

# Analyzing Consumer Preference for Online Booking of Tourism and Hospitality in India

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## Abstract

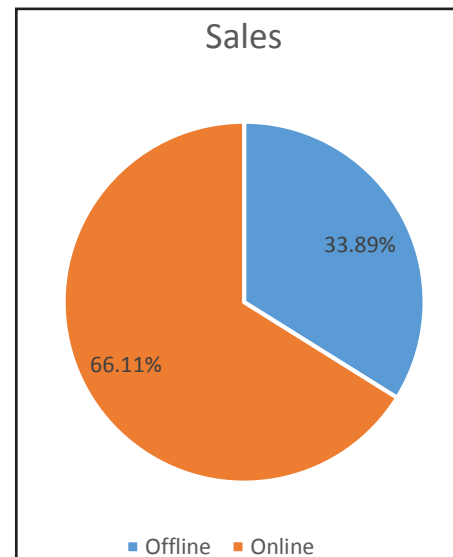
This study attempts to understand the drivers for the preference of online booking for travel and tourism. There has been a spurt of travel booking portals in India, facilitating customers for booking of travel and accommodation. Essentially, these travel portals offer packages/products which include travel & accommodation, apart from acting as an interface for rail, road and air booking. The values that draw customer to travel portal are attractive offers, generally a bundle of offerings, & ease of booking. In this empirical research, using structural equation modelling, advance booking facility, discounting, and time saving have emerged as significant factors that lead to increase in online travel booking to be a preferred choice over offline booking or via travel agent. The study recommends travel portals to focus on these dimensions.

**Keywords:** Consumer Preference, Online Booking, Tourism and Hospitality

## INTRODUCTION

The travel services market in India can be classified as offline and online, where the offline segment dominates the market, accounting for a share of around 55% because the larger Indian population residing in tier II and tier III cities is still reluctant to book tickets online due to lack of knowledge about the internet and fear of fraudulent sites. However, the online segment is expected to boost the travel services market in India, reaching over US \$34 billion by 2019 in terms of revenue. This dynamic shift is attributed to increased penetration of internet and growing consumer concentration towards m-commerce.

Travel Services Market in India by Mode of Booking 2019



Source: Technavio Research

“Growing consumer interest towards m-commerce is one of the key game changers of this market as 76% of the aggregate online population in India is using mobile internet. Travelling companies are offering incentives through huge discounts, cash back proposals and gift vouchers to book online, besides encouraging to download their mobile apps. Also, the rise of mobile wallets and electronic cash is widening the customer base of m-commerce companies,” says Sriram Mohan, Lead Analyst, Consumer, Technavio Research.

Major vendors dominating this market include Cox and Kings, MakeMyTrip, SOTC, Thomas Cook and Yatra. To stay competitive, the leading players are increasingly striving to provide innovative services to the consumers within this market. Also, these travelling companies are adopting user-friendly interfaces such as time saver

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quick book, easy navigation, and better connectivity to encourage online travel booking and adding convenience to customers

With the growing number of internet and smartphone users, the industry has evolved, and like any other online business is shifting its focus to mobile. Traffic and transaction from mobile is on the rise. Mobile accounts for 20% flights, 25% of hotels and 50% of train bookings for Cleartrip. As observed, the size of transaction is inversely proportionate to its contribution from mobile. As the size decreases, the contribution increases (train tickets are cheaper than hotels and flights).

Some of the interesting trends and developments in this space are as follows:

1. Penetration of credit card usage on mobile phone is higher than on desktop.
2. Initial discovery rate still higher on mobile as mobile is the first point of contact for the internet for a lot of people.
3. Mobile usage is relatively higher on weekend.

Indian consumers view the concept of package tours more as a sign of luxury. Nevertheless, hotels are the next big growth stories in the near future. At the same time, packages have been the single biggest challenge for online trip booking. Animesh Kumar, Head of Marketing at Yatra said, "We have been investing in technology for scaling hotels and holiday business. The market is still in a nascent stage, and we are very optimistic about the growth in the industry." According to Subramanya Sharma, Chief Marketing Officer of Cleartrip, the fragmented nature of hotels industry and unavailability of their inventory online makes it even tougher to get on to the platform. In contrast, MakeMyTrip, is quite optimistic about the packaging. They are already focusing on problem solving with technology and see automation as part of the solution.

