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Relationship commitment of OTA's: A study measuring the gap in service delivery of the tourism industry

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Abstract

A large number of consumers today are making their purchases online. The increasing popularity of smart phones and hand held devices has led to an increase in the time consumers spend on online search and purchase. Well, same is the trend in the tourism industry. Tourists today book travel packages online and why not? Thanks to the rising number of travel portals today that is using technology for their marketing activities to effectively engage with customers. A recent research done by Google India showed that, mobile phones are becoming a key contributor in the online shopping space. Currently 30% of all shopping queries in India come from mobile phones. We have all been living under one assumption that e-commerce giants like Amazon, Flipkart and Snapdeal have been major contributors (In terms of revenue) from the e-commerce industry in India, but that's all proved wrong by the emerging e-commerce giant in India-'The Travel' business. Online travel accounts for nearly 71% of e-commerce business in India.

Despite all these facts, there is still a gap between tourist's expectations and perceptions about e-travel agencies. To study this gap that exists in the tourism channel, a study on the existing literature was conducted accompanied with a direct interview with tourists in India. We found that majority of customers are comfortable with online ticket booking, but tour packages and hotels are still booked offline or directly. This basically indicates that, there is a gap between expectations of consumers and actual facilities promised by hotels when booked through an online Travel Agency (OTA's). The present study is carried out to address this gap in the online travel purchases.

Keywords: OTA's (Online travel agencies), e-commerce, customer gap, tourism channel, online travel purchase, online shopping space.

Introduction

Travel market comprises a total of 71% of e-commerce in India. That means this is the decisive share of market that would change the rules of e-commerce game and its success in the coming days. It is important to note that this business has grown at a compounded annual growth rate (CAGR) of 32% between the years 2009 and 2013. Online travel sales that were studied from the beginning of this decade, projected that the sector would grow at a rate of 30% in India. Among all other Asian countries, India is on top of the list of nations that would open its doors to travel and tourism in the online segment. This is followed by South Korea, with growth projection at 19.8%, and Brazil at 18.2% and China ranking fourth at 14.1%. Though, India is much behind US and China in terms of numbers, the increased Internet penetration and number of Smartphone users on the rise hold some hope for the days to come. Some of the popular names such as Makemytrip.com, Cleartrip.com, and Yatra.com hold more than 85% of the total market share in the sector. The most trusted government agencies such as bus and railways have also been riding on this wave, having set up user-friendly online platforms that can help people with both information and travel plans. Aviation industry, despite being in the red for the last few years, is still witnessing a great time with economy holding up.

Review of literature

- Verma *et al.*, (2012), in their study titled, 'Customer preferences for online, social media, and mobile innovations in the hospitality industry', indicate that when gathering information for a hotel stay, most travellers follow the recommendation of the company or friends and colleagues at first, and then turn to such online sources as the brand website, OTAs, and Trip Advisor, and make online booking via the brand websites or OTAs.
- Kim *et al.*, (2011), in their study titled, 'Effects of gender and expertise on consumers' motivation to read online hotel reviews' opined that the chief motivations for consumers to seek online travel reviews are convenience and quality, risk reduction, and social reassurance.

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- A. Bogdanovych *et al.*, (2006), in their study titled, ‘Travel agents vs. online booking: Tackling the shortcomings of nowadays online tourism portals’, opined that Travellers’ prefer booking their international trips from a travel agent rather than booking online, due to the advantages of travel agents in social interaction, expertise and the possibility to save time on search, though they believe it is cheaper to book online.
- Skadberg *et al.* (2004), in their study titled , ‘Visitors’ flow experience while browsing a web site: its measurement, contributing factors and consequences’ demonstrate empirically that flow experience while browsing a destination website leads to changes of attitude and behaviour, including inquiring for more information, coming back to the website, and visiting the destination.
- Tania C. Lang (2000), in her study titled, ‘The effect of the Internet on travel consumer purchasing behaviour and implications for travel agencies’, opined that, the main barrier stopping consumers from booking travel via the internet is the perceived lack of a secure payment method. The other significant barriers stated in the study were, a lack of confidence in technology and a need for a personal service and human interface. The author also highlights on the fact that many experienced internet users still prefer to book their travel via traditional distribution channels and believes that there will be a need for travel agents in the future.

