, when he says that "..., it is impossible to 'freeze' a social setting and the circumstances of an initial study..." (Bryman, 2012 p. 390), which would be the ideal way to be able to replicate the research. Bryman states that LeCompte and Goetz, conducted strategies for how a replicating researcher, with a qualitative method, should approach another qualitative researchers work, for example by "adopt a similar social role" as the original researcher (Bryman, 2012 p. 390).

As previously mentioned, we have corresponded with our interviewees after the interviews in order to verify the information from the interviews. In addition to this, we have used the interview with Hans and Kerstin Mathies to verify some information concerning the hotel market and general information regarding in-house activities for hotels.

2.3.2 Replication

Bryman states that the concept of replication is closely connected to the research reliability. For the research credibility it has to be possible to replicate the study, and thereby test the findings. We already mentioned the importance of explaining how the collection of empirical data was done, which is an important aspect of *replication*. In order for another researcher to conduct the same research they need to follow the same kind of procedure to be able to replicate it (Bryman, 2012 p.47). Though Bryman makes a point of the fact that replications of social researches are not very common, he underlines that it is still important that it is possible to have the option (Bryman, 2012 p. 47). We find that, with our explanations on definitions, delimitations and presentations of how we conducted our research it will be possible for others to do the same kind of research.

2.3.3 Validity

Thurén states that validity is to ensure that the research is investigating what was intended. Bryman has made two subgroups, as seen below.

- Internal Validity: Bryman claims that LeComptes and Goetz is referring to the internal connection between the empirical findings and the theoretical ideas the researcher are developing (2012 p.390).
- External Validity: The author argues that this subgroup is referring to the aspect of possibilities to make generalizations from the research results. LeComptes and Goetz are, according to Bryman, claiming that qualitative researchers will find external validity difficult. This is due to the fact that the researchers tend to conduct their research through case studies and smaller samples (Bryman, 2012 p.390). We will discuss this further in the following section, analytical generalization.

Our research is based on both a small sample of interviews and a small survey sample. We are using the empirical findings to see if there are similarities between hotels, within our delimitations, to make an analytical generalization from our findings. In the section below we explain the term analytical generalization further.

2.3.3.1 Analytical generalization

According to Yin there has been some criticism against the concept of case studies. It has been declared that it is not possible to make generalizations beyond the case study itself, due to a poor basis (Yin, 2009 p.43). The criticism is coming from the perspective that a case study is trying to make generalizations to a larger population or universe, which is not the intention with case studies. The intention is to make a generalization from its specific case to a broader theory. Yin continues by stating that in order to be able to replicate the research, it is necessary to have delimitations of the case, to make it possible to test it on other cases, and thereby make an analytical generalization (Yin, 2009 p.43-44).

3 Theory

In this chapter our theoretical framework will be presented. We will start on the market level, introducing the reader to a traditional view on competition and how it has changed into a query of cooperation. A typical example of cooperation is the concept of MSPs which create network effects and network externalities. The new way of reaching the market, raises a query of how the hotels market themselves on the MSP. Furthermore it leads to the query and discussion of how firms value activities and resources are affected.

In this chapter we will in some sections refer to the companies, actors and other participants on the market as players, and the market as the game. The concept of players and the game is a generalized way to refer to the actors and actions made on the market.

3.1 Porters Five Forces

Michael Porters “Five Forces” is an analysis that is based on a specific market, where there are five forces that have great impact on the market. They are the threats of new entrants, bargaining power of buyers, threats of substitute products and services, bargaining power of suppliers and rivalry between existing competitors. Porter’s five forces has become the traditional view on competition on the market, where the forces are generally seen as threats that companies need to counteract.

- *Threats of new entrants:* As a new entrant on a market there are seven major barriers to overcome, before becoming a threat to the existing companies, according to Porter. The barriers are economies of scale both on the demand side and on the supply side, customer switching costs, capital requirement, incumbency advantages independent of size, unequal access to distribution channels and restrictive government policy (Porter, 2008 p.81-82).
- *Bargaining power of buyers:* Depending on the number of competitors on the market, the customer’s bargaining power will be stronger or weaker. Strong bargaining power, means

that the buyers are able to demand a lower price on and better quality of the services and products; to get more value for the money. Better quality generally drives the cost upwards and thereby reduces the profit. Porter advises to create switching cost for the buyer if they try to turn to your competitor.

- *Threat of substitute product or services:* The threat of substitutes lies in that they are unexpected, and might come from another industry. The suggestion made by Porter is to work to use this force to your advantage, and to create more value for your customers by making your products and services more accessible (Porter, 2008 p.84-85).
- *Bargaining power of suppliers:* They have the power to charge higher prices for the components. Porter argues that the company should view its employees as suppliers as well, both in terms of work hours and skillsets. One suggestion to reduce the bargaining power is to minimize the usage of customized items, which will make it easier for you to change supplier (Porter, 2008 p. 82-83).
- *The rivalry of existing competitors:* We find examples of this in the price wars, in advertising campaigns and in new innovations and improved services. The rivalry will affect the profit for all the players on the market. The more competition there is the lower the profit will be for the players (Porter, 2008 p.85-86). Porter (2008 p.85-86) advises to invest in products and services that will differentiate you from your competitors.

3.2 Coopetition

One could claim that Nalebuff and Brandenburger's *Coopetition* is the opposite of Porter's *Five Forces*. The five forces consider actors and actions that may cause disadvantages for your company, while the concept of coopetition on the other hand claims that other actors may through coopetition help you create a higher value. (Nalebuff, Brandenburger, 1996 p.26-28).

Coopetition is a concept by Nalebuff and Brandenburger, which is a mixture of the words cooperation and competition (Nalebuff, Brandenburger, 1996 p.21-22). The authors argue that in an effort to get larger market shares the companies have to cooperate while competing, and to

push the competition to the limit, but on the other hand, not to bite the hand that feeds you. By this they mean that competition is what creates a market, and if you only consider competitors as threats to your market shares you would indirectly impair the relationships between several players on the market, including the customers. The authors further argue that you should embrace the relationship with competitors and cooperate. By cooperating all actors are able to expand the market and get a larger market share. Nalebuff and Brandenburger state that to understand the game, you need to identify all players. There are four roles for the actors in the value net, besides your own firm; customer, suppliers, competitors and complementors. Porter's Five Forces does not consider the role of complementors on the market. Illustration 1, on the next page, shows how all the players are related to one another and also dependent on each other to create value (Nalebuff, Brandenburger, 1996 p. 26-28).

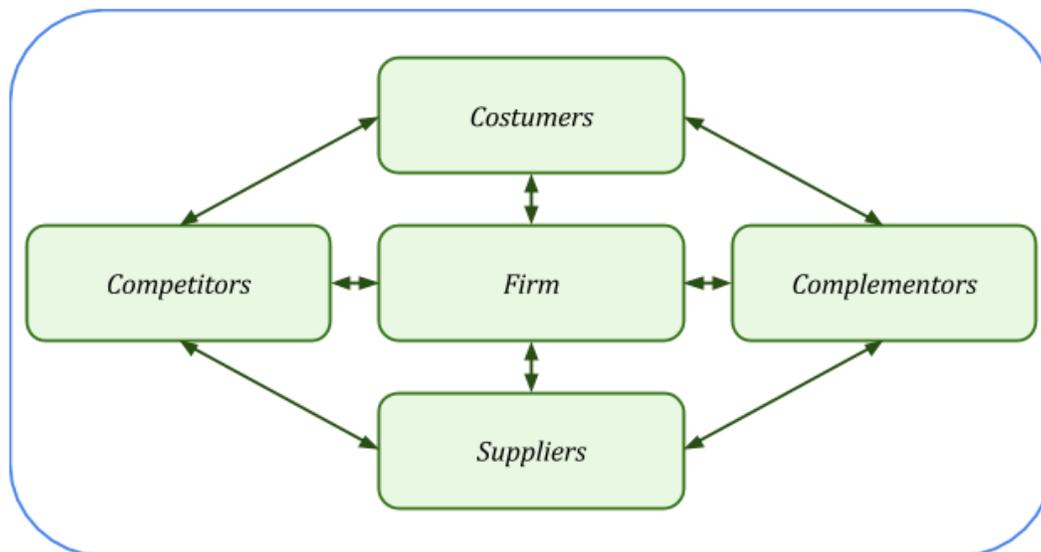


Illustration 1. The Value Net by Nalebuff and Brandenburger (1996 p.27).

3.2.1 *The roles to play in the Value Net*

We will now further explain the roles in the Value Net, first off is the *customer*. The ultimate goal for the firm is to create value for the customer. This is why communication with the customers is so important. In order to deliver products and services that create value for the customer, it is equally important to have good communication with the *suppliers*. The suppliers need information to be able to design the components to create a higher value for the firm and in the end for the consumer (Nalebuff, Brandenburger, 1996 p.26-28,33).

The difference between complementors and competitors is basically one single word:

- The competitors' products (or services) make your products or services *less* attractive
- The complementors' products (or services) make your products or services *more* attractive (Nalebuff, Brandenburger, 1996 p.28).

In reality it will have great impact on the market, when players play both roles, since a hotels strategy and relationship with a competitor would differ from the relationship with a complementor. It creates a conflict of what information to share with others and what not to.

To further explain the concept of complementors we will use an example; in Sweden, every September to October, the grocery stores rearrange a specific item. Next to the apples you will find the vanilla custard, so you remember to make that apple pie you did not know you were going to make. The rest of the year you will find the vanilla custard in a section together with rosehip soup, chocolate pudding and dried and canned fruit. This is because custard with apple pie will create more value, than just apples for the consumer.

On the opposite side of the in the Value Net we have the competitors; firms with products or services that may create higher value for the consumer, in comparison to your firm's product or service without the complementors products or services (Nalebuff, Brandenburger, 1996 p.28). But in the spirit of cooperation, all players will cooperate in order to create a larger market, and thereby higher value as an end result for all players (Nalebuff, Brandenburger, 1996 p.33).

3.2.2 Two-faced or multi-faced players

In the business world it is not unlikely that a player has more than one role in the value net. It is of great importance to be aware of the fact, but also to know that the positioning can easily change. Nalebuff and Brandenburger argue that the concept of two-faced players is what creates markets that are when the player is both competitor and complementor, because this will increase the customers' possibility to and interest in comparing prices and products (Nalebuff, Brandenburger, 1996 p.38-39). With two similar products, or even stores next to one another, they become the complementor to the other. It gives the customer options and the opportunity to find the product or service what will give them higher value. If there is only one option the customer might not be as satisfied as intended. When you give the customers options you expand the markets since the different products and services will complement each other, even if you are competing on another level (Nalebuff, Brandenburger, 1996 p.38-39).

To put it in context; the car industry is in a standard war as to what standard to use for charging device for electric cars, since an electric car has a certain device to charge electricity. It is important to decide on one device, since otherwise it would be necessary to have several different charging stations, and if you change car you will have to change charging station. It would also mean that there are different development processes of the car battery depending on the charging device. The standard war have the normal competitors, General Motors, Ford, BMW, Audi and Daimler who are joining forces in the R&D departments to make sure that their charging device will become the standard, which makes them complementors. Together they are competing against another group of car manufacturers such as Subaru, Mitsubishi and Nissan who are developing another kind of charging device (Pyper, 2013-07-23).

Nalebuff and Brandenburger (1996 p.45) summarise it into a war and peace statement

- Firms are complementors when it comes to creating markets
- Firms are competitors when it comes to dividing market shares.

3.2.3 Friend or enemy

As noticed in the previous sections, it is not easy to determine who is your friend or enemy. Someone in plain sight might be your enemy, but will on other levels work as your complementor or supplier. But there is also a competition about who will have the largest share of the cake, divided between the players (Nalebuff, Brandenburger, 1996 p.46-49). When we acknowledge complementors in the game the market expands and so does the cake- which at first may seem like a win-win situation. But when the cake becomes bigger, the competition of who will get the largest piece of the cake becomes more intense. Nalebuff and Brandenburger also shed light on the circumstance that if the complementors are doing good and expanding there is a risk of complementors taking a larger piece of the cake. All players want their share, and they all want the biggest piece (Nalebuff, Brandenburger, 1996 p.46-49).

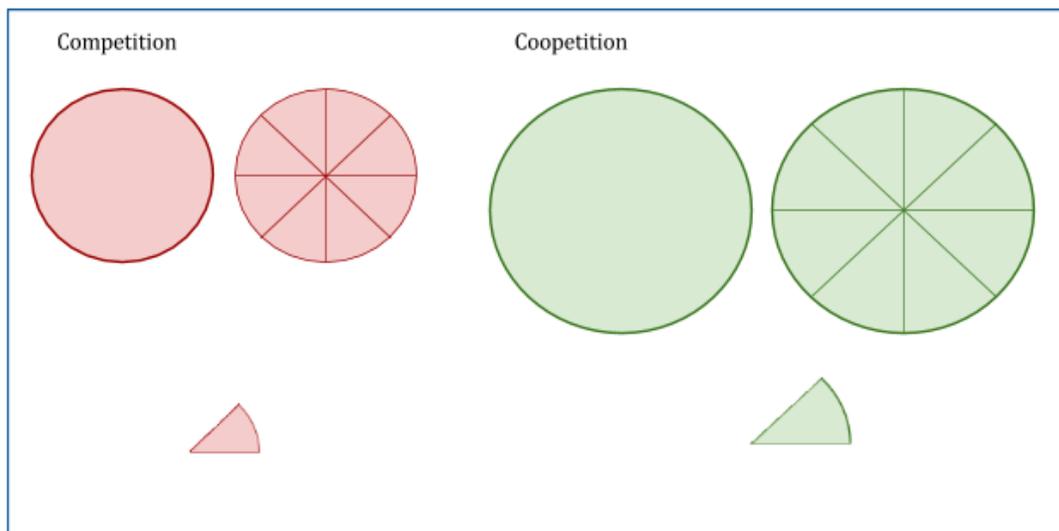


Illustration 2 “The Cake Competition”, our interpretation of Nalebuff and Brandenburger’s discussion of how coopetition expands the market and the competition of market shares.