## LITERATURE REVIEW

In the context of online buying of railway tickets in India, Sangeeta Sahney. et. al (2013) conducted a study, descriptive, diagnostic, and causal in nature. A series of multiple regressions analyses was conducted to determine the causal impacts of critical consumer trust parameters on online reservation of railway tickets by users in the Indian context. The analysis of demographics based on gender and age groups was also made to capture

the cross-comparisons of critical online trust-related attributes. The factor analysis had grouped the items into four constructs with a total of 11 items. The item total correlations to each construct were found significant. All the critical online trust based constructs were found to have a significant impact on the intention of buyers of booking/purchasing railway tickets online in India. The analyses of demographics established that all the critical consumer trust-based attributes to online buying intention have no significant differences for gender, whereas for age groups some of the attributes were found significant and others were not.

In the context of air travel, Srikanth Beldona (2011) conducted a study to determine the factors that determine offline versus online purchase behaviours of air travel tickets. Findings indicate that age, education, nature of Internet usage orientation, and the time spent online serve as key differentiators between offline and online options in the purchase of air travel tickets.

In the context of internet search preferences, Debra Stock. et. al (2012) published a study discussing and summarizing the internet search preferences and mobile device use of 2,830 recent travellers. With regard to gathering information for a hotel stay, business travellers most often follow their company's recommendation for a hotel, although many of them use search engines or online travel agents to learn more about available hotels. In contrast, recommendations of friends and colleagues are most important to leisure travellers, followed by travel-related websites, search engines, and OTAs, Online Travel Arrangements. Once the information is gathered, however, travellers of all kinds turn more to such sources as the brand website, OTAs, and TripAdvisor. Late in the decision process, the respondents tended to land on the brand websites or go to an OTA, where they can book their room.

Many consumers consult online reviews before making (online) travel arrangements. Yet, little is known about the impact of these reviews on consumer decision making. This research applies consideration set theory to model the impact of online hotel reviews on consumer choice. An experimental study, Ivar E. Vermeulen (2009), included review valence (positive vs. negative reviews), hotel familiarity (well-known vs. lesser-known hotels), and reviewer expertise (expert vs. non-expert reviewers) as independent factors shows that on average, exposure to online reviews enhances hotel consideration in

consumers. This is because positive as well as negative reviews increase consumer awareness of hotels, whereas positive reviews, in addition, improve attitudes toward hotels. These effects are stronger for lesser-known hotels. Reviewer expertise has only a minor - positive - influence on review impact.

In the hotel context, Swati Dabas (2007) proposed to evaluate current room inventory distribution strategies of mid-segment hotels in India, identifying factors that influence the managerial decisions in selecting electronic distribution channel for their property. Findings suggest that Mid-segment hotels in NCR rely on traditional distribution channels. Managers do not have sufficient knowledge about electronic distribution. There is a large gap between average room rate of mid-segment hotels and higher-level hotels. Demand during the period of study was higher and the trend for higher demand is likely to continue. Repeat business in mid-segment hotels is nearly 70%.

Talking about tourist perceptions, Rob Law. et. al (2004) examines tourist perceptions of the potential for the elimination of travel agencies in the presence of the Internet. The opinions of 413 tourists on making transactions through both Internet-based (hereafter, online) and traditional distribution channels were analysed. Experimental results illustrated that tourists still used professional services and advice offered by travel agencies. Tourists also agreed that more information could be found through the Internet. Following the findings, the paper suggests that both online and traditional distributional channels can coexist in the future.

### Conceptual Framework

The various factors identified from literature review are used to build the conceptual model below. These factors that affect the preference of customer for using online booking for travel and tourism in India are illustrated below:



**The Variables Included in the Research**

Dependent Variable
Preferences of online booking in travel and Tourism in India

## HYPOTHESIS

Following hypothesis was formed based on the variables identified:

- H1: Advance booking leads to preference for online booking for travel and stay purposes.
- H2: Visibility of options leads to preference for online booking for travel and stay purposes.
- H3: Time saving leads to preference for online booking for travel and stay purposes.
- H4: Reliable (guaranteed booking) leads to preference for online booking for travel and stay purposes.
- H5: Secure payment system leads to preference for online booking for travel and stay purposes.
- H6: Transparency in booking leads to preference for online booking for travel and stay purposes.
- H7: Attractive packages (bundling) leads to preference for online booking for travel and stay purposes.
- H8: Discounting leads to preference for online booking for travel and stay purposes.
- H9: Convenience leads to preference for online booking for travel and stay purposes