Online of tourism market in India

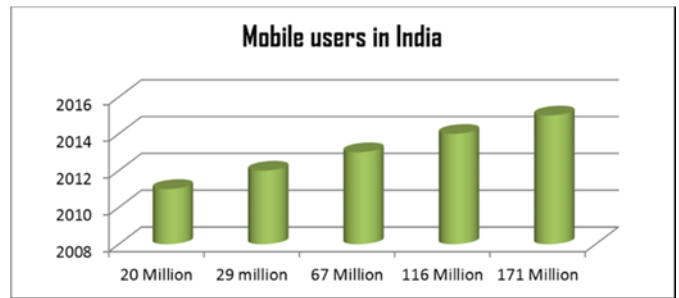
The current population of India is 1.3 billion, out of which 1/6th of the population is online i.e. 278 million (Q3 2014) says IMAI data. India has the third largest internet population in the world, according to Google India 2017 will see 500 million internet users in India, leaving US behind and edging towards the numbers in China. India is a mobile friendly country; more people have mobiles than people having PCs. 44% of the India internet users use social media i.e. 122 million. Out of these 122 million, 75% (92 million) access social media via their mobile devices. India has 100 million Face book users, the third largest in the world. What

reinforces the importance of Mobile 84% of these Facebook users in India; use Facebook on their mobile devices.

Table 1

Mobile users in India	Year
20 Million	2011
29 million	2012
67 Million	2013
116 Million	2014
171 Million	2015

The above table indicates the rising number of mobile users in India. There has been an increase in the mobile penetration in India over the past few years. Indians are more inclined to mobile phones than personal computers and other gadgets. Fig. 1 displays the growth in the number of mobile phone users in India, from 2009 to 2015. The number of mobile phone users grew from under 20 million in 2009 to 171 million in 2015. It is expected that number will reach more than 730 million by 2017. With this rise of mobile and internet users in India the online travel is at a full swing. Fig.2 depicts the total population size of India against the internet users and the active mobile subscriptions received over the years up till July 2015.

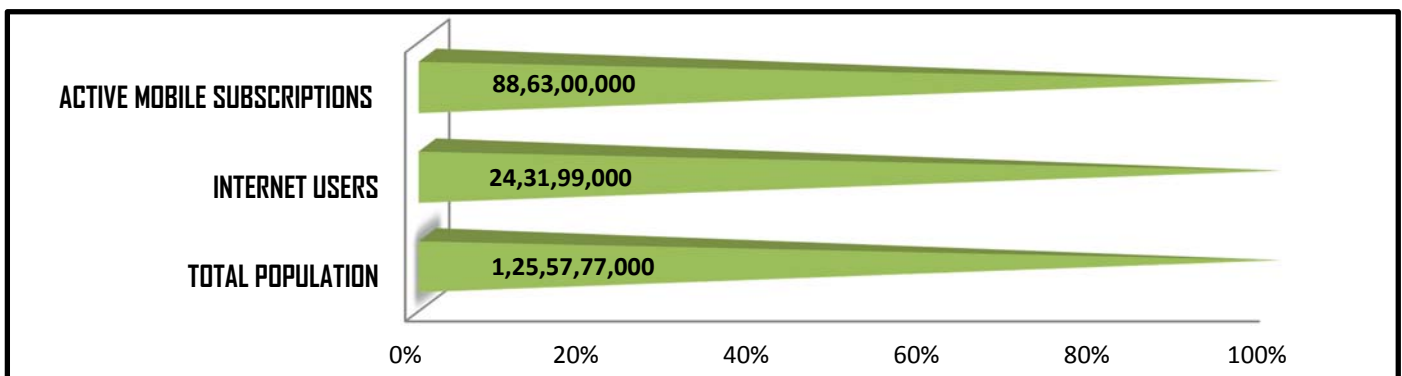


Source: IMAI, Data august 2015

Fig 1

Table 2: Indian online market overview

Total Population	1,25,57,77,000
Internet Users	24,31,99,000
Active Mobile Subscriptions	88,63,00,000