As long as you win in the value net, it does not matter that the other players win as well. By cooperating while competing you will win, and that is the whole point. You achieve this by cooperating to create and, or expand the market, but compete for the shares of the market and your piece of the cake.

Nalebuff and Brandenburger' concept of coopetition can be seen as critique of Porter's theory about the five forces. Porter indicates that a more negative force is at play and Nalebuff and Brandenburger claim that it is possible to play different roles in the value net and not just be a negative force for the company.

3.3 Multi-sided platforms

Multi-sided platform is an example of coopetition on markets. It shows how the competitors cooperate to expand the market and gather the consumers at a market place. In an article by Hagiu and Yoffie from 2009, the authors suggest appropriate strategies for businesses dealing with MSPs in some way. Hagiu and Yoffie consider the decision processes for companies to be three-fold, and that the answer lies within different questions companies need to consider.

3.3.1 To play or not to play?

First and foremost it is important to establish when and under what circumstances businesses should make use of MSPs. Hagiu and Yoffie claim that the foremost important criteria for using a MSP is that it should “ ... reduce search and transaction costs and the expense and risk of building your own.” (Hagiu, Yoffie 2009 p.77). These positive benefits are then contrasted with the risk of being outplayed by the MSP you employ. By utilizing MSPs you are effectively giving them insight into your business model as well as your customer base, and thereby giving them power to in some ways dictate the terms of your business. This can be done by pressuring you with higher prices for their services, or for example by taking control of your customers and incorporating them into their business. It is therefore important to make sure that companies that wish to work together with MSPs become aware of the true intentions and goals of the MSP before they are signing on (Hagiu, Yoffie 2009 p.77).

3.3.2 Which MSP should we play with?

Should a company decide to play, the next step in order to be successful is to decide on what type of MSP strategies it will engage. MSP providers may have demands that severely hamper your ability to work together with others, while some may have no specific restrictions, in which case you should consider utilizing many different MSPs, provided of course that it would be a profitable investment on your part. Hagiu and Yoffie highlight here that although it may be beneficial for you to, in the short-term, simply partner with everyone that increases your customer reach, it may prove to be unwise in a long-term perspective. Should your choice of MSP lead to the MSP provider gaining a staggering control of the industry, they may choose to impose price increases on your business. In some cases it may however be wise to allow one actor to become the leader, should it be strategically important for you (Hagiu, Yoffie 2009 p.79).

3.3.3 How to play

The final step to consider is, according to Hagiu and Yoffie; “How to play”. When so many competing businesses employ the same tactics regarding their use of MSPs, how do you separate your business idea from that of the masses? Furthermore, how do you make sure that you are not losing power towards your MSP? The major point of consideration when using MSPs is to make sure that you have carefully analyzed the structures within the relationship. What this means is that you always have to consider how the balance between positive inflows to your business holds up, in comparison to how much of your business you may stand to lose through the opportunistic behaviour of MSP providers. Hagiu and Yoffie explain that the essence of the problem lies in maintaining your source of differentiation while not allowing the MSP to commoditize your business (Hagiu, Yoffie 2009 p. 80-81).

3.4 Network effects and network externalities

Upon joining a MSP, you will compare the benefits and drawbacks, and base your decision on these factors. But the entering will create effects and externalities for other network users as well, which to some point is the purpose of a network. Farrell and Klemperer (2007 p.1974) explain the term as when it is possible to gain value or if it pays off to follow the crowd, the network user obtains network effects. Network externalities are a subgroup to network effects, where the "... welfare of an individual is affected by the actions of other individuals, without a mutually agreed-upon compensation" (Easley, Kleinberg, 2010 p.509).

The benefits when cooperating on a platform are dependent on other actors and users on the platform. There would not be any benefits from working on a MSP if there was only one user. The point is to create network effects for all parties. Network effects mean that the more users there are, the more value they create for both the platform and the users (Farrell, Klemperer, 2007 p.1974). Here we see that the theory of network effects is related to Katz and Shapiro's work on network externalities (Katz, Shapiro, 1985 p.424-425). Katz and Shapiro defined the network externalities as "utility that a given user derives from the good depends upon the number of other users who are in the same 'network' as is he or she" (Katz, Shapiro, 1985 p.424), which means that the benefits of the network depends on the number of users in the network (Katz, Shapiro, 1985 p.424).

Katz' and Shapiro's research points out the importance of the consumers' expectations in markets with network externalities. The authors argue that if there are several different opportunities to achieve equilibrium, especially in cases where it is more difficult to make products compatible, it would mean that aspects like a firm's reputation would influence the consumer's decision. Another aspect of the network externalities is the existence of patents and copyright laws, which play a major role in the possibilities of creating compatible products (Katz, Shapiro, 1985 p.425-426,439).

Liebowitz and Margolis (1994, p.133-150) argue that network externalities are a subgroup to the network effects. Network externalities are seen as the result of joining a network, and are either negative or positive. The network externalities either create benefits or costs for the people that use the network. If other users benefit from someone entering the network it has a positive externality, but if it costs for the other users it is a negative externality (Liebowitz and Margolis, 1994 p.135-136). The authors state that to be defined as a positive network externality, at least one existing member will have to benefit from the entering into the network. A negative network externality creates costs for other users upon entering the network (Liebowitz & Margolis, 1994 p.135-136).

3.4.1 Direct and indirect network effects

Network effects are created when the benefits of using a product increases when the network around the product is extended (Katz, Shapiro, 1985 p.424). Farrell and Klemperer state that there are at least two general groups of network effects; direct and indirect effects (Farrell, Klemperer, 2007 p.1974). Their argument for separating the effects, is that a direct effect is when a specific product's network expands in terms of actors and, or that the number of consumers or users of the product increases. The indirect effect, Farrell and Klemperer explain, is when complementary products and related services increase the value of the original product (Farrell, Klemperer, 2007 p.1974-1975).

- The telephone is a good example of direct network effects, where the benefits increase by the number of people who have a telephone – you can reach more people (Farrell, Klemperer, 2007 p.1974).
- DVDs and DVD-players are examples of indirect network effects, since the DVDs will increase the value of the DVD-player. Another example would be software, since it will make your hardware more available to you and thereby create more value for both you and your hardware.

3.4.2 Total effects and marginal effects

Farrell and Klemperer further argue that the network effects can be divided into two other forms of groups as well, i.e. total effect and marginal effects. The first user to make a choice between different networks creates the total effect. The marginal effects are gained from that first users choice, since it will increase the “followers” incentives to choose the same network (Farrell, Klemperer, 2007 p.2007). The marginal effect will intensify with the users’ choice between two (or more) networks (Farrell, Klemperer, 2007 p.2007-2008). An example of this would be in the competition between MySpace and Facebook. The more users that choose Facebook, the more popular Facebook becomes. For every user to join Facebook however, it also makes MySpace less attractive, since it means that you can reach less people on MySpace (in this case we have ignored the fact that a user can be a part of both networks).

3.4.3 Coordination problems

The marginal effects will create stronger incentives to choose a specific network, which strengthens the actual network effects, but it may result in coordination problems. To organize and find a best possible coordination of users is a difficult task and may result in “coordination breakdowns”. The breakdowns are when the users try to use options that are not compatible with the network, but which the users would have preferred to coordinate (Farrell and Klemperer, 2007 p.2022-2023). Farrell and Klemperer argue that this may occur in at least two different ways; splintering and confusion (Farrell, Klemperer, 2007 p.2022-2023).

Farrell and Klemperer claim that if the users do not understand how to use the network or what others are doing, it will create confusion. The network coordination will fail and the users will not be able to use the network to its full potential. Information and having an introduction to share knowledge about the plans for the network and the other users will reduce risks of confusion (Farrell, Klemperer, 2007 p.2022).

The other coordination problem that Farrell and Klemperer discuss is a *coordination splintering*, which is explained as when there are more benefits for all actors if the users in a synchronized action leave other networks in favour of a larger or superior network (Farrell and Klemperer,

2007 p.2022-2023). The splintering aspect comes from the complication of coordinating several decision makers to make the move together, from smaller less successful networks to a larger and, or superior network. The authors argue that a network move, like this one, would require that one actor in or outside of the network took the lead (Farrell and Klemperer, 2007 p.2022-2023).

3.5 Competitive advantage and value activities

With a coopetition, where competitors together create a market on a MSP, there follows changes to the company's value chain and consequently to how companies gain competitive advantage. For a company to achieve a sustainable and competitive advantage on the market, there are several different strategies to implement. Michael Porter has designed two generic strategies on how to gain a competitive advantage. Porter argues that there are two ways (Porter, 1985 p. 11), cost advantage or differentiation advantage, by which to gain competitive advantage in the market. Either you gain an advantage by being able to produce the product, or deliver a service, at a lower price or you gain an advantage by differentiation (Porter, 1985 p. 11). The author argues that it comes down to a question of where and how the company spends their assets (Porter, 1985 p.11).

3.5.1 Competitive advantage: Cost advantage

In the category of cost advantage Porter discusses the importance of the relative cost of competitors, and how to gain a cost advantage and how to make it sustainable. In order for a company to implement a strategy intended to create a cost advantage on the market, the company has to identify its cost position which determined by the how the company spend their assets on the value creating activities (Porter, 1985 p.70). The cost position depends on cost drivers, which are several different factors that influence costs. The assessment of cost of a specific value activity, will be the result of interactions between combinations of a number of different cost drivers.

There are ten different cost drivers, that will determine the cost of the valuable activities:

- Economics of scale
- Learning
- Pattern of capacity utilization
- Linkage
- Interrelationships
- Timing
- Discretionary policies
- Integration
- Location
- Institutional factors (Porter, 1985 p.70-80)

Porter argues that by identifying the cost drivers, and the cost position the company will have a better understanding of its costs and how they can improve their value chain (Porter, 1985 p. 70). Different companies may have various important cost drivers, due to the structure of their value chain, which will result in different cost positions and in the end different strategies on gaining competitive advantages (Porter, 1985 p.70,84).

3.5.2 Competitive advantage: Differentiation

As mentioned above we have two strategies to gain competitive advantage. In the previous section we discussed cost advantage and in this section we will discuss the other strategy; differentiation. A company differentiates itself from its competitors when the company is able to be unique at something, which creates a higher value for the buyers. Porter calls a company with a differentiation strategy a differentiator (Porter, 1985 p.119). The author argues that one of the pitfalls is that companies tend to have a too narrow view on differentiation. They limit the differentiation to the final product or the marketing strategies (Porter, 1985 p.119). Porter states that as long as the differentiation is valuable for the buyer, the differentiating factor can appear anywhere in its value chain (Porter, 1985 p. 119). Some of differentiators receive critique from Porter, since some of them do not pay attention to the cost of differentiation or having a strategy for sustainable differentiation (Porter, 1985 p. 199).

Porter states that it is of importance to remember that even though the company's strategy is to gain competitive advantage through differentiation, this does not mean that the cost level is not important. In the category of differentiation advantage a dynamic is created between a) the costs of the final product, from the procurement of to the delivering of the product to the buyer, and b) the value it creates for the buyer (Porter, 1985 p.62, 119). Looking at differentiation, the company must maintain a level of cost in comparison with competitors.

As previously mentioned the differentiation may come from any activity in the value chain, both from primary and supporting activities (Porter, 1985 p.120-121), which we will discuss further in section 3.6 *Value activities*. The uniqueness that creates the differentiation may come from the procurement activities, from procuring raw materials or components of desired quality. Another way in which to create uniqueness could be in super service activities with high quality, rapid response time and educated or service-minded personnel (Porter, 1985 p.121-122) as agents. As with cost advantages there is a set of drivers, but Porter argues that for differentiation it is a set of *drivers for uniqueness*.

- Policy choices
- Linkages
- Timing
- Location
- Interrelationships
- Learning
- Integration
- Scale of production
- Institutional factors (Porter, 1985 p. 124-127).

A combination of two or more of the drivers of uniqueness may create the unique component that may turn into a differentiation strategy for the differentiator. To make the strategy sustainable Porter (1985 p. 162-163) has designed differentiation analysis:

- Identify the real buyer in order to create higher value for the buyer, which is the purpose of differentiation.
- Determine the buyer's value chain and identify the company's influence on it to learn how the company can lower its cost but still create higher value for the buyer. It is of great importance to understand the impact it has on its buyer's value chain, since this could affect the value the buyer receives from the purchase.
- Identify the buyer's criteria for purchasing the product. and what in the end creates value for them which is where differentiation possibilities grow.
- Identify already existing and potential sources in the company's value chain, where uniqueness may lay.
- Determine the cost of the existing and potential sources of uniqueness within the value chain which may result in differentiation. If the cost of uniqueness and differentiation is higher than the value it creates for the consumer, the differentiation strategy has failed.
- Determine the combination of value activities that create the highest level of valuable differentiation for the buyer, in relation to relative differentiation costs.
- Make a sustainability trial of the differentiation strategy that is chosen.
- Aggressively lower the costs in the field of activities, but only in activities that do not disturb or have negative impact on the differentiation the company has chosen.

3.6 Value activities

The concept of gaining competitive advantage on the market relies on the firm's ability to make changes in their internal activities or relationships with other players on the market. Therefore we will continue with an in-house perspective of activities, and in 3.7 we will discuss firm resources.

Porter investigated the activities within a company's value chain. In doing so, the author divided the activities into two main categories: primary activities and supporting activities. Porter states that activities such as operations, services, marketing & sales, inbound and outbound logistics are categorized as primary activities (Porter, 1985 p. 37). The reason for the categorizing is that each activity could be fundamental to gaining a competitive advantage, depending on the industry that is under investigation (Porter, 1985 p. 40).

