What makes a customer choose an OTA (Online Travel Agency)? - An insight into a traveler's mind

Nisha Saini[1] and Prof. Kingshuk Bhadury[2]

1. *MBA- Marketing Student, Symbiosis Institute of Management Studies/SIU, Pune.*
2. *Corporate Trainer and Business Process Consultant, Symbiosis Institute of Management Studies/SIU, Pune.*

Abstract: *Tourism in India accounts for 7.5 per cent of the GDP and is the third largest foreign exchange earner for the country. The apparent surge in the online travel industry due to the prolific use of internet and penetration of mobiles and has resulted in making up online travel industry close to 70% of all e-commerce in India. Since most of the online travel portals (OTAs) have almost similar offerings, this article aims to understand what makes a customer choose one online travel portal over the other and the practical implications that can be drawn from it. To achieve the objective of the study, a questionnaire was prepared and a survey was conducted to collect the data regarding customers' view. The sample (N=250) was collected through convenience sampling. The findings suggest that people mainly use OTAs to book airline tickets (domestic and international) or train tickets, bus tickets and then hotel booking respectively. Despite the various offerings of OTAs , price is still the major differentiating factor followed by factors such as convenience in booking, value proposition ,discount and offers, payment and customer care support. The article also highlights the role of mobile apps in changing the dynamics followed by major issues and recommendations for OTAs.*

Keywords: Online Travel Agency, OTA, Price, Differentiation, Offerings, convenient booking, domestic bookings, Issues with OTA, Indian Tourism, Online travel industry.

Introduction

Tourism in India accounts for 7.5 per cent of the GDP and is the third largest foreign exchange earner for the country. The direct contribution of travel and tourism to GDP is expected to grow at 7.2 per cent per annum, during 2015 – 25, with the contribution expected to reach US$160.2 billion by 2026.

The Indian travel market is growing at a tremendous pace and had been successful in attracting travellers from different fields and domains such as business, leisure, education, medical etc. India had been to mark its presence on the global map. Evident from the statistical figures, it is only obvious to state that the Indian tourism and hospitability industry has emerged as one of the key growth drivers among the services sector in India.

The government of India is constantly endeavouring towards the betterment of travel infrastructure and industry as a whole. The government has extended the visa-on-arrival to, 150 countries. In addition an investment of INR 152 billion has been made in tourism sector and 100% FDI has been allowed to upgrade hospitality and tourism industry. Other factors contributing to the growth are the escalating number of budget hotels in Tier-1 and Tier-2 cities, brisk increase in disposable income of the middle class, continued increase in use of plastic cash (debit and credit cards) for conducting financial transactions, sprouting leisure lifestyles, etc.

While as much as the growth in Indian travel industry can be accounted for proactive government initiatives, the private sector, the established travel giants and the first-generation Indian online travel start-ups have played an equally important role in developing the travel and tourism industry in India. For instance, the online travel market alone is expected to account for around 40-50 per cent of the total transactions by 2020. While the current number stands at around 12 per cent, with Tier-II and Tier-III cities driving growth in the online travel market, experts are confident that the online travel market will continue to grow in the long run.

The apparent surge in the online travel industry is due to the prolific use of internet and penetration of mobiles and smart-phones in the young Indian population. The current population of India is 1.3 billion, out of which 1/6th of the population is online i.e. 278 million says IAMAI 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. Mobiles have increasingly become the preferred choice of customers to access online travel portals and they provide a medium for online travel companies to build services to engage with customers while they are on travel and build innovative services, which were not possible earlier.

Since online travel makes up close to 70% of all e-commerce in India. India is witnessing a deluge of online travel portals (OTAs) mushrooming in the virtual arena making it difficult for the OTAs to differentiate from each other and thus making it all the more difficult for the customers to choose one over the other. Since most of the online travel portals have almost similar offerings, it should be of interest to understand what makes a customer choose one online travel portal over the other. This article therefore attempts to highlight the findings of the research conducted to gain insight of – 'How do customers differentiate services of online travel portals?

Literature Review

Online travel portals have more or less the same services such as International and Domestic Air Tickets, Holiday Packages and Hotels, Domestic Bus and Rail Tickets, Private Car and Taxi Rentals, B2B and Affiliate Services. There have been researches done to understand customer perception of e-service quality and the related aspects of OTAs but very few researches have been done in the Indian context.