Independent Variables	
Convenience	Advance Booking
Visibility of options	Time Saving
Reliability	Secure payment options
Transparency	Attractive package
Discounting	

## PROPOSED METHOD

Our first task is to identify a feasible method of data collection for our research. We decided to proceed with the method of surveying for the data collection. Through surveying, we will collect a primary set of data. This method would check the external validity of our research. Selected heterogeneous sample would represent the population of people who use online or offline means for travel and hotel bookings and are ready to share their past booking experience. Our target audience for the survey

will be our families, college mates, friends in other MBA colleges and friends from our workplace and hometowns. We would target a sample size of around 300.

## Methods of Data Collection

We will create a questionnaire for measuring the effect of independent variables on dependent variable. We will use a 5 point Likert scale for measurement for responses. We will float different versions of Google form in which same set of questions will be arranged in different order. This is done to maintain the heterogeneity in the responses. To improve the quality of the research, the items within the construct are counterbalanced so that fatigue of the respondent does not hamper our research.

## Questionnaire Validity and Reliability Test

Validity checks the item of the construct on what it is measuring and what it is supposed to measure. Reliability checks if all items of particular construct measure the same attribute.

### Check for Validity: Reverse Scoring

To ensure that respondents are on their toes all the time while responding the survey, few questions in the construct is set to measure diametrically opposite of what it is intended to measure.

### Check for Reliability: Cronbach's Alpha

Using R we will measure the Cronbach's Alpha for each of the construct. We will set a minimum limit of 0.6 for each of the construct as of now.

Next we will move on use the statistical methodology to analyse of the collected raw data. Using R we will perform a factor analysis to remove any Multicollinearity among the independent variable. After this we will be able to create a predictive model which will show us the impact of each individual variable on the dependent variable.

**QUESTIONNAIRE** had the following items to be measured on a 5-point Likert Scale.

## Time Saving

I opt for online booking because it saves time  
 Offline booking for travel is time consuming  
 Time taken for booking is an important factor while choosing among options.

\*Time taken for booking is not an important factor

### Secure Payment Options

Online payment options for booking are very secure.

\*Online payment options for booking are not so safe.

Online payment options for booking ensure direct payment, bypassing middle-man.

I can keep track of my money when I make an online payment.

### Convenience

I prefer online booking because it is convenient

I prefer online booking because it requires less effort.

I prefer online booking because I can use *it anytime, anywhere*.

\*I avoid online booking because it is troublesome.

### Discounting

I prefer online booking because of discounted rates.

I prefer online booking because it offers lower price than offline.

The discounting options available on online bookings are attractive.

\*I don't prefer online booking because I get more discounts while booking offline.

### Advance booking

I prefer online booking when I go for advance travel bookings.

Online booking has wide options for advance travel booking.

Online travel booking helps to book travel many months before the travel.

\*I don't prefer online booking when I book for advance travel booking.

### Reliability

I prefer online booking because it is more reliable.

I prefer to go with online booking, in case of urgent travel bookings.

\*Online booking options are not so reliable.

I prefer online booking because it gives me more accuracy for my travel plans.

### Attractive Package

I prefer online bookings because it provides more attractive packages.

I prefer online booking because it provides customised travel options for me.

I prefer online booking because it provides wide range of travel packages.

I avoid online booking because there are no attractive package options

### Transparency

I prefer online booking because they are more transparent.

\*Transparency is a cause of concern while booking online.

I prefer Online booking because the system is fair to all.

### Visibility of Options

I prefer online booking because it has provides various travel options.

I prefer online booking because it makes me know even the remotest travel destination.

\*Offline booking offers better visibility than online booking.

I prefer online booking because it can search and filter various travel options for me.

As proposed above, we went ahead with the survey. We have confirmed the constructs based on the Literature review and focused group discussion we have. Focused Group Discussion was able to validate the constructs which we thought would be. Neither a new constructs was added nor eliminated after the FG Discussion. The participants of FGs were college students of age group 23-28 years. Demographic and gender consistency was considered in every group composition. We have carried in total 5 FG discussions and each group has 5 participants. Once, FG Discussions were over, we proceeded with survey.