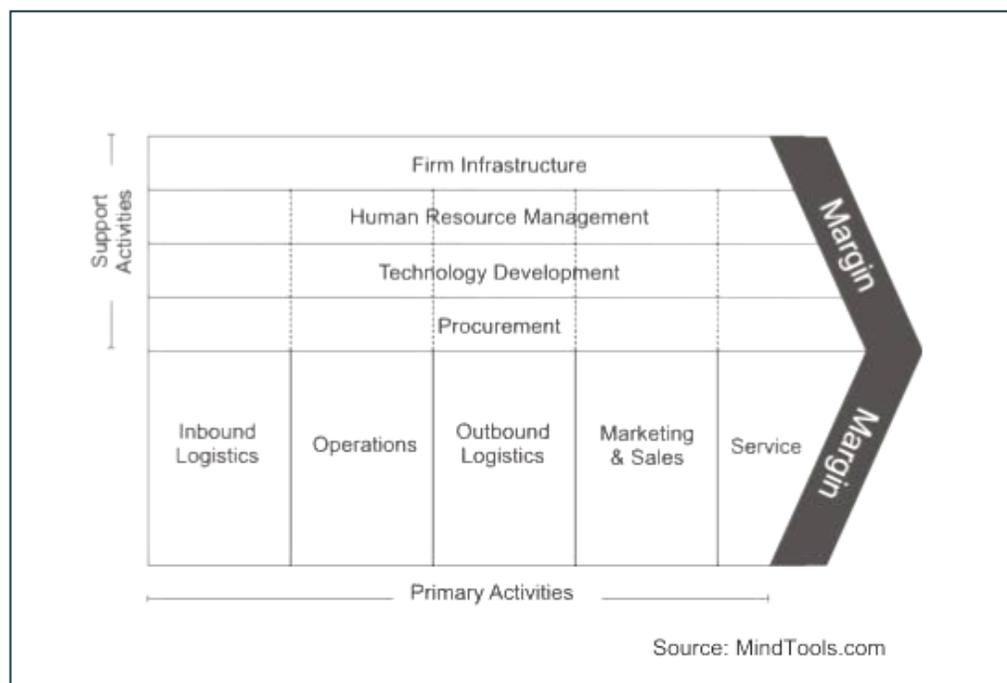


Illustration 3. The Value Chain, (Porter, 1985 37, illustration from Mind Tools).

Three of the primary activities are operations, service and marketing & sales. In the group of operations we find all activities that will take place in order to make the final product, such as assembling, packaging and equipment maintenance. The second group is service, which includes activities that uphold or improve the value of the company's product, activities such as installation, instructions and machining (Porter, 1985 p.40). An example of a service activity could be IKEA's assembly manuals, since without it the manuals the consumers would not be

able to receive the intended level of value of the product. Marketing & Sales activities are those activities that are connected with the aspect of connecting the consumer with the final product and includes advertisements, promotional activities, channel relations and selection, pricing and sales force (Porter, 1985 p.40).

The supporting activities in the value chain are activities that support the primary activities. Porter categorized them into four groups: firm infrastructure, human resource management, technology development and procurement. Procurement refers to the purchasing of components, supplies, equipment and buildings (Porter, 1985 p. 41). In the section below we have made explanations of two of the four groups.

Procurement activities operate throughout the whole company, such as procurement of cleaning supplies for the maintenance division or office supplies for the accounting department. Human resources management involves activities like salary, compensation, hiring and recruiting employees. The group of human resource management is involved in all activities throughout the whole value chain, since there are employees involved in all activities.

3.7 Firm resources

To analyze the circumstances surrounding the use of MSPs within the hotel industry we must look within the firms. In doing so, we can examine what resources are available and what resources are useful to the firm from a strategic standpoint. The definition of firm resources will for our analysis be the definition of Barney: “firm resources are strengths that firms can use to conceive of and implement their strategies”. (Barney, 1991 p.101) Barney summarizes the resources of the firm as physical capital resources, human capital resources and organizational capital resources (Barney, 1991 p. 101).

For the purpose of our discussion we deem human capital resources and organizational capital resources to be the most applicable and relevant resources within the industry we are studying. Due to the size of the enterprises we are studying and the nature of the business, we deem the physical capital resources to be of little strategic importance and it will not be analyzed further. It

should be noted that the use of these theories is not made in order to discuss competitive advantages but rather with the intent to lay a foundation for a discussion regarding what resources small hotel owners possess.

3.7.1 Human capital resources

Human capital resources are, according to Barney “training, experience, judgment, intelligence, relationships, and insight of individual managers and workers in a firm” (Barney, 1991 p. 101, Learned et al, 1969). It is from this statement possible to derive that one of the most important resources for small hotel owners are they themselves and the people they employ.

3.7.2 Organizational capital resources

A firms organizational capital resources consists of structures within the organisation that benefit strategic efforts in some way. It is not necessarily of importance to our study due to the size of the establishments we are studying simply due to the fact that small businesses generally do not have established complex corporate routines. It should however be mentioned that informal intra-relationships within the industry give some hotel owners a positive edge (Barney, 1991 p.101).

3.8 Framework

To be able to answer our research questions, we have built our framework on theories on competition, coopetition, MSP, network effects and firm activities and resources. We have made an illustration of how we will use these theories, in order to answer the questions, see *Illustration 4*.

It is important to understand how the view of the players on the market has changed over time. We start of from a perspective where Porters’ five forces determine the conditions for how actors play on the market, and how we aim to maintain our position on the market. Five forces consequently grows into a question of what Nalebuff and Brandenburger call coopetition, where one both cooperates and competes with different players on the market. The outcome, if it is conducted correctly will create a better product or service for the consumer, and increase the

value for the other players on the market. Therefore “The Value Net”, see Illustration 1, in the previous chapter, of Nalebuff and Brandenburger will be of interest for our research, since the hotel industry has changed due to the entrance of hotels.com and booking.com among others. The MSPs are players on the hotel market and it creates a bargaining-power shift for the industry. Looking at the aspect of cooptation, it is essential to identify all the players and be aware of the possible change in the players roles, one minute they are your competitor and in the next your supplier and, or complementor. When a player takes on an unsuspected role, he can with one strategic move cost your hotel both market shares and money.

Furthermore the cake competition is of interest, since the MSPs are one of the players that enlarge the market, and at the same time those that want a share of the cake themselves. With the enlarged market, everyone wants a larger share of the market, which creates tension on the market. A side effect of the MSPs is that while they do enlarge the market, they also want a piece of the value they create. The MSPs operate on commission, for every booking, they get a piece and it does not matter what hotel you book, as long as it is through their channel. This grows into an analysis of the cake competition, where a grown hotel market will create more opportunities, but also result in that there are more players that want a piece of the cake.

Even though Nalebuff and Brandenburger’s Value Net is seen as critique on Porters five forces, we find that Porters five forces may create an understanding of how the view of the marketplace has changed over time, and may be of interest for our research. The forces do not stop existing with the choice of value net, they will be dependent on what roles the players use on the market. Each player will contribute with both negative and positive effects for cooptation on the market. A way of cooptation is the utilization of multi-sided platforms. The MSPs create a higher value for all the users, both the companies and the consumers. The more companies that join the MSP, the more beneficial it is for all the other companies, since it will attract more customers, and the more customers the more attractive it is for other companies to join.

In the research it is important to understand the changes that the MSPs create on the hotel markets, since it is easier to compare and find different hotels, when they are all in one place. As mentioned in the section of multi-faced players, the hotels will be complementors to each other

when they establish the markets, and will grow into competitors in the competition of market shares. With the hotels gathered on the same MSPs, the hotels need tools to differentiate themselves, so that the consumers will select their hotels. To further analyse the hotels differentiation strategies we will use Porter's (1980) work on competitive advantage.

Porter (1980) continues with an in-house perspective of gaining competitive advantage through activities within the firm's value chain. To fully investigate the in-house perspective we will use Barney's (1991) theories on firm resources.

The different categories in the middle section, will be used as themes in chapter 4 *Empirical data*. Illustration 4 above, illustrates how we will use our framework in order to answer our research question. The four blocks in the middle section are the different themes we have divided our empirical data and analysis into. Furthermore, *Utilization of MSP and MSP demands* and *MSP selection criteria* are more market oriented. The next block *Differentiating on a MSP* is the link between the market and in-house perspective. The fourth block includes the hotels value activities and resources and how they influence the differentiation on the MSP.

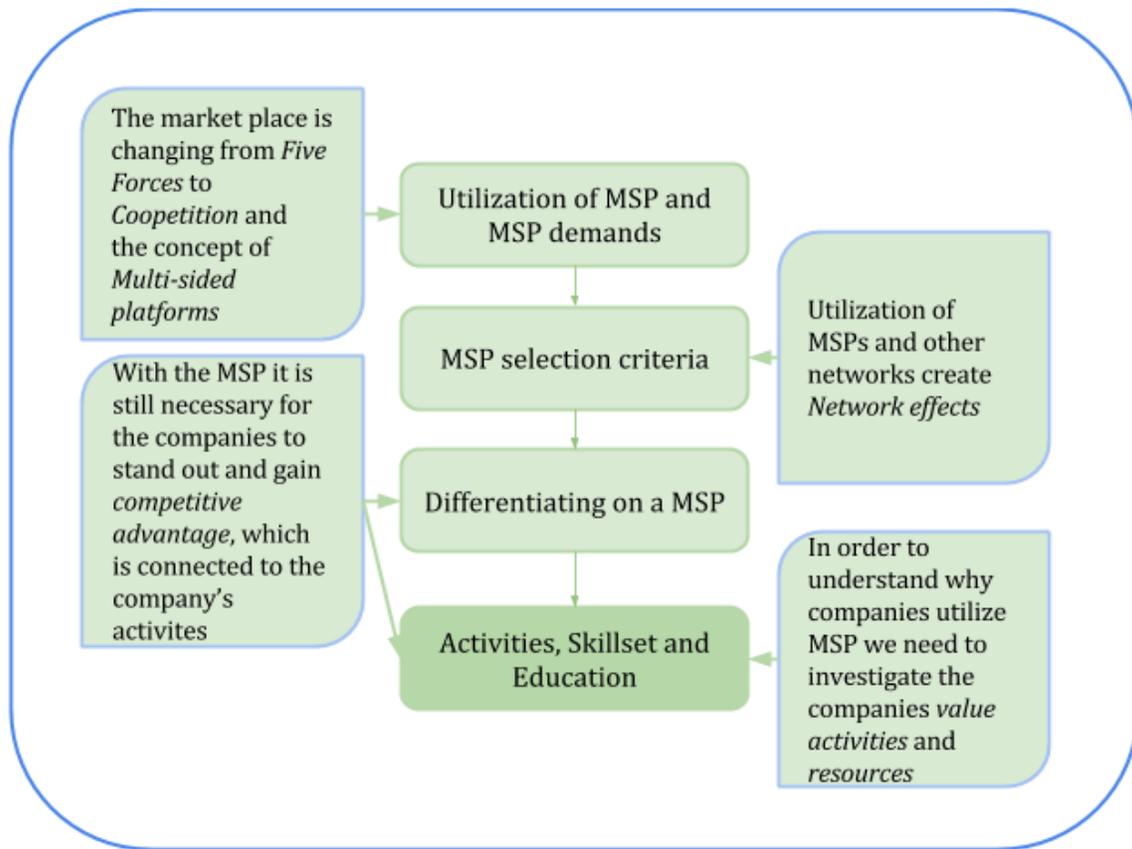


Illustration 4 Our Framework.

4 Empirical data

In this section we will present the findings from our interviews and surveys that we conducted with managers and owners of hotels in Sweden. The presentation of the empirical data will be shown as a thematization of the information that we have found to be important

4.1 Utilization of MSPs

The number of hotels in Sweden that use MSPs is very high. Every hotel we have been in contact with during our research is partnered with at least one booking provider site. The most commonly used MSPs are booking.com, hotels.com (and Expedia) and tripadvisor.com (Andersson, A. -Hotell Blue Blues and Modin, L. -Hotell Linnea). Furthermore respondents use the TOs booking sites, but to a lesser extent: Agoda, Travellink, Sembo, HRS, Hotel Specials, Hotel.de, Coop hotellpremie and Supranational (Conradsson, S.-Hotell Conrad, Tornesson, T- Hotel Tornet, Göransson, G. -Grand Hotel Jönköping).

The standard fee for listing one's objects on the aforementioned common MSP sites is a 15 percent commission fee that is based on the hotel booking price, and which will only be charged for bookings made through the booking website. This price will under normal circumstances never become lower as the contracts are standardized and treatment is fair between competing hotels. Hotel owners that want more exposure on the booking sites can pay for said exposure. By doing so their hotel(s) will rank higher among the search results presented on the booking sites (Wimmerstedt, Hotell Oskar, Hotel Tornet).

The use of MSPs is also affected by competitors from other service providers such as Google, Eniro and Lundakartan (these types of actors will henceforth be referred to as search engines). These actors regularly make offers to provide listings for hotel managers (Wimmerstedt, M. - Hotell Oskar, 2014). Hotel owners generally favour MSP providers over the search engines, primarily due to the business model of MSPs being more favourable. MSPs are in contrast to the search engines able to provide hard figures regarding what profits can be gained. Wimmerstedt

(Hotell Oskar, 2014) elaborates: “The clicks generated on the search engines does not actually generate us any money. Signing up with them would mean we are paying for a service that we cannot see actually leads to a booking”. MSPs on the other hand make it easy to see how many bookings you have received through them, and you only pay for the bookings you receive (Sanchez, R. -Hotell Ahlström 2014). One hotel also suggests that MSPs can primarily be seen as a marketing tool, which you sometimes pay for: “You only pay for the marketing that results in a booking, but then there are also people that use the sites to find hotels, but books the room via phone or email. It’s a sort of extra bonus” (Andersson, A.- Hotell Blue Blues, 2014).