A study conducted (Singh &Srivastava, 2016) that aimed at understanding the relationship between e-service quality dimensions and overall service quality perceptions related to online travel sites, identified six latent constructs namely Convenience, Understanding the customer, Security, Reliability, Credibility and Responsiveness which could affect overall eservice quality in online travel companies.

Agarwal & Chowdhary (2014) found the variables that influence a customer while making a decision about which online travel site to choose. The variables listed were Prices, Promotional offers, Time taken in booking, Customer care, Holiday packages, Airlines & Hotels, User reviews & ratings.

Azam et al. (2012) identified that information satisfaction consisting of relevancy, understand-ability, consistency and currency as well as system satisfaction comprising of users' interface, security,

personalization, tele-presence and navigability as factors significantly affecting e-satisfaction and purchase intention.

HimanshuVerma, CTO, yatra.com,in an interview highlighted -"Online travel is not convenient booking and ticketing anymore and is moving towards providing a great travel experience, which requires solving problems in each and every step of the travel experience". Due to multitude of services provided by OTAs, customers sometimes only book rooms/hotels from these sites. Edward (2009) found that privacy, safety, and product quality were the three most important factors influencing customer purchases of room products on online travel websites.

Given the prominence of these factors some of the OTAs (such as Make My Trip and Goibibo) have blocked and delisted budget hotel aggregators like OYO Rooms and ZO Rooms after having received complaints from its customers.

Other than providing the core services, it is the supporting services that enhances and improves a customer's interaction and the experience. For example in case of OTAs other than the cores services, the supporting services could be local weather forecast, travel books / blogs, chat rooms, currency calculator, information about the country/pace or health issues due to certain climatic fluctuations. Customers see these supporting services as imperative part along with core services.

Considering the practical implications for OTAs, for OTAs to thrive in such a competitive environment it is of critical importance to know as precisely as possible as to how customers will evaluate their services and which quality dimensions are valued most. Hence this study research would specifically try to get an insight of

how customers differentiate their services and how can OTAs benefit from the insights gained.

Siddharth, is a 28 yr old IT working professional residing in Pune. He stays with his family along with his old parents. He has a good set of friends and likes to travel. However his work allows him to take limited leisure trips and instead often travel to metro cities like – Delhi, Mumbai, Bangalore, Chennai etc due to work. He has been performing great at work and is expecting a promotion at his workplace.
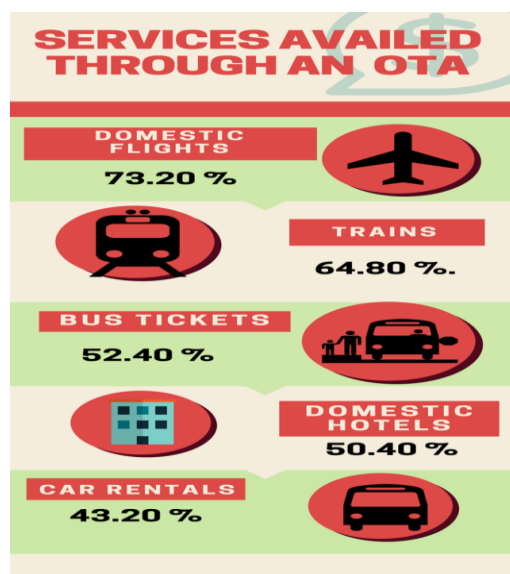
Shift from Travel Agents to Online Travel Agencies (OTAs)

Siddharth's father, Mr. Kumar, wants to visit his old friend who stays in Delhi. When asked to do reservations for the same, Siddharth takes out his fancy smart phone, opens a mobile app and books the tickets in a second's time. Such ease and flexibility leaves his father surprised and that is how Mr. Kumar was introduced to the world of OTAs and Since then Mr. Kumar, how so ever aged he may be , has never looked back or turned to those traditional tour operators.

Bygone are the days when people visited offices of Travel and Tours companies. Now no more doing rounds of their offices or negotiating and bargaining with travel managers to get the best deal, no more wastage of time and no more hassles in cancelling the bookings. Indian online travel industry is changing and at an unprecedented pace. All thanks to the advancement of Information and Communication Technology (ICT). IT advancement has touched every industry and every sphere of everyone's life. ICT in general and Internet, in particular, has had a quick and pervasive influence over how the business is getting designed and transacted in the travel

services. Some of the OTAs are *Make My Trip, Yatra.com, Cleartrip*etc.[*]

Services availed from OTAs

Elated Mr. Kumar enquires further about OTAs and the services that can be availed through OTAs. Siddharth enlightens his father and talks about the services offered OTAs.