For survey, google forms were used. In total of 5 forms were created, each have the same content (order of questions under each construct), with a change in order of how constructs appeared in the forms. Dependent construct always appeared as the first one while independent constructs are randomized, making each form unique in certain way. Forms are distributed using the hyperlink. Participants for survey are reached through social media. Personal contacts are also used. The objective is to get a representative sample of the population of consumer who use online for travel-booking. Geographic, demographic and gender are the three parameters on which we base the quality of the survey. We were lucky to accomplish good on all the three, though faced problem in getting

participants who are above 60 years of age. In terms of quantity, we were able to gather 208 responses. After getting a good & rich data, we did the cleaning of data followed by development of regression model.

- Google form responses were loaded in excel.
- R was used for statistical analysis.
- Omitted the rows which have null responses. The number of rows was reduced to 190 from 208.
- Using the cortest, we have seen the data is valid. The p-value is significant.
- KMO Test results were not good and it is coming under 0.5
- The next process was checking the cronbach’s Alpha. We used the cut-off as 0.6. We have eliminated two constructs which are having alpha value as less than cut-off.
- Independent variables were expected to be related. Hence Structural Equation Modeling was adopted.

## RESULTS FROM DATA ANALYSIS

Constructs	Indicator Variables	Cronbach’s alpha
<b>Preference for online booking</b>	I would recommend online booking to my friends and associates.	
	I would keep going back to online booking	
	I would encourage everyone to go for online booking	
<b>Convenience</b>	I prefer online booking because it is convenient	
	I prefer online booking because it requires less effort.	
	I prefer online booking because can use <i>anytime, anywhere.</i>	
<b>Time Saving</b>	I opt for online booking because it saves time	
	Offline booking for travel is time consuming	
	Time taken for booking is an important factor while choosing among options.	
<b>Secure Payment Options</b>	Online payment options for booking are very secure. Online payment options for booking ensure direct payment by-passing middle-men.	
	I can keep track of money when I make an online payment.	
<b>Discounting</b>	I prefer online booking because of discounted rates.	
	I prefer online booking because it offers lower price than offline.	
	The discounting options available on online are attractive.	

<b>Advance booking</b>	I prefer online booking when I go for advance travel bookings. Online booking has wide options for advance travel booking. Online travel booking helps book travel months before the travel (last variable dropped to bring up cronbach’s alpha)
<b>Reliability</b>	I prefer online booking because it is more reliable. I prefer to go with online booking, in case of urgent travel bookings. I prefer online booking because it gives more accurate travel plans.
<b>Attractive Package</b>	I prefer online bookings because it provides more attractive packages. I prefer online booking because it provides customised travel options for me. I prefer online booking because it provides wide range of travel packages.
<b>Transparency</b>	I prefer online booking because they are more transparent. I prefer Online booking because the system is fair to all.
<b>Visibility of Options</b>	I prefer online booking because it has provides various travel options. I prefer online booking because it makes me know even the remotest travel destination. I prefer online booking because it can search and filter various travel options for me.