Respondents claim that if the use of MSPs was not possible, they would instead make use of other strategies to generate customers. These strategies would entail spending more money on marketing, by for example hiring a media consultant (Conradsson, S. Hotell Conrad, 2014). They also express that this hypothetical scenario would justify a greater involvement in social media as well more advertisements in newspapers, brochures and on websites, in order to gain increased exposure towards their potential clients (Tornesson, T. -Hotel Tornet, Andersson, A. - Hotell Blue Blues).

Key information:

- All respondents use MSP booking sites. The most common MSPs are: booking.com, hotels.com (and Expedia) and tripadvisor.com
- The minimum commission fee for hotel owners is 15 %, for hotel stays booked through booking sites.
- Some hotels choose to pay more than 15 %, and are consequently ranked higher on booking sites compared to competitors.

4.2 MSP selection criteria

We previously mentioned that all hotel owners we have been in contact with use MSPs. Roughly half of the hotel owners sought out the MSPs themselves to establish a professional relationship,

whereas the other half was contacted themselves by MSPs. One of the most important criterion for selection between different MSP providers is the technical compatibility between the hotel and the MSPs booking system (Wimmerstedt, M. -Hotell Oskar, 2014; Sanchez, R. -Hotell Ahlström, 2014). If integration between the two actors systems is possible, hotel owners save time and consequently money due to not having to manually perform and control bookings made (Wimmerstedt, M. -Hotell Oskar, 2014; Sanchez, R. -Hotell Ahlström, 2014). System compatibility is especially important since it eliminates risks of double-bookings that could provide negative experiences for hotel guests (Wimmerstedt, M. Hotell Oskar, 2014). System compatibility plays a big enough roll for hotels to decline partnerships with booking sites that do not offer it (Sanchez, R. -Hotel Ahlström, 2014).

A further implication when using sites that do not offer compatibility is that hotels manually have to register the booking in-house, and further register the booking on the other booking sites they utilize, which is highly inconvenient and time consuming (Wimmerstedt, M. -Hotell Oskar, 2014). Larger booking sites also offer expedient and competent technical support that assist hotel owners fully should problems arise with the booking systems, an edge they have over smaller booking sites that simply do not have the resources (Wimmerstedt, M. -Hotell Oskar, 2014). The MSP themselves do not provide a platform to manage the hotels bookings, but booking.com for example introduced Sirvoy, who offers an online platform which manages your bookings. The user rents the system and can easily manage it from any computer (Sanchez, R. -Hotel Ahlström, 2014).

Terms for commission is the criterion which is mentioned as the most important. Hotel owners are more specifically interested in how many customers MSPs will deliver with different commission fee terms, and will thereafter make a selection (Hansson, H. -Hotell Happy Sleep, 2014). The amount of customers MSPs can deliver depends in turn on what market the MSP principally targets as well as on the amount of visitors the booking site has. Some respondents claim that “you unfortunately have to use the bigger ones (MSPs), even though they are more expensive”. (Gustavsson, G. -Hotell Green House, 2014)

Key information:

- All respondents claim that it is of great importance how well-known or how many users (on the consumer end) the MSP has.
- The MSP's market share.
- Only one hotel mention the aspect of other hotels' utilization of the MSP.
- Technical compatibility with booking systems.
- The MSP's commission fee.

4.3 MSP demands

MSPs within the hotel industry primarily only impose one demand on their customers. This demand is that hotels that list their hotels on their site must have the same price across all other booking sites, described by respondents as “price warranty”. This demand is considered as very acceptable and rational by hotel owners, and is viewed as a necessary loss of power in order to gain the increased amount of bookings that booking sites generate. The price control by booking sites is not however absolute as bigger booking sites allow price campaigns during holidays (Wimmerstedt, M. -Hotell Oskar, 2014).

Contracts between hotel owners and MSP providers are largely standardized with little leeway in regards to changing of terms. Hotel owners are in general not able to influence prices, but can however to some extent choose how their hotel will be presented on the booking site. Some respondents claim that MSPs also demand active involvement from hotels. This entails having hotels always keep their hotel profile up to date on the booking site in regards to availability control, photography portfolio quality and the update of general information. This requirement of involvement is claimed to be mutually beneficial according to hotel owners, “ ... They (MSPs) want us to have updated pictures, and more importantly good pictures. This is however in our own best interest as well” (Andersson, A. -Hotell Blue Blues, 2014). Hotel owners also have the possibility to create “package” or “coupon” offers, during various holidays, that can be advertised on booking sites (Wimmerstedt, M. -Hotell Oskar, 2014).

Key information:

- The main demand is “price warranty”. Hotels need to list the same price across all platforms they use.
- Contracts between hotels and MSP providers are largely standardized with little room for customization
- MSPs allow for discount pricing only under special conditions.

4.4 Internal marketing strategies and business strategies

The utilization of booking sites has become hotel owners’ main strategy for gaining customers. One main point in gaining, and even more importantly in retaining customers, is to strive for pleased customers. One internal strategy is consequently to make sure hotel guests are treated well, and furthermore follow up on their visit with a personal email that offers them a coupon for reduced price for their next visit. This is done without the involvement of booking sites and hotels therefore do not need to pay the provision once they manage to secure a customer (Wimmerstedt, M. -Hotell Oskar, 2014). One hotel manager further explains it as follows: “a pleased customer will talk well about the hotel to their friends and maybe some times leave a positive recommendation or comment on booking.com or on TripAdvisor thereby helping with marketing, but an displeased customer will let the whole world know how bad or unsatisfying they found the hotel, therefore we will put the customer first” (Andersson, A -Hotel Blue Blues, 2014).

Apart from booking sites, there are also circumstances that allow for increased customers through the help of professional and personal relationships. By having a professional relationship with Turistbyrån, Hotel Oskar has managed to secure customers by referral. This does however not occur often, as most customers usually plan their trip in advance, and therefore end up

booking on booking sites rather than on the spot (Wimmerstedt, M. -Hotell Oskar, 2014). Hotel owners also mention additional business relationships as beneficial to their business. Many hotels strive to create a network of both local and domestic firms in order to gain a steady inflow of visitors (Modin, L. -Hotell Linnéa, 2014).

It appears that one strategy for gaining an increased customer base, is to increase the amount of commission the hotels pay, for MSP services, on a yearly basis, while at the same time lowering internal marketing efforts (Conradsson, S. -Hotel Conrad, 2014).

Key information:

- Treating customers well and providing good service is one of the main strategies.
- Hotels can gain positive effects of word out mouth through good service.
- Hotels can use professional relationships to benefit business.
- By paying increased commission, hotels can be listed favourably on booking sites.

4.5 Creating your own platform

Hotel owners claim that they have neither the technical competence nor the required professional network to be able to create their own MSP. Furthermore it requires an investment of time and resources, both of which are scarce. Finally, the creation of a booking MSP is not compatible with the general goals of the hotel organizations due to the expertise being the hospitality business, and not in the field of MSP. Respondents also claim the task to be near impossible due to the sheer size and brand strength of the major MSP actors. Hotel B elaborates: “Creating our own MSP would take too much time away from our daily operations ... the time it takes to manage it (MSP) would probably result in less time serving our customers”. (Hotell Blue Blues)

Key information:

- All respondents claim that it is of great importance how well-known or how many users (on the consumer end) the MSP has.
- The MSP's market share.
- Only one hotel mentions the aspect of other hotels' utilization of the MSP.
- Technical compatibility with booking systems.
- The MSP's commission fee.

4.6 Differentiating on a MSP

The main strategies to use to differentiate oneself from competitors on MSP booking sites consist of several, but somewhat related options. Some hotel owners emphasize the value of having a strong portfolio of pictures that accurately, but positively show potential customers what they can expect from a visit at their respective hotel (Ericsson, L.- City Hotel, 2014). They furthermore claim that reviews play a big part in order to convince prospective clients that their hotel is of high quality. Reviews speak volumes of what the hotel actually offers, and show more than the hotel in question presents online in a controlled environment. (Johansson, J. -Hotel Jämteborg, 2014) One further main point of differentiation is, according to respondents to lower the price in certain cases. With limited possibilities to influence MSPs in regards to the differentiation of their hotels from others, some owners choose to instead compete on the basis of offering their services at a lower cost than others. Hotell Blue Blues however informs us that prices are difficult to compete with as it is hard to cut costs in the short term perspective within the industry (Andersson, A. -Hotell Blue Blues, 2014). Another point of differentiation is to market the location of the hotel in proximity to other activities guests could and would like to partake in (Karlsson, K. -Hotel Saga, 2014). One respondent claims that no special efforts have been made to separate their business from that of the rest (Fransson, F. -Lilla hotellet, 2014). We also claim that hotels compete in differentiation on the basis of level of service and customer interaction, as they are part of the service industry.

Key information:

- Interviewees claim that photographs published on booking sites play a big role in convincing customers.
- They further claim that customer reviews are important to convince customers of their offer.
- Some hotels choose to compete on prices.
- The differentiation is often a question regarding service level and customer interaction.

4.7 Skillsets and education

When asked what type of skillsets, previous experiences and education hotel owners prefer for their employees and themselves, the answers vary. There is an expressed consensus about experience within the industry to be the one most important asset. A lack of certain skills or theoretical knowledge can be overcome by surrounding oneself with well-educated personnel. In general it seems that potential candidates for hire should either have practical experience within the industry, or service management education.

Some owners also express the need for employees with a background in economics and business studies. Academic backgrounds are however not regarded as a necessity. The most important asset is service-mindedness and a great personality (Conradsson, S. - Hotell Conrad, 2014, Tornesson, T. -Hotel Tornet, 2014, Ericson, L. -City Hotel, 2014, Göransson, G. -Grand Hotel Jönköping, 2014, Gustavsson, G. -Hotell Green House, 2014). Lars Ericson expands on this: “What makes our hotel unique is our exceptional level of service through our staff of service-minded people. You can’t teach this, it’s just something that a person has or doesn’t have”. One respondent further claims that a skillful and diplomatic leader group with clear directives is a specific asset that can be classified as a competitive advantage within the industry (Bengtsson, B. -Hotell Happy Face, 2014).

Andersson at Hotell Blue Blues argues that there are three main skillsets that are practical when

running a hotel business. First, they argue that knowledge of basic economics, like others have mentioned, is a strength and saves time. They further claim that webdesign is a strength, as it allows for better control of the company's online image. Finally Andersson (Hotell Blue Blues, 2014) claim that knowledge of languages is important in the tourism industry:

Since we are apart of the tourism industry, language skills in addition to English is a big bonus. We have a lot of German and Danish guests, and it is very appreciated when we at least try to communicate in their languages - you're often met halfway. (Andersson, A. -Hotell Blue Blues, 2014)

Key information:

- Respondents claim that academic backgrounds within business, economics or service can be helpful.
- Experience is the most important attribute.
- It is important that employees are service-minded.
- Technical competence, in such fields as webdesign can be useful.

4.8 Activities

The activities of hotel managers and employees vary, both depending on which hotel you ask and which season it is. Of the day-to-day activities, one of the most time-consuming activities that takes place is the manning of the reception desk. Göransson, of Grand Hotel Jönköping, also considers it one of the most important activities: "Lobby personnel have to stay on their toes - the personal interaction is a strong and important part of the guest experience at our hotel."

Cleaning of rooms and common areas closely follows as the second most time-consuming

activity. The restaurant and preparation of food is mentioned as well, but not specifically as something that is costly in terms of time consumption (Göransson, G. -Grand Hotel Jönköping, 2014).

One respondent we were in contact with informed us that they outsource the majority of activities related to running their hotel to a third party actor. This actor handles both check-in and check-out procedures, service towards guests as well as cleaning. One of the few activities of the actual owners is quality assurance of mainly cleaning. (Bengtsson, B. -Hotell Happy Face, 2014)

An additional activity, that is more abstract in the sense that it can't be defined by a specific time nor of place, is staff and customer interaction. A majority of respondents claim that this is one of the most important activities, and is vital in order to retain customers that simply like to be well-treated guests (City Hotel). This can be done by providing information regarding tourist activities, or something as simple as offering free of charge coffee, snacks and magazines (Tornesson, T. -Hotel Tornet, 2014). Business guests are accommodated by organizing evening activities such as TV sports nights (Ericson, L. -City Hotel, 2014).

As for activities pertaining to MSP strategizing, half of the respondents claim to spend less than 5 hours a week conducting what they would classify as work related to MSP strategic decision making. The other half spend between 6 to 10 hours with the work. Only one respondent claims to have strategic decision making, specifically MSP related strategies, as their main work task. There seems to be no correlation between the time spent working with MSP strategy and size of the hotel, judging by our sample.

Key information:

- Hotel employees have many day-to-day activities to conduct, such as manning reception, cleaning and interacting with customers. They are time-consuming.
- Roughly half of our respondents claim to spend between 0 to 5 hours working with strategy issues, the other half spend between 5 to 10 hours. Only one respondent works full-time with strategy.

In table 3, on the next page, we have made a summary of the respondents answer for each theme. In Appendix II, we have conducted an overview of the respondents utilization of MSP and which they utilize. Furthermore in in table 3 we have summarized the survey-respondents into one column, in Appendix III is the full list of all respondents answers in theme order.