The survey conducted revealed that customers use online booking travel portals mainly to book domestic flights (73.2%), Trains (64.8%) , Bus Tickets (52.4%) and domestic hotels (50.4%) .

It is interesting to note that customers mainly choose OTA to book flights or travel by train or bus. When it comes to 'stay', hotels and other budget hotel aggregators (such as OYO Rooms or Zo Rooms) are giving a tough competition to OTAs.
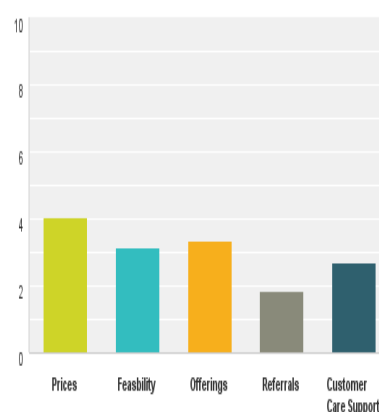
Competition between Online Travel Agencies (OTAs) and hotels and resorts continues to heat up. While OTAs are trying to cash in on convenience and ease , hotels are trying their best to deliver on service promise by providing an incredible experience to their guests that brings them back for repeated visits.

Is price –still the biggest game changer?

Siddharth is a young professional with elderly parents and a family to look at. Since he is yet to reach his career high and has invested in stock markets,he likes to mange his expenses well and use his financial resources judiciously and save where ever he can.

Indians have always held the image of a 'price-sensitive customer'. They are known to demand more and spend less on luxury than their global counterparts. Inspite being a hike in the disposable income of Indians, they still continue to be price sensitive. The Disposable Personal Income in 2016 was INR 138192890 million and the Consumer Spending is INR 16256 milllion. But still the Indian consumers continue to be price-conscious.

According to the survey conducted, be it the factors affecting Domestic or International flights or the factors affecting booking of hotel rooms and car rentals through OTAs , price has been the most influential factor while booking services online.Even the report by Deloitte Travel Consumer, 2015 confirms this trend. 59% of holidaymakers compare prices online as before booking. Deloitte, said: "Our research shows price is the main factor driving holiday booking decisions, and travel comparison sites have been instrumental." However, as the consumer confidence and real wages have improved, the

desire to get the best deal is bringing other factors in the picture. Factors such as convenience in booking, offerings, payment and customer care support also influence the online booking choices of customers.

Do customers travel differently- Domestic v/s International?

A pilot study that was a prelude to the survey and the survey itself indicated that customers travel differently whether it's domestic or international. The pilot study interviews suggest that people use different travel portals to book domestic or international travel tickets. For domestic travel people prefer OTAs such as MakeMyTrip, Yatra.com, IRCTC, Kesari, Cleartrip to name a few. However while booking international travel tickets people prefer airline webistes and ports such as Cox and kings, Thomas Cook, Expedia or Ixigo.

Another point that should not escape our mind is that while booking domestic travel tickets- convenience in booking and information content provided by the portals play a huge role but while booking international tickets, after price, Value proposition (defined as the unique positioning statement) and the offerings of the portal impact the choices.

IRCTC giving a tough fight to private portals such as – Make My Trip ,Goibibo, Cleartrip etc.

Siddharth likes to travel mostly through trains or domestic flights and therefore prefers IRCTC and Make My Trip respectively.

When asked which travel portal do they use the most, the survey showed surprising results. Unexpectedly, IRCTC topped the chart with 80% respondents favouring it followed by Make My Trip (79.2%) and then Goibibo (56.8%).
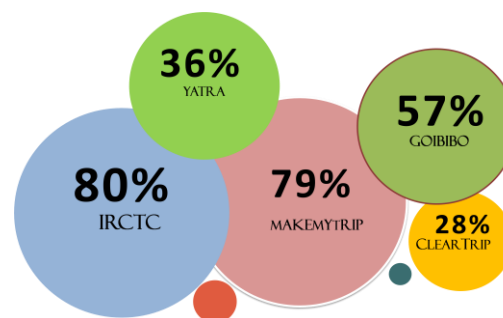

Fig 2: Percentage of respondents' preferred online travel portal.

IRCTC started pretty late but has scaled up quickly enough. It is the fastest-growing e-commerce website in the Asia-Pacific region. IRCTC is approximately valued at USD 1.1 billion. IRCTC now has 35 million registered users and out of which 27 million users are active.