Source: GSMA Intelligence

Fig 2

Rising online sales

Online travel sales have increased drastically in recent years. Greater proliferation of the Internet, growth in low-cost air carriers, secure payment mechanisms, and coming-up of the Indian railways portal have led to rise in online sales in the travel industry. A number of low-cost carriers operate on certain routes, and hence online booking offers choice of air

carriers to customers. Airline ticket booking constitutes more than 70% of online travel sales. However, a shift is being seen from air to non-air segments in the online travel market. This shift is due to the non-air ticket booking segment growing swiftly with launch of the Indian Railways online portal (www.irctc.co.in) and many online travel agencies providing bus tickets. Indian Railway Catering and Tourism Corporation

is the largest travel website in the APAC in terms of transaction volumes. A number of hotels also use the Internet for booking of rooms.

Travel portals and hotel chains used to provide 360 degree virtual tours, audio tours and photographs, and text reviews to the travelers. They are now marketing through video reviews and video blogs, either put up by themselves or travelers on the travel agency portal or a social media video platform. Online travel market sales are expected to grow in the coming years. Online travel booking has become simpler and easier. High pressure lifestyle coupled with simpler online travel booking has led to travelers taking short, random trips during the year. This has given rise to the concept of 'spontaneous travel'. Realizing the potential in this segment, travel companies also offer services for 'last-minute bookings'.

A higher number of travelers now plan their itineraries online (including their tickets, stay bookings, travel insurance and other related services). This has led to an increase in the number of offerings made by thee-Travel portals in India. These portals are moving from being a standalone entity towards a "one stop shop" for all the travel needs of a traveler. Majority of the travel portals are offering a complete experience through online hotel bookings, holiday packages, travel guides, air tickets, rail and bus tickets, customized holiday packages and MICE (Meetings, incentives, conferences, exhibitions) for both individual and group travelers. These wide range of offerings promise convenience in travel booking, planning and search. Fig No.3 depicts the offerings made by major e-Travel portals:-



Source: Indiatourismstat.com

Fig 3

Many consumers use internet to take advantage of comparative pricing and enjoy the best deals at lower prices. They can avoid the extra cost of booking through a travel agent and save the time consumed in visiting a traditional offline booking store. Features like easy cancellation, personalized deals, ticket tracking and on-call customer service ease the journey of a travel seeker. Travel companies are adopting user-friendly interfaces to simplify the consumer experience: easier navigation, better interactivity and time saver quick book options are amongst the most important ones.

Identified gap in hotel bookings done online

The current trends in the market indicates that indicates that online travel market is growing , but Indian tourists are yet to gain complete trust on online travel agencies when it comes to booking hotels through OTA’s tourists take a back step. This is mainly because OTA’s can’t tell you the exact location of

the room that you have booked, the view, the size, or whether or not the room needs renovation. You’ll have to do more research on your own or risk getting stuck in the dimly lit room in the back of the building with a picture-perfect view of the A/C shaft. Table No.3 and Fig. 4 clearly gives the breakup of the online travel industry breakup in India; with Air travel bookings having an upper hand covering about 56% of the entire travel bookings online, followed by rail booking to 34%. Hotel bookings through OTA are the lowest i.e. 9% followed by the other bookings taking a share of 1% placing it at the least in the group.

Table 3: Online travel industry breakup

online travel industry breakup	Percentage
AIR	56%
RAIL	34%
HOTEL	9%
OTHERS	1%

online travel industry breakup

■ AIR ■ RAIL ■ HOTEL ■ OTHERS

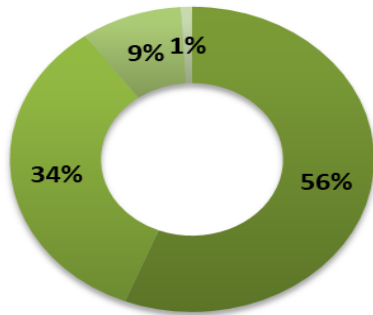


Fig 4

Source: Phocuswright, India Online Travel Overview Seventh Edition, August 2014

Under penetrated online hotel segment bookings

The online hotel segment in India is rather under penetrated, (Table No.4, Fig.5) with only 10% of hotels accepting bookings online in India, while the overall user-base of people seeking information on hotels online was very high ;as the figure denotes with US taking 32% of the hotel online market reservation followed by China 16%. As per a TNS/Google survey, conversions still take place offline. If more consumers in India become familiar with e-Commerce, the percentage of online hotel bookings in India is likely to increase in the future.