Table 3: Summary of empirical data

	Hotell Oskar	Hotell Ahlström	Hotell Blue Blues	Survey
Utilization of MSPs	x	x	x	13/13
MSP demands				
- commission fees	x	x	x	(5/13)
- price warranty	x	x	x	(8/13)
- updated photos				(2/13)
Selection of MSP criteria				
- Many users (hotel side)				(1/13)
- commission fees	x	x	x	(9/13)
- geographical market segments				(2/13)
- user friendly and compatibility	x	x		(3/13)
- the MSPs market share				(6/13)
- Well-known MSP / many users in the consumer side	x	x	x	(6/13)
Differentiation on MSP				
- Low prices	x	x		(3/13)
- Hotel conveniently located		x		(1/13)
-Highlight the small thing that will make the stay more pleasant				(2/13)
- Photos				(5/13)
- customer reviews	x	x	x	(7/13)
Activities				
- Housekeeping	x	x	x	(8/13)
- Reception manning & tourist information	x	x		(5/13)
- Economics	x	x		(2/13)
- Service	x	x	x	(13/13)

5 Analysis

We will in this chapter of the thesis analyze the data collected through our interaction with hotel owners in Sweden. This will be done in regards to the structure we created in our theoretical framework. We will begin with a broader market-based view, analyzing through “Porter’s Five Forces”, “Coopetition”, “Multi-Sided Platforms”, “Network effects” and “Competitive advantages”. The analysis will be concluded with a narrow scope, where we primarily focus on mechanisms explaining the procedures and decision-making of hotel owners through our frameworks “Value Activities” and “Firm Resources”.

5.1 Utilization of MSPs and MSP demands

5.1.1 Five forces

The Swedish hotel market is, as many other markets characterized by several forces that can affect you both positively and negatively. By analyzing the hotel market through Porter’s Five Forces, we wish to gain an increased understanding of the reasoning behind the actors decision-making that has led to a widespread use of MSPs.

5.1.1.1 Threats of new entrants

We propose that the barriers in place on the Swedish small hotel markets can be characterized as weak due to the following:

- Customers are free to choose whichever hotel they wish and their experience will vary depending on the amount of money they wish to spend. We therefore argue that there are very low customer switching costs and that customers on the market will not be less prone to engage a new entrant.
- The effects of economies of scale are irrelevant due to the limitation of our scope to include only smaller hotels that run but one business and not a chain of hotels. They have been excluded from the study.

- Capital requirements are viewed as medium-sized. There are neither any requirements for specific and costly technological investments nor for massive capital requirements. Property and inventory costs are however not negligible.
- Incumbency advantages are relevant, albeit small. Small hotels have recurring customers, but this crowd is relatively insignificant in comparison to the amount of guests that are not regulars.

However, there are a number of regulations to follow when you open up a hotel. First of all you are by law (SFS 1966:742) obligated to get a permit from the police department to run a hotel business (Mathies, H., Mathies, K. 2014). It is also necessary to classify the building as a hotel business, in those cases when the building has been used for other purposes earlier (Tillväxtverket, 2014). In addition the Swedish health care department will do several inspections of the hotel. Their visits concern aspects of hygiene and how the hotel handles food and prepares meals (Tillväxtverket, 2014).

Furthermore there are some major necessary investments in inventories in the startup process, which may be seen as a smaller barrier for entering the market (Mathies, H., Mathies, K. 2014). According to Hans Mathies the largest barrier is regulation administered by the European Union on fire safety documentation (Boverket, 2013). The documentation contains number of regulations, such as escape plan documentation, locations of fire alarms and fire-extinguishers and designated places to gather hotel guest at in case of a fire, “it is a time consuming and expensive activity, but at the same time crucial for the guests safety” (Mathies, H., Mathies K., 2014).

5.1.1.2 Bargaining power of buyers

Buyers on the Swedish hotel market are in a strong position to pressure hotel owners. There are a multitude of options when choosing where to stay. The implication of this is according to Porter, that hotels are forced to both lower their prices as well as to improve their service offering. In doing so, the profits of hotels are lowered through an increased cost of running the hotel. A further implication that arises with the arrival of widespread MSP utilization is that the power of customers has increased further.

Our arguments are as follows:

- Increased customer to customer interaction on MSP booking and review sites allow customers to further pressure hotels on their offer.
- Customers have an easier time comparing different offers.

5.1.1.3 Threat of substitute products or services

There are several threats from substitutes within the Swedish hotel industry. The most apparent threats to the small hotels are the bigger chain hotels. There are also several options on the rise, for example airbnb.com. Less obvious but equally important are the substitutes in the form of “staying with a friend” or “not staying the night but instead returning home”. We however find that an analysis of these substitutes lies outside of our scope, as we are more interested in the relation between hotels and MSPs.

5.1.1.4 Bargaining power of suppliers

As we have studied small hotels, the presence of traditional suppliers is low. This is a result of the size of the hotels which minimizes the need for suppliers, since hotel managers can themselves provide most goods that are required to run their daily business.

We however wish to argue in favour of a more unconventional interpretation of suppliers: MSP as suppliers. We propose that the MSPs offer goods in the form of customers, as well as the service of promoting the hotel on their websites. As such MSPs have a bargaining power that comes from their ability to charge a higher price for goods and services. For the hotel industry, we consider this to be a strong threat due to the following argument:

- MSPs are technically interchangeable. This however does not diminish the threat they pose to hotel owners. Since our empirical data has shown that every hotel uses an MSP, this means that although they may switch MSP provider, each MSP will still have a strong bargaining power towards hotel owners and managers.

5.1.1.5 Rivalry between existing competitors

The rivalry on the Swedish hotel market can according to Porter be classified as strong due the following arguments:

- There are numerous competitors and they are easily found through MSP booking sites.
- What our respondents offer their customers is very similar with few exceptions. Hotels offer what they classify as good service, pleasant staff, roof over your head and dining accommodations.
- The strategies that hotel managers employ to generate customers and to increase awareness of their hotel are similar. These strategies consist primarily of utilizing MSPs to reach a wider customer base, as well as of more limited attempts to form professional relationships with businesses around Sweden that will allow them to generate more visits.

The next step of the analysis is to discuss what implications the forces we have presented have on small businesses. Overall, the forces on the Swedish hotel market are strong. According to Porter the correct plan of action for businesses struggling with strong forces is to increase investments and to focus on new product and service development, in order to differentiate yourself from the competition. We however suggest that this ability to simply increase investments is heavily reliant on both the conditions of the industry you are acting on, as well as it being dependant on firm size and resource availability. New product and service development may be a plausible solution to combating differentiation needs, we however firstly need to closely analysis the effect that MSP utilization has on companies strategic abilities.

5.1.2 Coopetition

With the entrance of MSPs on the hotel market, we need further tools to analyze the complexity of the MSP-influenced market. We also need to conduct an analysis from the coopetition point of view. In the Five forces perspective on the classification of MSPs they were named suppliers, since they “supply” consumers. It is not however as if the hotel can send an order to the MSP of a delivery of 20 consumers/hotel guests by next Thursday. On the other hand a MSP operates as

a marketing channel, in the sense that they supply “marketing space” for the hotels. If the hotel wants a better listing on the MSP, the hotel has to pay a higher commission fee. The concept of cooptation will show that the market has changed in some aspects since Porter’s market analysis in 1980. The four roles Nalebuff and Brandenburger discuss are consumers, suppliers, competitors and complementors. When analysing the hotel industry it becomes very apparent that the players on the market have more than one role to play at the same time. We will start by analyzing the “other hotels” as they become more than just competition. We will continue by analyzing the powerful position the consumers have gotten as a consequence the entrance of the MSP in the industry. The following section will focus on the suppliers and the players in the market. We will conclude the analysis of cooptation in the hotel industry with looking at the roles of MSPs and give a summarizing illustration of the “Value Net” for the industry.

5.1.2.1 Other hotels operates as competitors and complementors

The most natural role for the other hotels on the market is as competitors against one another, since they are competing over marketing space, market shares and consumers. One could also argue that they compete over network connections. As Wimmerstedt at Hotell Oskar stated; they have a good relationship with the TO in Lund and the hotel invites the personnel in the TO for a visit. Wimmerstedt sees this as an alternative marketing channel and hopes that the TO will recommend Hotell Oskar to tourists who ask for a hotel in the area. This kind of network connection is of limited value. If all hotels in Lund tried the same concept, the TO would recommend all hotels in the city and that particular marketing channel would lose the value it had from the beginning. There is a sort of a limit on the number of consumers the hotels can compete over, in the sense that the hotels cannot create more consumers than there actually are. Other actors with the same kind of products or services would take on the role as *competitors* and they would take regardless if it was in Porter’s analysis or in almost any other market analysis. But in the concept of competitions there are roles to play as well.

In the concepts of cooptation and multi-sided platforms the other hotels will also take the roles of complementors. When competing hotels join forces, in terms of marketing and publicity, for example by using a MSP, they are able to attract a larger crowd. Thereby one hotel becomes the complementor of another. They help each other to become more successful and also to create a

higher value for the consumers. The consumers will have more hotel options, and on one page they will be able to find a hotel that meets the consumers criteria, such as questions on price, on service quality, the availability of Wi-Fi, information on facilities and distance to specific locations or attractions.

5.1.2.2 Hotel guests role as consumers, but...

The recipients of the hotel's services are the guests. Thereby they are consumers to the hotel. Every decision the hotels makes should be with consideration to the effect it has on the consumers, such as decisions on joining a multi-sided platform, on employments and on quality of food and its presentation. Each action is or should be made with the consumer in mind, whether it is a question of costs or quality.

It would probably be wise to see the hotel guest as more than just a consumer, not only because of the guests background or their work position or because they may work as a supplier of products that may be of interest to the hotel. But because all the hotels we interviewed and the majority of the hotels in the survey said that the reviews from previous guests are very important as a marketing channel on the MSPs. Great reviews on the MSP, will improve the chances of attracting new guests, but at the same time the hotels need to have the same quality as the reviews have stated. Otherwise the new guests will not have the same experience as previous guests. That may result in a really bad review, which the hotel cannot get rid of. As Andersson at Hotell Blue Blues stated one bad review will affect potential consumers more than five good review. The possibility of giving a review gives the consumers the power to be a complementor, but by making a negative review the consumers have the role of detrimental players.

5.1.2.3 Other players

In our analysis we find that other players on the hotel market, are employees, the TO, tourist attractions (museums and amusement parks etc), restaurants and transportation. These players have other roles as well, but we will analyse them from the hotels' point of view.

Employees: In the "Value Net" we find the employees in the roles of suppliers as they supply working hours, but they may also be found in the position of complementors. As all the hotels in

our research pointed out service and housekeeping as priorities, and Sanchez (Hotell Ahlström, 2014) stated that the hotel guest can be okay with a lower standard in the room, but if the service (which is supplied by the employees) is poor, the hotel loses guests. The employees will (or are supposed to) improve the quality of the stay and create a higher value for the hotel guests. Some of the hotels discussed the importance of finding the right employees, in terms of service-mindedness, language skills and education in some cases, to be able to maintain a desired level of standard on their service for their consumers.

The Tourist Office: In most cases the TO in Sweden is run by the government, and is supposed to be non-partial. As a service provided by the government, it is supposed to operate to promote the hotels in the designated city or municipality, with no favoring of a specific hotel. This is not quite the state of things as hotels we have been in contact with say that they use the TO as an alternative channel. The TO will also help the consumers to buy tickets to shows, museums, bus tours and to sometimes even travel arrangements. These services will give the consumers' staying at the hotel feeling of having obtained a higher value. At the same time the TO will provide the same services even if the tourist or consumer is staying at a hotel in another city, or not even staying overnight. Thereby we will classify the TO as (a weak) complementor.

Tourist attractions and nonprofit organizations and associations we have classified as complementors. Non-profit tourism organizations and associations have another position. They may and will favor hotels that are members and choose what hotels they want to recommend. At the same time they (depending on the type of associations) will give you information about what attractions are close by the hotel, or help make other arrangements to make the stay more pleasant, such as to sign up the consumer on bus tours or sell tickets to shows.

For the hotels, there are a number of different players that will mainly be classified as suppliers, such as laundry services, catering services, power suppliers and outsourced accounting work. Catering and laundry services may be seen as complementors to the hotels as well, since it is a good experience for the hotel guests to be given clean sheets and good food. Then again, to have clean sheets is part of a basic standard, expected and mandatory.

5.1.2.4 The MSPs are surrounding the hotels

The four roles that the players on the market can take are, as mentioned; consumers, suppliers, competitors and complementors. We found that a MSP may take on all four surrounding positions. Some of the hotels in the research argued that the use of MSP is necessary for a hotel, even for the hotels survival in the industry and that it is the way the consumers find the hotel and very few consumers come from other channels. The MSPs have positioned themselves where they have influence on the hotels decisions from almost every way on the market.

- *MSP as a complementor*: The main position for the MSP is as a complementor, since they improve the consumer-hotel interactions. The role of the complementor is that they improve or create higher value for the consumers with complementary products and services. It is easier for the consumer to find the hotels they are interested in, and for the hotels, MSPs give them more time and resources to spend on the consumer, when they have arrived to the hotel and that the MSP will result in more bookings.
- *MSP as a competitor*: The MSPs also play as competitors since they have the same complementing role towards the majority of other hotels. If the other hotels did not utilize the MSP, the significance of the role as complementor might be larger, but that would also mean that the hotel would lose network effects, see section 5.2 *MSP selection criteria*. The MSP will also have the role as competitor, and will, due to this compete with the hotels other booking options, where there are lower too no commission fee. Since the MSPs has a price warranty, the hotels will “earn” 15 percent more if the consumer use other booking options.

Then again, one could argue that the MSP should not be classified as a competitor since, they do not offer living accommodations of their own, and therefore the MSP is not competing over hotel guest with the hotel.

- *MSP as a supplier*: The third role the MSP-players take on the market is as suppliers. They supply market space and publicity for the hotels. The MSP offers higher and better listings on the site, for a higher commission fee, although the hotels we have been in

contact with, did not accept a higher commission fee. The hotels argued that because the most consumers will choose a preference such as price, they will still get a high listing if the price is right in the eyes of the consumer. Other search options such as good reviews, distance to specific locations etc will also serve as means to get a higher listing.

- *MSP as a consumer:* we argue that it is possible to give the MSP-player the role of a consumer as well. Well, from this point of view the MSP is not offered a room to stay in overnight, but the fact that the hotels do offer accommodation is why the MSPs want them on their platform. The MSP wants as many hotels as possible to join their platform in order to create network effects for its users. The more hotels that are on the MSP's platform the more network effects, and the more consumers will use the platform to find a hotel. The relationship between the hotel and MSP will practically run by itself. It may even be seen as if the hotel cannot do anything wrong as long they follow the contract, when we apply the role of the consumer to the MSP.