### Cronbach’s Alpha

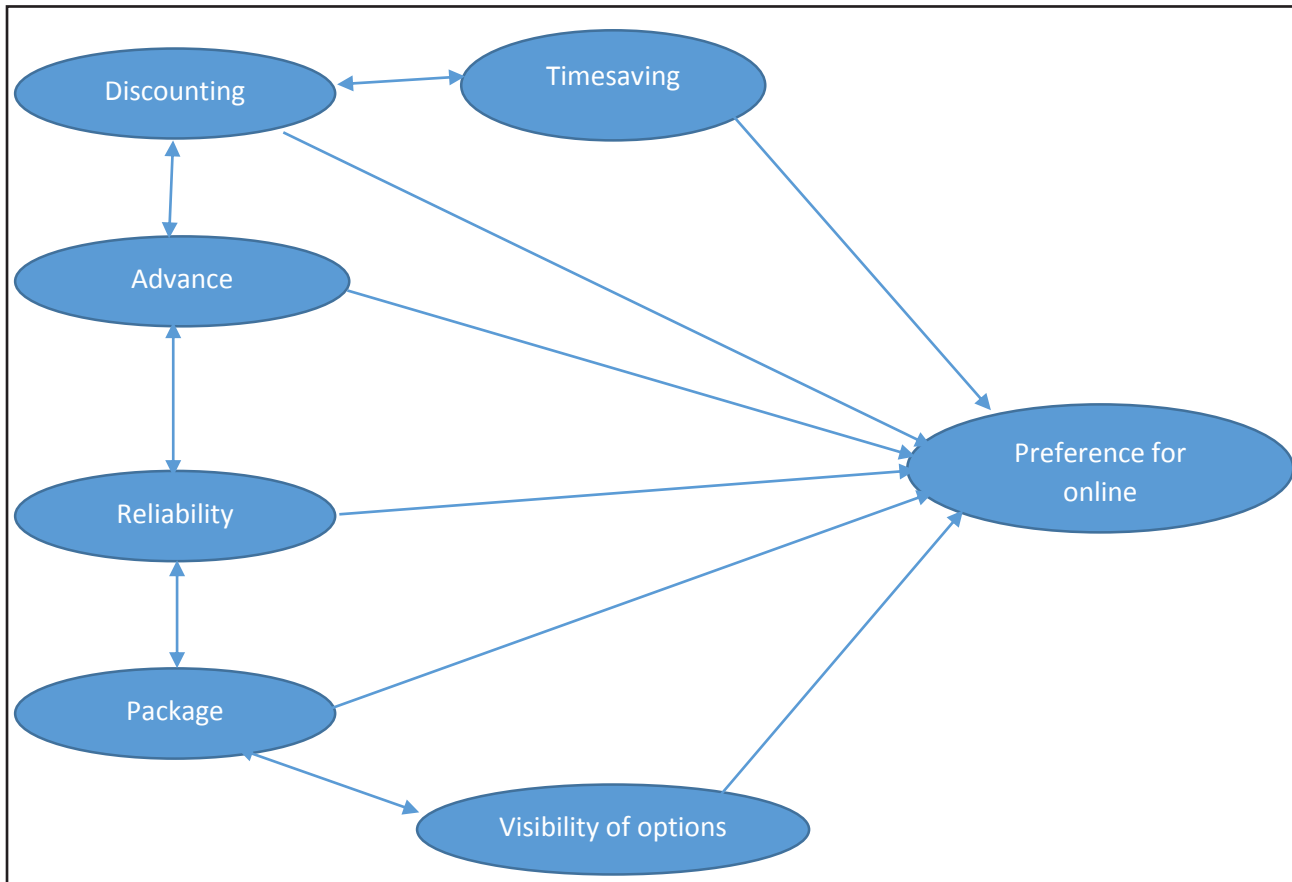
Construct	cronbach’s alpha
Dependent Variable:	
Preference for online booking	.641
Convenience	.265
Time Saving	.620
Secure Payment Options	.365
Discounting	.765
Advance booking	.736
Reliability	.602
Attractive Package	.977
Transparency	.373
Visibility of Options	.690

The Constructs Convenience, Secure Payment Options and Transparency were dropped from further analysis because of low cronbach’s alpha value.

### STRUCTURAL EQUATION MODELLING

With the above constructs considered as unobserved variables a conceptual framework, as given below, was adopted. Thereafter structural Equation Modelling approach was conducted.

In this approach linkages between different unobserved variables are explored using a series of multiple linear regression runs among them.



#### The Indicators of Model fit

Chi-Square/degrees of freedom = 2.990, indicating acceptable fit.

Overall model p-value = 0.