Table No. 4: Country wise hotel segment online penetration

Country wise hotel segment online penetration	percentage
US	32%
CHINA	16%
INDIA	10%

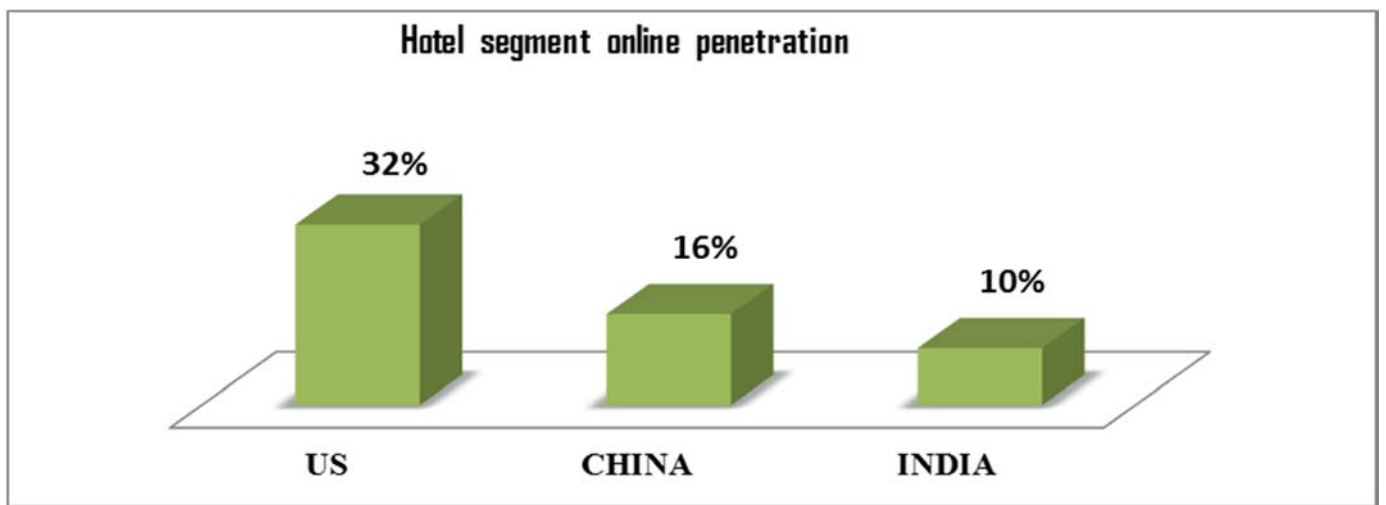


Fig 5

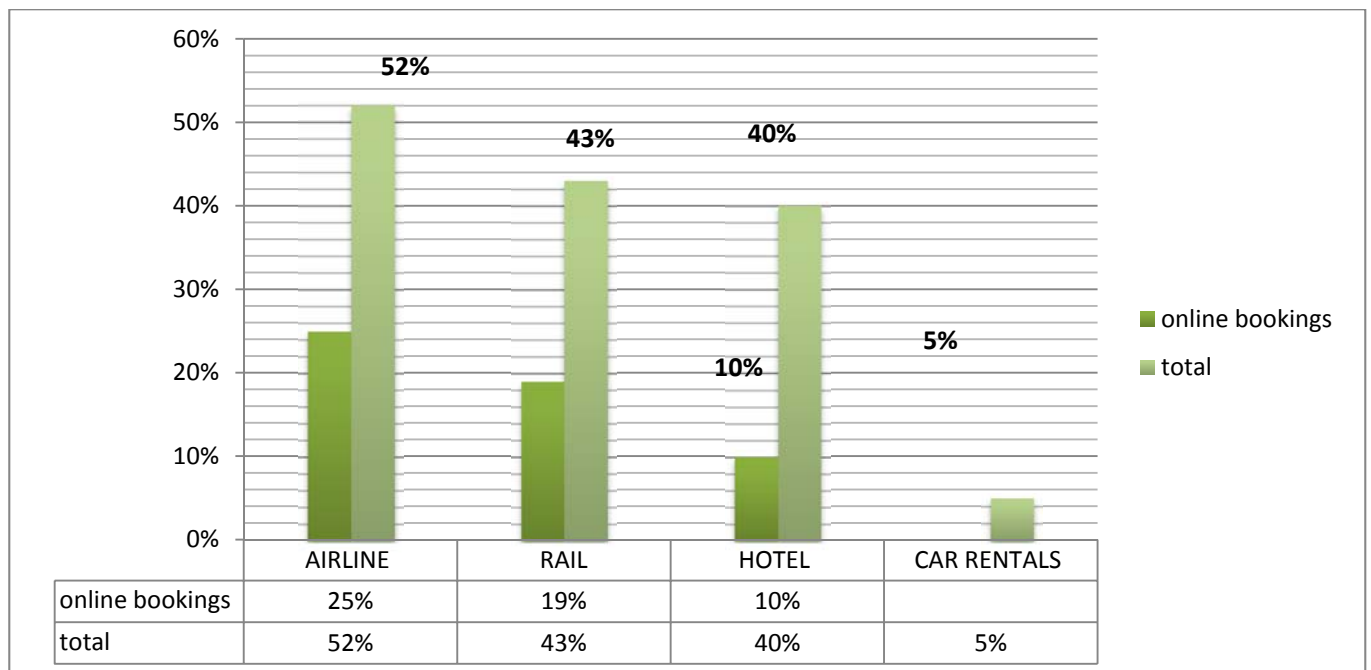


Fig 5.1

Fig 5.1 depicts the total booking pertaining to travel and tourism done by the tourists in India. The percentages of online bookings done for airlines, rails, hotels and car rentals are presented against their total bookings. Out of the total 40% hotel bookings received from tourists only 10% of the bookings are made online. This clearly denotes a major gap in the hotel online booking segment. The tourists in India find it inconvenient in making hotel bookings online. Most of the tourists still prefer booking their hotel reservations directly or through a travel agent who is more trustworthy and reliable. The other reasons for tourists to book hotels directly are the attractive packages and offers given by the hotels to save commission costs which they would otherwise have to pay to the OTA's or any other middlemen. One known fact that has held back the tourists from booking hotels through OTA's is that an online travel site often isn't going to share if construction is happening in the hotel or somewhere nearby. Researching on other sites might turn up this information, but an agent is likely to be the best resource for knowing what's going on. An online travel agency (OTA's) can't provide assistance the same way a travel agent can. Basically, when you arrive at the airport or hotel, you're just another client who booked at the lowest rate. A guaranteed reservation is almost impossible to come by with an OTA —the risk of finding out if the hotel is overbooked increases with third-party providers. The middleman's software isn't immune to system errors, so always tourists prefer to call the hotel to make sure their booking is processed. All these factors have proved to be a hindrance for tourists to book hotels through the OTA's

Conclusion

The OTA's should first work towards gaining the trust of the tourists. If the current trend in online hotel reservation bookings continues it will not take any longer for the online travel agencies to be out of the market. Hotels are themselves hosting interesting plans to the tourists to lure them in making direct bookings. They not only save cost on commissions but also can have direct contact with their guest which in turn helps them to maintain a stronger consumer database by eliminating the need to rely on OTA's bookings. Indian tourists are different from that of the foreign countries. They are slow to adapt themselves to something new; and are indeed rational buyers no matter how advanced the technology has gone they will have to be satisfied on the grounds of trust and performance.

OTA's are however offering attractive price ranges for services on their websites; this has led to an increase in online transactions; But online travel companies should also start offering valuable services to end-customers for hassle-free travel and focus more on building a stronger relationship with their customers and gain their trust by giving them a positive hassle-free travel and lodging experience.

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