The hotels may do themselves a disfavor, by getting bad reviews and a lower listing, but for the MSP it does not really matter. It is not as if the MSP will exclude a hotel due to bad reviews, but if there is a breach of contract, such as an offer of a lower price on the hotels website, there will be a penalty fee and it may result in an exclusion from the MSP. The power structure between the MSP, in the role of consumer, and the hotel, will still be in the MSPs favor due to the fact that the effects of leaving the MSP will have greater impact on the hotel than the MSP. Then again it would be a one-time consuming situation for a single hotel, but the consumer position will still be there for situation where a hotel is not using a MSP.

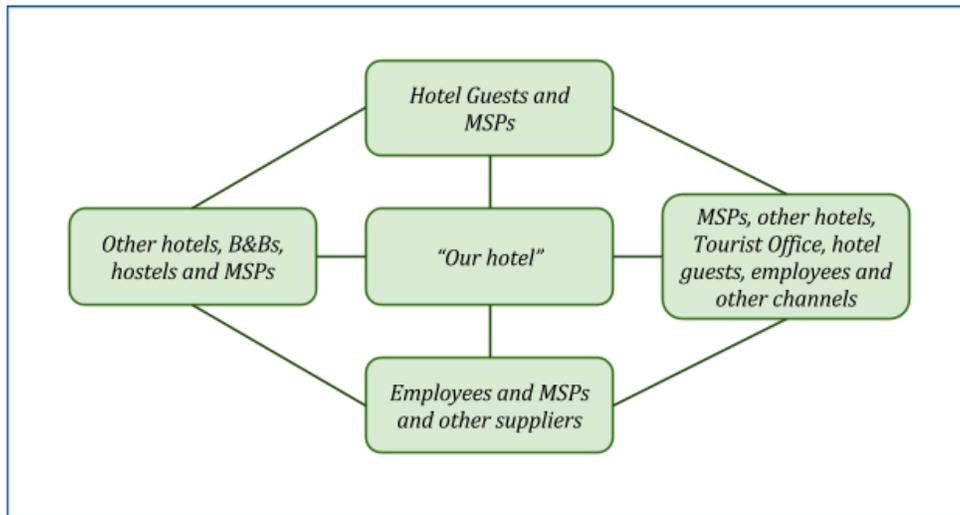


Illustration 5 “Value Net”, where the MSPs are positioning themselves in all roles in the market (original from Nalebuff and Brandenburger, 1996 p.27).

We here think of the discussion Nalebuff and Brandenburger had on friend or enemy, stating that the hotels need to maintain the cooperation with all players on the market, and that damages in a relationship with another player may backfire on the hotel. The hotels underlined the importance of good and bad reviews from previous guests.

With cooperation on the market, the hotels are able to enlarge the market, since the MSPs gather the consumers on platforms. This results in the consumer base being available for all hotels that have joined the MSPs, which means that it is time for the players to compete for consumers and market shares. The market share the hotel gets through cooperation, will be divided by a number of parties, such as MSPs, other marketing channels, suppliers, employees, hotel guests, other cost of running daily business and tax. Because, even if the players on the hotel market are cooperating in creating a larger market and reaching a larger consumer base create, it is a competition over actual hotel guest between the hotels.

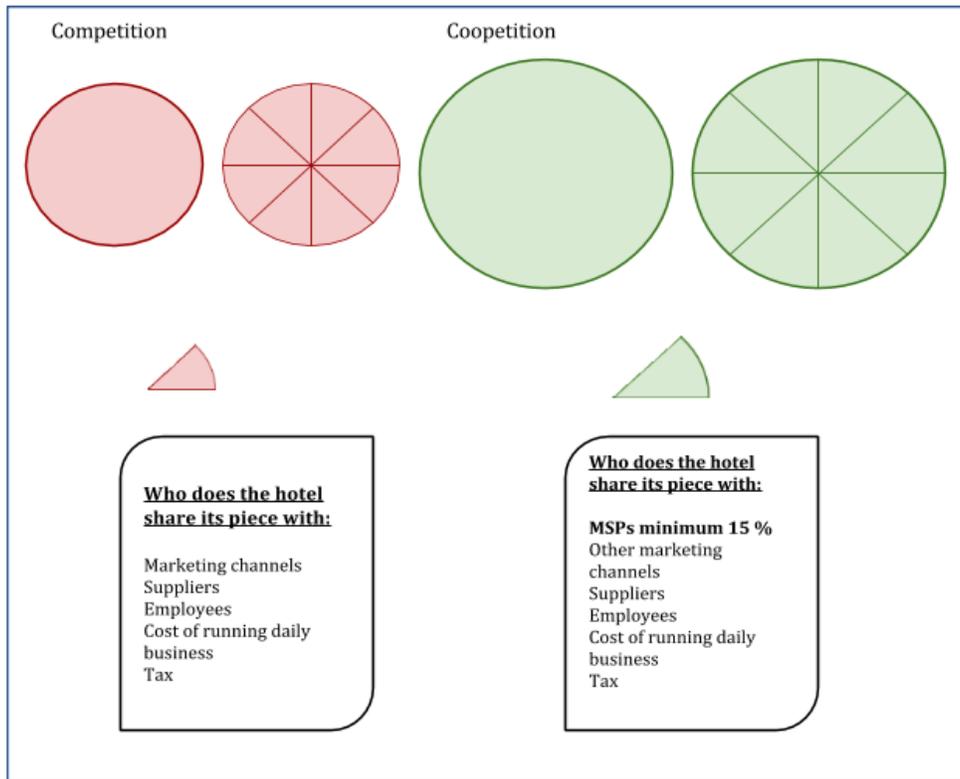


Illustration 6: “The cake competition”, with the entry of coopetition and MSPs

For the hotel guests it becomes a question of the quality on the service which they do not necessarily want to pay extra for. A higher quality on services, will force the hotel to spend more money on their employees to meet needs, but the hotel guests are expecting a certain level of service for the money they are paying.

5.1.3 Hagiu & Yoffie’s Multi-sided platforms

With a completed analysis of how external mechanisms shape the decision-making of hotel owners, we will now investigate the relationship between MSPs and the hotel business closer.

5.1.3.1 To play or not to play?

We have previously reached the conclusion that the main purposes of an MSP is to reduce search and transaction costs, without submitting the enterprise to the risk it entails to undergo this operation by itself. We can see that the reasoning behind the use of MSPs for hotel owners is that they expect to get an increased number of customers to the hotel as well as a mean to simplify the work process. As such, MSPs fill an important role for hotel owners, and should therefore be considered as a viable option when it comes to improving the hotel business. Furthermore, Hagiu and Yoffie argue that playing with MSPs is not only dependent on what benefits they can give you, but they also highlight the importance of staying vigilant in the face of the threats that are also present.

In the case of the Swedish hotel market, we argue the following in regard to the threats that MSPs pose to hotel owners:

- A majority of respondents use the same, a select few, MSPs. As such, some MSP providers are more powerful due to their size and resources.
- Due to MSPs increasing attractiveness in relation to how many users subscribe to its services, MSPs have strong bargaining powers. Small hotels on the other hand have little chance to be demanding, since they need to utilize the big providers in order to be successful.
- With MSPs playing such an important role in supplying hotels with customers, we find it important to highlight that MSPs have a very strong position of power due to the sheer amount of information they receive regarding each hotel's business and that this power can be abused. We accept that this can be seen as unwarranted critique of an opportunistic behaviour that has not yet come to pass. Although this concern is not expressed explicitly by our respondents, we have found it important to introduce into our

thesis as it is expressed by Hagiu & Yoffie.

5.1.3.2 Which MSP should we play with?

In the choice of deciding which MSP to use, hotels seem to have reached the same conclusion: the only goal for the MSP strategy is to gain as wide a reach as possible to customers. We argue this since hotels use as many MSP providers as possible. There are certain limitations however, such as hotels not choosing MSPs that do not offer good commission terms. We argue that this strategy in part is a successful and wise initiative by hotel owners due to how the “pay for what you get” payment system for MSP services works. The MSP mass utilization strategy also has a further implication for the industry. With hotel owners subscribing to the services of many MSPs, there is not one specific provider that holds all the power. Therefore we can say that hotels have limited, but existing power in the form of being able to leave one MSP but still remain reasonably effective in terms of MSP utilization. In accordance with Hagiu and Yoffie, MSPs may in some ways be limited in their ability to keep raising commission costs for hotel bookings. This is however something hotels should consider carefully when choosing which services to partner with.

5.1.3.3 How to play

When so many hotels on the Swedish market employ the same strategies, one can easily question how beneficial the services of MSP providers are in terms of differentiation. As something that formerly might have been looked upon as a special or uncommon business strategy, the use has now reached a point where everyone uses MSPs and it no longer can be seen as something that sets your hotel business apart from everyone else. Hotels generally lack any initiatives of developing ways to differentiate themselves, on the platforms ,differently than their competition.

5.2 MSP selection criteria

This far in the analysis, we have seen how the MSPs position themselves in the value net, and how the relationship between the hotel and the MSP is evolving. All respondents in our sample

are using at least one MSP. But how does the hotel choose what MSPs to use? The respondents answered that they wanted to reach as many consumers as possible. This raises the query of network effects - which is what the hotels want. We have two sets of group of effects for the MSPs a) total and marginal effects and b) direct and indirect network effects as can be seen below.

Upon joining a MSP, a hotel also makes a sort of silent cooperation agreement with the other hotels on the platform. Without the other hotels the MSP is less attractive for the consumer, and thereby cooperation fails to expand the market. The more hotels the consumers have to choose from, the more they gain from the hotels cooperation.

- The consumers will use the MSP when they have several hotel to choose between.
- The hotels will utilize the MSP when there are many consumers using the MSP.

It should be seen as the hotel markets own responsibility, and in their own interest to create a cooperation on the market, in order to reach more consumers. This leads to Farrell and Klemperer's discussion on total and marginal effects, who is taking the first step in the strive to create cooperation on the market?

5.2.1 Total and marginal effects of MSP utilization

For a MSP's establishment it becomes an important task to market the positive effects that users gain from the use of the platform. The larger hotels and hotel chains will prevail on the consumers to use the platform in the selection process. The consumers will primarily use it to compare the different hotels, in terms of onsite facilities, location and service etc, and they will find it convenient that they are able to book the hotel on the same page. The first hotel will influence the other hotels to join the same network, and will thereby will contribute to the marginal effect for the network. Göransson stated that their selection of MSP depended on which MSPs the other hotels in the city are using. Other respondents argued that it was important for them that the MSP was well-known and had a large number of consumer-users (Ericsson, L - City Hotel, 2014). Gustavsson at Hotel Green House, explained their selection process as do not have much choice. From this point of view, the smaller hotels are joining the MSP, because the

competition have repositioned the marketplace and thereby also where the consumers. In order for the small hotels to reach the consumer they have to enter the same marketplace, the MSP.

5.2.2 The direct and indirect network effects of MSP utilization

The other division is the group into indirect and/or direct effects.

5.2.2.1 The direct network effects of utilization of MSPs

Some of the respondents claim that they utilize different MSPs, which targets different consumer segments (Hotell). But that leads back to the main argument of how well-known the MSP is and what number of consumer they can reach, the MSPs' market shares and the MSPs' geographical market segments. These criteria all lead back to the network effects, and more specifically to the direct network effects.

Direct network effect is the connections created in the network, where the users use the platform to find each other. These direct effects are the ones that our respondents reported on, the reach of a larger customer base. Sanchez (Hotell Ahlström) stated that since being on the MSP they get many more hotel guests, now when they joined booking.com. They claimed that up to 47 percent of the bookings go through the MSP per year. It is the largest channel for bookings for the hotel. Other respondents further claimed that in order to get a sufficient number of hotel guests, i.e. market shares, it is almost as if it is compulsory to utilize a MSP. This essentially means that the majority of the customer base is already using the MSP. The use of MSP is more and more turning into a question of access for and to the customers.

5.2.2.2 The indirect network effects of utilization of MSPs

As stated in 5.1.2.4 *The MSPs are surrounding the hotels*, the MSP operates as a complementor on the market for the hotels. In the concept of network effects, a complementary product or service that help create higher value for the consumer, will create indirect network effects according to Farrell and Klemperer (2007 p.1974-1975). Earlier in the theory chapter we

exemplified the indirect network effects with DVD-players, where they will create more value for the user, the more movies or other recordings (DVDs) the user can play on the DVD-Player. On the hotel market the multi-sided platform is the DVD-player, and the users of the MSPs are the DVDs. On one hand the hotels are the DVDs that the consumer has to choose from, and on the other the hotels get a great marketplace with many consumers.

If the consumers are unable to reach a fair number of hotels from the platform, the consumer will try other channels to find a suitable hotel. Therefore it is in the user-hotels own interest to have a competition setting on the hotel market in order to gather the consumers in 'one' marketplace. But at the same time the majority of our respondents utilized more than one MSP, and that was in order to keep some control of the market. Otherwise the hotels would create a superior MSP which would result in the hotels losing bargaining power against the MSP. This refers us back to the last section of use of MSP and the authors Hagui and Yoffie. It is an act of balance, of giving and having the bargaining power. On one hand it is good to utilize more than one MSP and on the other you need to have a more long-term perspective. One could argue that there is a competition agreement on the market for the MSPs as well. We can therefore say that the agreement between the hotel and the MSP is that the MSP is offering the lowest price, since they offer the hotel guest a price warranty. None of the MSPs want to lose their market shares.