Going by the reasons cited by the participants, IRCTC is the most trusted and safe brand to book tickets. Due to IRCTC being a government holding, people trust the information displayed on the site and feel that they would not be extorted due to the hidden charges as in some private portals. IRCTC is also preferred because of the refund policy of the website. The money gets refunded with the 3 days while other private portals take around 15-30 days.

However in terms of offerings , respondents feel that Make My Trip does a better job than anybody else (including Goibibo).

Role of mobile Apps in changing the dynamics of Online Travel Industry.

Given the prominence of Smart-phones in today's world, Siddharth had decided to gift the same to his father on his last birthday. Since then Mr. Kumar has become adept in using the mobile apps. However when it comes to booking tickets, he mostly prefers websites.

The respondents of the survey clearly indicated that they use website (61.2%) more than mobile apps (38.8%) to book online tickets.
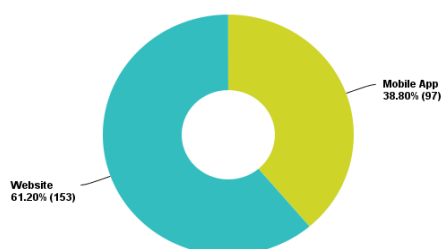

Fig 3: Mediums preferred by respondents to from online travel portals.

The reason why respondents use website more is because they can open multiple tabs and compare the prices before booking. Websites give detailed information and have lesser rate of unsuccessful payments. Whereas mobile apps provide limited data and has a higher rate of unsuccessful payments. Reports have found mobile shopping cart abandonment rates exceeding 90 percent – some 20 points higher than on larger devices.

Travel companies are leveraging the online mobile presence by providing customized services (such as weather forecasts), increased communication (constantly informing about offers and discounts and asking for feedback) and understanding the customer better by understanding their online footprints and leveraging on the same. Therefore the travel companies are providing travellers with responsive, user-friendly applications to serve their booking and travel needs in the best possible way.

Major issues faced while booking online.

How so much tech savvy Siddharth may be, he always has some inhibitions when booking online. The credibility of information, online payment transactions and web accessibility amount the most

to his uncertainty about using OTAs for booking online travel tickets.

As per the survey, some the common issues faced by Indian online travellers are as follows- The most influencing factor is the lack of clear information (46%) i.e, the limitation of portals to disclose clear and accurate information. An individual's decision is influenced on the basis of the information that he derives from these portals as they are important for him to choose a package after going through his budget requirements and needs.
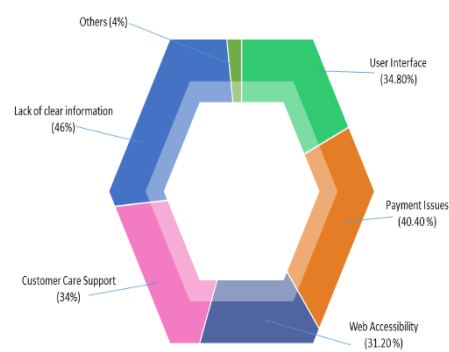

Fig 5: Percentage of major issues as faced by the respondents of the study.

The next problem that they face is of payment issues (40.40%).

An individual is always sceptical at first to do payments online, as they may result defaults, or failures as a result of which he may be unable to book the package then and there, resulting in a delay in his trip. The next major factors include user interface (34.80%), customer care support (34%) and web accessibility (31.2%) indicating problems in web functionality.

Recommendations for OTAs to differentiate from others.

The survey showed that the major factors that help customers differentiate online travel portal in price. Since lowering the prices may not be a feasible

strategy, OTAs should maintain competitive pricing but should work on other drawbacks to give better product offerings.

IRCTC mainly gets train ticket bookings which is its primary growth driver. IRCTC should promote its other online services such as Air tickets, hotel booking and car rentals. IRCTC does not promote itself commercially and completely relies on word of mouth and national newspapers. IRCTC needs to create awareness about its others offerings and services.

On the other hand, private portals such as Make my Trip, Goibibo and Cleartrip and the alike should try to resolve the issues of OTAs. They should provide crisp and accurate credible information to its consumers disclosing all the inclusive costs and taxes before the booking takes place.

OTAs must consider re-working its cancellation and refund policy. These policies should be made as easy as possible so that the customer doesn't feel trapped with no avenue to escape to.Since establishing e-loyalty and maintaining quality relationship are the major challenges faced by travel website.

Online travel agencies are now adopting a long term approach and therefore have become more customer-centric working towards building trust and customer satisfaction.

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