GFI= .855

NFI = .871

CFI =.909

AGFI = .772

RMSEA = .098

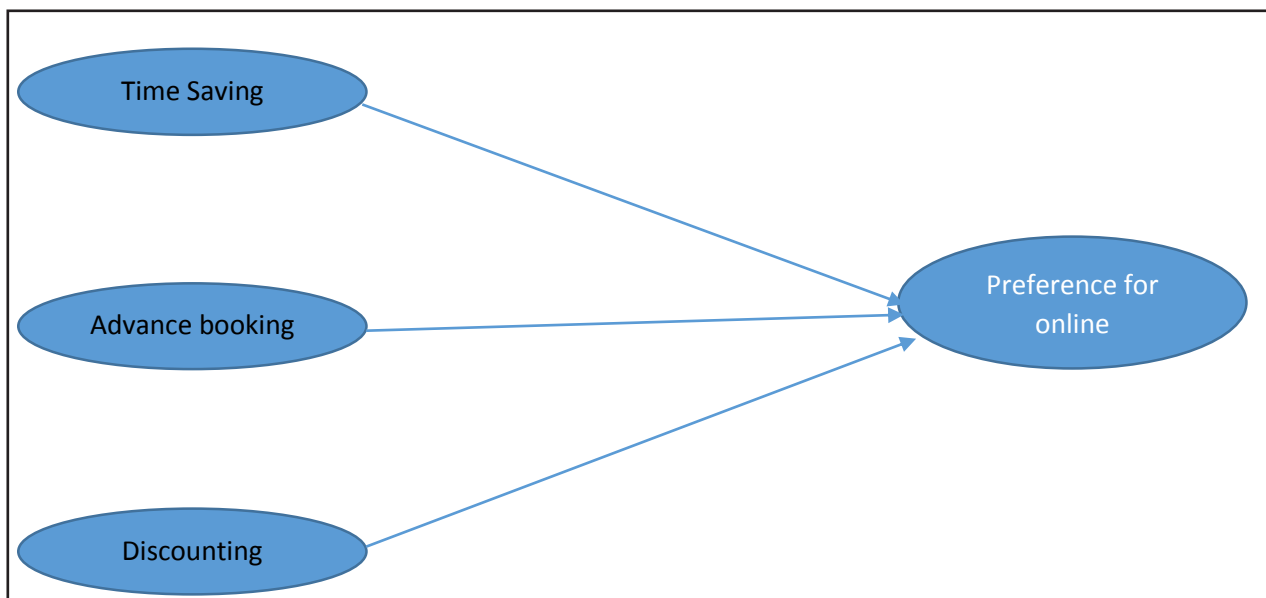
The above results show that the model fit was moderately good. The model was significant at 10 % level but not at 5 % level.

The regression weights for the significant links are:

Link	Regression weight	standard error	critical ratio	p-value
Preference for online ← Discounting	1.303	.569	2.291	.022
Preference for online ← Advance	.058	.023	2.53	.011
Preference for online ← Time Saving	.093	.029	3.204	.001

Thus the Preference for online booking is significantly impacted upon by Discounting Options, Advance booking possibility and Time saving for the user.

## FINAL MODEL



## DISCUSSION

We have commenced this research by trying to understand the factors which contribute to preference of online booking for travel and tourism. We have identified nine independent variables – convenience, visibility of options, reliability, discounting, advance booking, secure payment options, attractive package, transparency & time saving. From the results of SEM performed on these variables over dependent variable (preference of online booking in travel and tourism), we understand that many of these independent variables are either not statistically significant or not influencing the dependent variable significantly. The survey results have confirmed that out of 9 variables which are considered during literature review, only 3 of them are actually driving the decision making/ preference. Therefore, the manager may focus more on these three variables which would help to enhance the preference for online booking of travel and tourism. Thus the critical factors, as observed from our empirical research, are – Discounting, Time Saving and Advance Booking.

Today, all business models use IT technology as a leverage point. IT Technology brings reach and lower cost for the business models. These two underlying attributes manifest it in value propositions which the business offers to its customers. The attributes are generally value for money, Time saving and Advance booking option. This research paper result also validates the same. The influencers

for online booking preference are time saving, advance booking, and discounting. Online portals offer attractive packages when compared to offline as technology cut the cost and the saving in cost is transferred to customer in form of packages. With life becoming fast, people are looking for time saving ways to work out things. This is a culture flourishing in Indian metros. Also, the Indian economy is growing and so is the disposable income of people. All these factors drive more people towards online travel portals to book tickets rather than use offline mode for expensive booking. We can conclude from the result that these factors draw people to book online. Therefore; we can use the results to advise the online portal to focus on these four attributes in order to increase traffic.

One interesting observation that we came across during research is that availability of discount is the one of the most determining variable. Discount is also one of the variables that are often considered during literature review, and the survey data proved it significantly.

The research work is an attempt to understand attributes driving people for online booking of travel. The area of online booking is recent and has huge potential. The entire market is un-fragmented which would eventually we occupied by online booking. Therefore, there is a huge potential for growth for new technology start-up. These new start-ups can use this study to focus on attributes that can increase traffic on their online portal.

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