The indirect network effects for the MSP itself is, the actual transaction or interaction that take place on the MSP. Earlier we exemplified the indirect network effects with DVD-players and DVDs. In the hotel market, the MSP is the DVD-player which creates more value for its user with the complementary products of DVDs. So the hotels are DVDs for the customer base and the MSP. But since it is a multi-sided platform, which mean that the effects to some extent should go both ways the customer base is the variety of DVDs and the hotel is the user that may be selected. The hotels' use of several different MSP give them different channels through which they can reach the large market. Some hotels based their selection on what geographical market segments they hotel could reach through the MSP.

Several of the hotels have argued for the importance of customer reviews, because they lead to indirect effects for the hotel. If we compare it to the example with the DVD-players and the

DVDs we have used earlier, the selection of movies is based on movie critics, reviews, genre, actors and other preferences. The same goes for the consumer's selection of hotels.

5.2.3 The complications of joining a MSP

Other criterion for using MSPs suggested by the respondents are that the MSP needs to be user friendly and compatible with the hotels' in-house booking system. Farrell and Klemperer highlighted two coordination problems in a network, which they called *confusion* and *splintering*. We will first talk about the problem of confusion. If a MSPs operating system does not interact with the hotels own booking system, than the MSP service create less value for the hotel. Not compatible systems will create more time consuming activities for the employees at the hotel. The hotels will not be able to use the MSP to its full potential. According to Wimmerstedt (Hotell Oskar, 2014), this was one of the main reasons why they do not use the TO MSP. It should be noted that in different cities TOs have different platform solutions and that the compatibility aspect between the hotels and MSP can differ depending on systems.

In our interview with Sanchez (Hotell Ahlström, 2014) that booking.com introduced them to a third-party company Sirvoy. Sirvoy is a booking platform, where the hotels can keep track of their occupancy and reservations. With the introduction of a complementary platform, the MSP is hedging itself from confusion for the users. Without the Sirvoy-platform, booking.com could be in risk of hotels chosing other options.

Secondly we mentioned the problem of splintering, which is when the users make a coordinated move from a different MSP and entering a superior MSP. One aspect to consider is whether there are any MSP demands that limit the hotels' use of other MSPs, which raises the question of competition and coordination splintering between the MSPs. A limitation, which may result in that the users abandoning your platform. This is however thought to be a minor risk on the hotel market, since the hotels can utilize several different MSPs and as long as the MSP has the lowest price (due to price warranty) no other demands would be necessary for the the MSPs coopetition.

5.2.4 The negative side that no one talks about

We have analysed the positive sides of utilization of MSP, since those form the criteria the hotels have in their decision process. But are there really now negative effects, or externalities as Liebowitz and Margoli (1994) call them? From the beginning, when less than the majority of hotels utilized MSP, it was a way to stand out and differentiate the hotel from another. Subsequently the MSP attracted more and more hotels. We can now see that the cost to attract guests is growing. The competitiveness about the consumers forces hotels to invest more and in some instances more than they would like. But the positive effects from the utilization has attracted an essential amount of hotels on the MSPs, which begs the question of how hotels will be able to attract the consumers on the MSPs.

The positive effects are still there for the hotels joining the MSP and the hotels already on the MSP. But the number of hotels using the MSP has reached a point where the use also is creating a cost for the users. There is a cost of standing out and cost of differentiating the hotel on the MSP.

5.3 Differentiating on a MSP

We have previously discussed how hotels owners use MSP providers as a means to gaining an increased number of customers. The utilization however does not come free of charge. We already know that hotel owners pay commission fees for the services they receive, but there are further implications regarding costs. In this section we wish to analyze what possibilities of differentiation exist on the Swedish hotel market, and what weaknesses and strengths are inferred on hotel owners strategic decision making possibilities when they are a part of MSPs.

According to Porter (1985), differentiation is something that can be done anywhere along value chain, and most importantly it should be done if it provides value for the buyer. For our research this statement has several implications. The most important one is that differentiation can be twofold based on a critical distinction. Firstly, hotels compete on the basis of differentiation regarding what their hotel offers to the end-customer, i.e. the guest. Secondly, hotels also compete on the basis of differentiation on MSP booking sites, where they face a need to separate

themselves from the crowd in order to gain increased visits. These two distinctions are naturally interrelated: by having a clean and well-decorated hotel as well as a service-minded staff, one could argue that the hotel is differentiating towards the end-customers. Furthermore, differentiation can also be accomplished through how the hotel is presented on MSP booking sites. This means that while differentiation through excellent treatment of customers is primarily targeted towards guests, the hotel still reaps “differentiation rewards” through MSP booking sites in the form of good customer reviews.

To allow further analysis of means of differentiation within the hotel industry we must establish which parameters within the hotel organisation can be altered in order to separate a hotel from its competitors. When hotel owners differentiate themselves from others, they do so by conducting certain activities that add value, somewhere in the value chain. Porter calls these initiatives valuable activities, and they are important to take into consideration when trying to understand how companies gain a competitive advantage through differentiation. It can be argued that the activities that are specifically related to hotel utilization of MSP services are somewhat limited. We have concluded, that for our thesis, the most important parts of Porter’s value chain are Operations, Marketing & Sales and Service. It is within these parts of the value chain that small hotel owners have the ability to be unique in its value offer toward its customers. Inbound and outbound logistics have for this discussion been excluded due to their lack of relevance for small hotel owners.

The activities of hotel owners are according to the respondents of our interviews and survey:

- | | |
|-----------------------------|-------------------------------|
| - Booking management | - Sales |
| - Grocery shopping | - Cleaning |
| - Tourist information | - Preparation of food |
| - Customer interaction | - Marketing |
| - Event planning for guests | - Administration & accounting |

We have from these activities determined that MSPs are an integral part of a hotels value chain. The reasoning behind this is that MSPs now assist hotels with several activities that were

previously conducted primarily in-house: respondents claim that many activities, particularly marketing and booking management are now handled by MSP services.

The above list of activities makes up the different parts of hotels value chains, and it is within these activities that hotels can create the uniqueness needed to differentiate themselves. Hotels primarily distinguish their differentiation towards the customer when customers interact with the hotel. This occurs on two separate occasions: when browsing hotel booking sites and when customers visit the hotel in question. We previously established that MSPs account for a major part of our hotel respondents efforts toward marketing and sales, and this has an important implication for differentiation. When such a big part of ones differentiation efforts are focused on the same place within the value chain, one could argue that being unique becomes difficult.

Differentiation on MSP booking sites is further disrupted by contractual and practical limitations. There are boundaries to which ways, and to what amount of information hotels can publish on the booking sites which further limits their means of “standing out” in the crowd. Some hotels have solved this partially by spending more money in order to be ranked higher, but this is arguably not the only solution. Interviewees claim that most efforts toward differentiation consist of publishing nice photographs of their hotel rooms. They further claim that customer reviews make up a significant amount of their means of differentiation. However, all hotels have photographs posted on MSPs, and all hotels have the possibility of receiving customer reviews.

It would seem that being unique on MSPs is near impossible, and what means of differentiation that actually exist for MSP utilizers are in fact byproducts of being unique elsewhere in your value chain. We argue that all activities that are a part of the hotels employee’s workload are in effect the true source of differentiation. Excellent service, strong customer interaction and well-decorated rooms are in fact what contributes to nice photographs and strong customer reviews on MSPs. Consequently these (among other similar activities) are the true sources of differentiation, the same sources that existed before the emergence of MSPs. This implies that hotel managers who strive for differentiation should focus on effectivity within the activities that lie outside of the services that MSPs provide..

What differentiation possibilities remain are then even further limited according to Porter (1985). We have so far in our analysis only discussed the possibilities of differentiation, without much regard to costs. Porter claims that even though differentiation should be done, in different parts of the value chain, there are certain conditions that should be met. Porter explains how the cost of differentiation should always be considered in relation to the benefits provided by said differentiation. This however lies outside our interviews and surveys, and is instead something companies should analyze. Businesses themselves need to study to what extent efforts of differentiation are valuable. By analyzing which costs are associated with these strategies in relation to sales numbers, companies can gain an increased understanding of how to develop their own sustainable differentiation.

5.4 Activities, Skillset and Education

Our analysis of differentiation possibilities in relation to Porters competitive advantage strategies may be seen as somewhat grim. The fact of the matter is that it is not as easy to differentiate once you join forces with an actor that has certain requirements regarding how you conduct business. There are however benefits as well to this cooperation, and it is within this chapter that we will take a closer look at what strategic benefits can be attributed to this partnership.

We mentioned in the previous chapter that the work of hotel employees consists of several activities. We also established that these activities are integral to achieving differentiation for the hotel in order for them to be able to compete on a market characterized by strong competition with limited possibilities for strategic action. Through our study we have however found that many positive effects occur in the partnership. These effects naturally occur in accordance with our analysis of network effects and cooperation and involve an increased customer base. We wish to further argue that the positive effects are not solely limited to this mechanism, but also have more game-changing strategic results due to the effects on firm resources and activities.

In our empirical data section we introduced what firm resources exist within the hotels we interviewed and within hotels that took part of our survey. We also asked respondents to express

which resources, in the form of skills and education, they thought were needed in order to be effective on the hotel market. The answers varied but there were main themes that could be extracted. An overwhelming number of respondents claimed that service-minded people were of utmost importance. They further claimed that business and economics education, as well as technological competence were attractive attributes that could help strengthen the company. We wish to argue that the strength of a company's firm resources express themselves in the activities that the company partakes in. This implication stands to reason through the fact that what activities you actually conduct, are limited by what resources and competences you possess. The reasoning is justified thus: a hotel manager who has a degree in marketing will arguably be able to better market his or her hotel than someone without a degree in marketing. This hotel owner will certainly put more effort into marketing strategies, and possibly less effort into other activities. The same can be said for hotel employees who are excellent at providing service and communicating with hotel guests. Should managers force these employees to focus on activities where their strengths are not utilized effectively? Most would argue not.

How are activities then affected by use of MSPs? What does in fact change within an organisation once you join forces with an MSP? We have established that MSPs have had a strong influence on the value activities that are conducted by the hotels. The respondents of our study claimed that specific efforts are no longer being made in order to market ones hotel since the MSP now performs this service adequately. They further claim that there is less need to spend time managing bookings, as this is an activity that is solved primarily through a MSP booking system, which is automated. This means that the MSP has actually become a vital part of the small businesses value chain, and the effect MSPs have can be seen in the following figure.



Illustration 7, When such a big part of a company's value chain is being outsourced, the interested reader might wonder what effects this could have on the competitiveness, in relation to firm resources and activities, of a business. Originally from: Porter, 1985 p. 37.

One implication outsourcing of the value chain could have on a company is that it possibly changes what resources are needed in order to provide customers with a great product. We propose that companies that use MSPs, under the same conditions that characterize the Swedish hotel market, can expect a diminished need for specific firm resources. When partnering with a MSP, companies have a decreased need for marketing and technical competence since this is encompassed within the services of the MSP. This realization implies that companies can instead focus efforts towards hiring and training people to become better at the core activities, namely serving customers and providing exceptional accommodation. It also means that companies have fewer activities to perform than previously. It is logical to assume that an increase of free-time could result in better service for customers. By assuming the role of marketing department and booking system, MSPs allow for hotels to instead develop new ways of gaining a competitive advantage.

6 Conclusions, main findings and future research

We will in this section of our thesis directly answer our research questions. This will firstly be done in a practical manner based on our empirical findings. Secondly, we will discuss any other findings from our analysis as well as what implications these may have for practitioners. The chapter will be concluded with suggestions for future research.

6.1 Research question

“Why do small actors utilize MSPs?”

Our empirical data suggests that small actors utilize multi-sided platforms because it makes their work easier. The primary reasons for this is that they spend less time conducting certain activities, such as managing booking systems and marketing. This may generate benefits to other parts of the organization. Furthermore respondents appreciate the technical support that MSP services provide. Actors also benefit from an increased amount of customers once partnering with MSPs.

“How are small actors, on the hotel market, able to differentiate themselves on Multi-sided platforms?”

Differentiation on MSPs within the Swedish hotel industry exists in a basic form. The most common forms of differentiation are limited to providing booking sites with a high quality photography portfolio. They further express the possibility of differentiation through receiving and displaying positive customer reviews, as a mean of attracting further customers. There exists price competition but in a limited form. We found that differentiation exists, to a larger degree, outside of the MSP. There are possibilities for this differentiation to be transferred to MSPs.

6.2 Main findings

While conducting our analysis regarding MSP utilization within our chosen industry, we were able to find several interesting causalities and theoretical implications.

- When employing MSPs, hotels outsource major parts of their value chain. As such they partially lose their ability to differentiate through activities related to this part of the value chain.
- MSPs role on the Swedish hotel market for small-sized hotel acts as many actors sole mean of marketing.
- When employing MSPs, hotels gain an increased amount of time to conduct other activities to improve their offering.
- By employing MSPs, hotel managers may enjoy a decreased need for certain firm resources related to human capital resource. These include, but are most likely not limited to, expertise in marketing and technical competence.

6.3 Implications for actors

We will in this section propose the practical implications of our findings. We find them to be relevant for managers within similar service industries especially, but some findings may also be applicable to product-oriented industries.

6.3.1 Implications for business managers

Hagiu and Yoffie express that managers should carefully assess how your position of power is affected by joining forces with an MSP. We however wish to address the need for managers to carefully assess how your company's ability to differentiate is affected by MSP use. Should your company possess certain attributes that increase prowess in differentiation, you should carefully examine in which ways MSPs negatively influence this ability. Managers also need to determine how strong their marketing competences are in relation to competitors. When your strength doesn't lie within marketing, it may justify utilizing an MSP in order to free up resources for other activities that your firm excels at. Managers should also consider creating formal processes

and routines with the purpose of shaping which activities should be focused on when they are using MSPs. A company that has a strong structure for using the time MSP utilization frees up, may find other strengths that they can develop into competitive advantages ahead of the competition. Increased resources may result in possibilities for managers to develop their own platform. Managers may also want to revise what specific skills and firm resources they require from recruiting. It may prove to be important to take into consideration how MSPs shape what firm resources are needed within the company.

6.3.2 Implications for MSPs

When MSP services are seeing an increased utilization rate, it may be wise for providers to start thinking about new offerings. We have already suggested that MSPs have gain an increased significance within the value chain of businesses, the next step for them is to further develop this relationship. By doing so MSPs may be in a prime position to gain increased business by enveloping other parts of the value chain into their offer. This could potentially result in bigger rewards for providers, as well as enabling customers to focus on their primary activities, such as service.

A recurring theme in our thesis is that MSP subscribers have little possibility to influence MSPs, and as such have a hard time differentiating themselves. This has been described as a problem, implying that hotel owners and managers should only cautiously approach MSPs. Should MSPs however better accommodate the needs of businesses better, and allow for more differentiation possibilities, companies may be even more inclined to use their services.

6.4 Our contribution

We have in our study examined the relationship between small hotels in Sweden and MSP booking sites. We have with the help of the collected empirical data and theories pertaining to MSPs generated a framework which allows its user to analyze an industry and gain insights into what mechanisms shape the coexistence between actor and MSP. Our framework emphasizes the importance of taking actors firm resources and value activities into consideration when studying MSP utilization. This is done in order to gain an increased understanding of what limitations firms have, but also what possibilities exist.

6.5 Suggestions for future research

This study focuses on small actors on the Swedish hotel market. Further studies could choose to include bigger hotels and possibly chain hotels. It may be of interest to see what possibilities the big actors have to impose demands towards MSPs, as well as gaining an understanding of to what extent these actors use MSPs. Furthermore, the activity and resource focused view may prove to be especially interesting when actors have more resources at their disposal. Another suggestion for future research includes testing our framework on another industry, or on another country's market. By further testing our frameworks capabilities in other settings, we may find that our findings are generally applicable to other areas.

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Appendix I: Survey and interview questions (3 pages)

Since our survey was distributed to hotels in Sweden, the survey was originally written in Swedish. We have however, below, translated the survey into English. We have also included which answer options were available for the questions we did not want open-text answers to.

Q1: What is the name of your hotel and in which city are you located?

Answer form: Blank field.

Q2: How many beds does your hotel have?

Answer form: Blank field.

Q3: What is your position at the hotel?

Answer form: Checkbox answer form, options were: Owner, hotel manager, market manager, hotelier or a checkbox with Other. There was also a blank field, where respondents were allowed to fill in any other position.

Q4: Does your hotel utilize any kind of Multi-sided platform to enlarge your consumer base? If you do which one/ones? *With multi-sided platform we mean external bookingsites, such as booking.com, hotels.com etc. If you utilize other MSPs than the ones listed, feel free to write them in the box marked 'other'.*

Answer form: Checkbox answer form, options were: The Tourist Office booking site, Booking.com, Expedia.com, Hotels.com, Sembo, Travellink.com, Agoda.com, Mr Jet, “No we do not use booking sites” and ‘other’ with a blank field.

Question 5: Was it you who contacted MSPn or did the MSP contact you?

Answer form: Checkbox answer form, options were: “We contacted the MSPs”, “The MSPs contacted us” (The hotels were able to check both boxes).

Question 6: If you are *not* using you a MSP, how do you handle marketing and bookings?

Since a part of the MSPs work is that market the hotel, how do you work to get more guests?

Answer form: Blank field, allowing for a longer answer.

Question 7: Do you have a background in a specific area that you believe gives you an advantage in competing with other hotels in your city? *Is there something you and your hotel strive to be the best at, or what are your strengths in your business?*

Answer form: Blank field, allowing for a longer answer.

Question 8: Do you think there are specific skillsets, strengths or specific training that gives hotels a competitive edge in the market? ... and why you think these are good qualities or educations that allow you to manage a hotel effectively?

Answer form: Blank field, allowing for a longer answer.

Question 9: What is your decision making-process when selecting a MSP? *That is, when a partnering with one or more MSPs, what is most important to you when you are choosing between two different MSPs? Commissions fees, incidental costs, how well-known the MSP is, flexibility, compatibility with your booking and so on.*

Answer form: Blank field, allowing for a longer answer

Question 10: How much time do you estimate that you spend on strategic decisions, specifically regarding decisions concerning the use of MSPs?

Answer form: Checkbox answer form, options were: Less than 5 hours a week, Between 6-10 hours a week, Between 11-15 hours a week, That is my primary task.

Question 11: What are your internal activities at the hotel, and how do you divide the time between them? *By activities we mean day-to-day activities which carried out, including various types of service for hotel guests, cleaning, tourist information, etc. Furthermore, how do you divide time between them?*

Answer form: Blank field, allowing for a longer answer.

Question 12: Which of these activities are of greatest importance, allowing you to market yourself so hotel guests keep returning to your hotel?

Answer form: Blank field, allowing for a longer answer.

Question 13: What are you doing to differentiate yourself on booking websites? *I.e. how do you make your hotel more attractive on the booking sites, so customers choose your hotel?*

Answer form: Blank field, allowing for a longer answer.

Question 14: Do MSPs impose any kind of demands onto you? *If no, go to question 16*

Answer form: Checkbox answer form, options were: Yes or no.

Question 15: What kind of demands does the MSP have?

Answer form: Blank field, allowing for a longer answer.

Question 16: Are the negotiations with MSPs standardized or there is room for you to express your wishes? *For example, if your allowed special deals, or if you're allowed to make certain customizations.*

Answer form: Blank field, allowing for a longer answer.

Question 17: What is your internal strategy to expand your customer base, excluding MSPs? *eg. collaboration in associations, networks, contact with resorts / tourist areas.*

Answer form: Blank field, allowing for a longer answer.

Question 18: Do have any plans or an interest in creating your own MSP where you and other hotels can list their offers? *If no, go to question 20.*

Answer form: Checkbox answer form, options were: Yes or no.

Question 19: Which of the reasons for developing a MSP is most important to you? How do you justify the creation of a separate MSP?

Answer form: Blank field, allowing for a longer answer.

Question 20: Why are not you interested in developing your own MSP? *Some theories suggest that the loss of power that joining a MSP leads to, incentivizes actors to build their own.*

Answer form: Blank field, allowing for a longer answer.

Question 21: How would you have tried to reach the market if you had chosen not to use MSPs? Or if there were no booking pages?

Answer form: Blank field, allowing for a longer answer.

Question 22: Is there anything you would like to add? *If you did not have enough room on any of the previous questions.*

Answer form: Blank field, allowing for a longer answer.

Appendix II. Overview of the hotels utilization of MSPs (1 page)

	Tourist Office booking site	booking.com	hotels.com	expedia.com	agoda.com	Other MSPs the hotel use
Hotell Oskar		x	x	x	x	
Hotell Ahlström		x				
Hotell Blue Blues*		x	x	x	x	
Hotell Linnéa	x	x	x	x	x	x (did not explain which)
Hotell Conrad	x	x	x	x	x	Sembo
Hotel Tornet	x	x	x	x	x	
Hotell Happy Sleep*	x	x			x	
Hotell Green House*	x	x	x	x	x	
Grand Hotel Jönköping	x	x	x	x	x	Supranational
Hotell Jämtborg	x	x	x	x	x	
Hotell Happy Face*		x				
Hotell Teg		x			x	
Lilla Hotellet	x	x			x	
Hotell Homely*	x	x	x	x	x	Travellink.com
City Hotel	x	x	x	x	x	coop hotellpremie
Lavaretia Hotell Saga	x	x	x	x	x	Travellink.com

Appendix III: Summary of all hotel answers, in thematization (2 pages)

	Hotell Oskar	Hotell Ahlström	Hotell Blue Blues	Hotell Linnéa	Hotell Conrad	Hotel Tornet	Hotell Happy Sleep	Hotell Green House
MSP demands								
- commission fees	X	X	X	X				X
- price warranty	X	X	X		X	X		X
- updated photos								
Selection of MSP criteria								
- Many users (hotel side)				X				
- provision fees	X	X	X			X		
- geographical market segments				X	X			
- user friendly and compability	X	X			X			
- the MSPs market share				X				X
- Well-known MSP / many users in the consumer side	X	X	X	X		X	X	
Differentiation on MSP								
- Low prices	X	X				X		
- Hotel conveniently located		X						
-Highlight the small thing that will make the stay more pleasant						X		
- Photos	X	X		X	X	X		
- customer reviews	X	X	X		X			
Activities								
- Housekeeping	X	X	X					
- Reception manning & tourist information	X	X				X		
- Economics	X	X						
- Service	X	X	X	X	X	X	X	X

	Grand Hotell Jönköping	Hotell Jämtborg	Hotell Happy Face	Hotell Teg	Lilla Hotellet	Hotell Homely	City Hotel	Lavaretia Hotell Saga
MSP demands								
- commission fees		X	X	X		X		
- price warranty	X	X	X		X	X	X	
- updated photos					X			X
Selection of MSP criteria								
- Many users (hotel side)	X							
- commission fees	X		X			X	X	X
- geographical market segments	X							
- user friendly and compability	X	X						
- the MSPs market share							X	X
- Well-known MSP / many users in the consumer side	X	X	X			X	X	
Differentiation on MSP								
- Low prices	X		X	X		X		X
- Hotel conveniently located								X
-Highlight the small thing that will make the stay more pleasant						X	X	X
- Photos	X	X		X	X	X		
- customer reviews	X	X			X			
Activities								
- Housekeeping	X		X	X	X			X
- Reception manning & tourist information	X		X		X		X	
- Economics		X			X		X	

- Service	x	x	x	x	x	x	x	x
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Appendix IV: Article (2 pages)

Samarbete med onlinejättarna - till vilket pris?

Hotellmarknaden har förändrats med intåget av bokningssidor. De har blivit ett enkelt och smidigt sätt för hotellen att nå ut på marknaden. Men till vilket pris?

För hotellägaren Rodrigo, i Lund, har anslutandet till bokningssidan booking.com inneburit att de dragit ner kraftigt på andra marknadsföringskanaler.

– Tidigare kunde man betala 80-90 000 kr för bra listning vid specifika sökord på olika sökfunktioner på internet, men de genererade endast klick och klickerna var ju ingen garanti för en bokning, menar Rodrigo. Han får medhåll från flera håll i Sverige.

Provisionskonceptet som bokningssidorna använder sig av gör att det är ekonomiskt fördelaktigt för hotellen.

– Våra marknadsförings- och annonskostnader sjunker, men våra provisionskostnader ökar för varje år. Trots detta ser vi positivt på samarbetet med bokningssidorna, då det är en kostnad som är kopplad till en verklig bokning, säger Sofia på Hotel Conrad i Karlskrona. Andra alternativ är svåra att mäta vad som faktiskt genererar en

bokning.

Enkelt, smidigt, sparar tid och genererar faktiska bokningar är de främsta argumenten vi hör när vi kontaktar hotellägare runt om i landet. Möjligheterna att koppla bokningssidan till det interna bokningssystemet är viktigt för hotellen, men det innebär också att en del bokningssidor, såsom Turistbyråns bokningssida, väljs bort.

– Är de olika systemen inte kompatibla med varandra skapar det merjobb och bokningssida skapar mindre värde för oss, säger en hotellägare i Lund. Det är viktigt att det fungerar, annars riskerar man att få dubbelbokningar och andra problem. Det drabbar i slutändan hotellgästerna och det är ju det sista man vill. Bokningssidorna ska göra det enkelt och smidigt både för oss och för gästerna.

Hur fick bokningssidorna så mycket makt?

Från början var anslutandet till de bokningssidorna ett strategiskt sätt att differentiera sig, genom att nå konsumenterna i ett tidigare planeringsstadium. Hotellen bygger tillsammans upp en större marknad på bokningssidorna, och ger fler möjligheter för gästerna. Bokningssidorna växer och blir mer

attraktiva för konsumenterna ju fler hotell som ansluter sig. Samtidigt blir plattformen mer attraktiv för hotellen ju fler konsumenter som använder.

Det är ett samarbete mellan de anslutna hotellen, men det innebär även en ny form av konkurrens. Det innebär att hotellen får det svårare att differentiera sig från varandra, eftersom alla använder samma marknadsföringskanaler.

Men är allt guld och gröna skogar? Då konsumenterna får fler alternativ att välja mellan, måste hotellen marknadsföra sig i ett andra led på bokningssidorna. På bokningssidorna har alla hotellen tillgång till samma verktyg för att marknadsföra sig; bilder, hotellpresentationer, olika paketlösningar och tidigare gästers omdömen. Det innebär vissa begränsningar i hotellens möjlighet att differentiera sig. Genom användandet av bokningssidor flyttar man ut en stor del av marknadsförings- och försäljningsaktiviteterna för hotellen. Det innebär att när konsumenten väljer mellan olika hotell är det svårare att sticka ut, eftersom alla hotell har samma verktygslåda.

Men var finns hotellens differentiering? För det är i presentationen och bilderna som hotellen

ska framhäva sina styrkor och konkurrensfördelar. Av hotellen vi har varit i kontakt med har majoriteten betonat vikten av bra bilder, som visar upp hotellet.

Differentiering ligger i aktiviteter och tillgångar som är unika för hotellet, och som skapar värde för gästen.

Hotellet kan ha en helt unik lösning, men om det inte innebär mer värde för gästen, så är det inte differentiering. Hotellägaren Rodrigo menar att gästen kommer i första hand, så länge servicen är förstaklassig kan de acceptera en lite lägre standard på rummet.

– Det är den personliga kontakten och servicen som gästerna värdesätter och kommer ihåg, menar en hotellägare i Jönköping.

Lucas Ehrenstråhle och **Elin Mathies** är Civilekonomer från Ekonomihögskolan vid Lunds Universitet. Tillsammans har de skrivit Magisteruppsatsen ”Multi-sided platforms: Understanding its strengths or weaknesses?”, där de har undersökt varför mindre hotell väljer att använda sig av bokningssidor och hur hotellens möjligheter att differentiera sig förändras genom användandet av bokningssidor.