Analysis of changing consumer preferences due to the emergence of E-Commerce in hospitality sector

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Abstract

The Indian tourism and hospitality industry is one of the fastest growing sectors in India. The tourism and hospitality sector's direct contribution to GDP totalled US$ 44.2 billion in 2015 and is growing at a CAGR of 7.1% during 2005-15. As tourism is industry is growing leaps and bounds it is having a very positive impact on the growth rate of hotel industry. Now days both Hotels and Customers are exploiting technology to the fullest and using it for various purposes like booking, having a sneak peek into the kind of room available, taking a virtual tour of the hotels, checking out various services offered by the hotel etc. As more and more people are going online and likes to know about the place they are going to visit it is very much essential for the hospitality sector to show their online presence.

Introduction of e-commerce in Hospitality sector

In today's digital world where everything is available on internet people are finding it easy to quickly access the information which they want to seek and then take actions accordingly. There is a seemingly difference in the way people used to make purchase decisions in hospitality sector and this has changed because of evolving technology. This has greatly transformed the way we make our purchase decisions and has resulted into changing consumer preferences towards the brands.

Thus in order to analyse the impact of e-commerce in hospitality sector it is necessary to study the factors which influence their buying preferences

Literature review:

1. An article by Octane research (2015)   proposed that consumers are turning to the internet to take advantage of ease of booking and comparative pricing. 95% of consumers search online before making a travel purchase. The research indicates that

majority of consumers are comfortable with online ticket booking, but tour packages and hotels are still booked offline. It indicates that there is a gap between expectations of consumers and actual facilities promised by hotels when booked online.

2. Mr. Pradeep Mittal and Dimmy in their research paper (2012)   explained a dynamic pricing approach for the Hotel Revenue management. It is based on having "price multipliers" that provide a varying discount/premium over some seasonal reference price. The price multipliers are a function of certain influencing variables (for example hotel occupancy, time till arrival, etc).

3. Nisha Chanana and and Sangeeta Goele (2013) their research paper predicted the future growth in various sectors due to the emergence of e-commerce in India.

Objective of the study

1. To analyse the changing consumer preferences and satisfaction in hospitality sector due to emergence of e-commerce

2. To identify and enlist attributes that would make a comprehensive e-commerce model for the hospitality industry

Need

This topic is important from research point of view because a large section of Indian society is going online and getting connected to internet and tourist now days like to research about the place they visit. Before there were very few sources of information from where the tourist could get reliable information of the hotel they are going to stay but now with the advent of new technology everything is available on the tip of fingers. This provides an opportunity as well as challenges to this sector and thus giving ample scope of study in this sector. Thus it is imperative to study the effect of emergence of e-commerce in this sector.

Effect of demographics on hospitality sector

From joint family to nuclear family, from one source of income to multiple source of income there is a great change in demographics which have happened in the last few decades. As a result of this it has also reflected upon the way there is a change in consumer preferences in this sector.

The average age of travellers has been reduced significantly over the years and in a country where 45% of the population is below the age of 25 there has been a tremendous change in consumer preferences. Today's young population likes to make informed decisions and thus demands online access to the facilities which they want to seek.

The rising disposable incomes has also resulted into better access to technology, increased in luxury travel, use of other facilities like Spa, fine dining etc. Also since there are various holiday packages available it has changed the way families are taking their holidays.

Thus be it for booking purposes or having a glimpse of the hotels there are various factors which go into buying preferences. It is therefore essential that these factors are analysed so as to analysis of changing consumer preferences due to the emergence of E-Commerce in hospitality sector

There are numerous ways in which the customers interact with the service provider .i.e through websites, mobile apps, Facebook page etc and thus many factors has an effect on how effectively

the online providers have kept the information on these platforms.

Most of the time people prefer to have a user friendly interface because of which they can easily navigate between different tabs and access the information. Also the services and facilities provided by these service providers also have greater impact on consumer preferences as most of the customers now days like to plan their tour beforehand from the same service provider

Thus in order to analyse the different factors which can have an impact on consumer preferences this study has been undertaken

Sample Size

1. Field visits were undertaken across certain renowned brands in the field of Hospitality. The scope would be restricted to top 5 giants in the field of Hospitality in Pune.
2. More than 180 respondents approached
3. Sample selection will comprise of business professionals, students, tourist and business organisation

Sample Technique

Sampling technique used was random stratified sampling

Survey tool and method of administering the questionnaire

Questionnaire as a survey tool was administered for responses from the respondent

Data Collection Tool

The data collected for this study would be from two sources

1. Primary Data: The sources of data for analysis are predominantly primary. A paper based questionnaire was used for this purpose and information was collected by the researchers by personally guiding the respondents while filling the information.
2. Secondary Data: Secondary data based on research papers too has been referred to though in order to help identify guidelines along which to state, analyse and research data effectively.

Data Analysis Tool

Once the data has been gathered by the researchers this data will undertake both qualitative and quantitative analysis

1. Qualitative Analysis: Since the work is focused on primary data i.e. field study, researchers can come up with the opinions based on the observations pertaining to the behaviour of the customer.
2. Quantitative Analysis: On the other hand, the survey results would be used to scientifically and objectively classify the data using certain commonly used tools such as Statistical Package for the Social Sciences (SPSS) and Microsoft Excel. Relevant excel formulas, charts and graphs would then be used to further infer and test the applicability of the existing hypothesis.
3. Karl Pearson statistical tool has been applied to test the results of one of the responses gathered through questionnaire tool while qualitative descriptive analysis has been undertaken to draw the findings of the study related to remaining responses

Significance of the Research

The analysis of changing consumer behaviour due to e-commerce will help us understand the factors that influence the consumer adoption process for services in hospitality sector. The research also throws light on the challenges faced by the hospitality sector due to e-commerce in influencing consumer buying decisions

Hypothesis:

There is no relation between the consume spending on certain products in hospitality sector and emergence of e-commerce platform

.**Limitations:**

- The study is confined to data collected from urban centres within the limits of Pune city.

Data Analysis

Table A1: General Information of respondents

SNo.	General Information	N=195	Percentage
1.	**Age of respondents**		
	a. 16-25 years	43	22
	b. 26-35 years	67	35
	c. 36-45 years	50	25
	d. 45 years and older	35	18
2.	**Gender of respondent**		
	1. Male	111	57
	2. Female	84	43
3.	**Occupation of respondent**		
	1. Service	95	48
	2. Self employed	50	25
	3. Student	45	23
	4. Other	5	04
4	**Income per month of the respondent**		
	a) 0-9999	39	20
	b) 10000-19999	43	22
	c) 20000-29999	47	24
	d) 30000 and above	66	34

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Discussion:

- From Table 1, it is clear that majority of the people surveyed were middle aged (26-35 years), male (57%) employees in a firm (48%) and with incomes of above Rs 20,000 per month (58%)

- These numbers were encouraging for the purpose of the hypothesis as the target participants who purchase from online booking portals were expected to fall in such categories.

- In the following tables, analysis would be done as to if and how their consumptions preferences have changed due to the emergence of e-commerce.

Table A2: Form of travel by the respondents

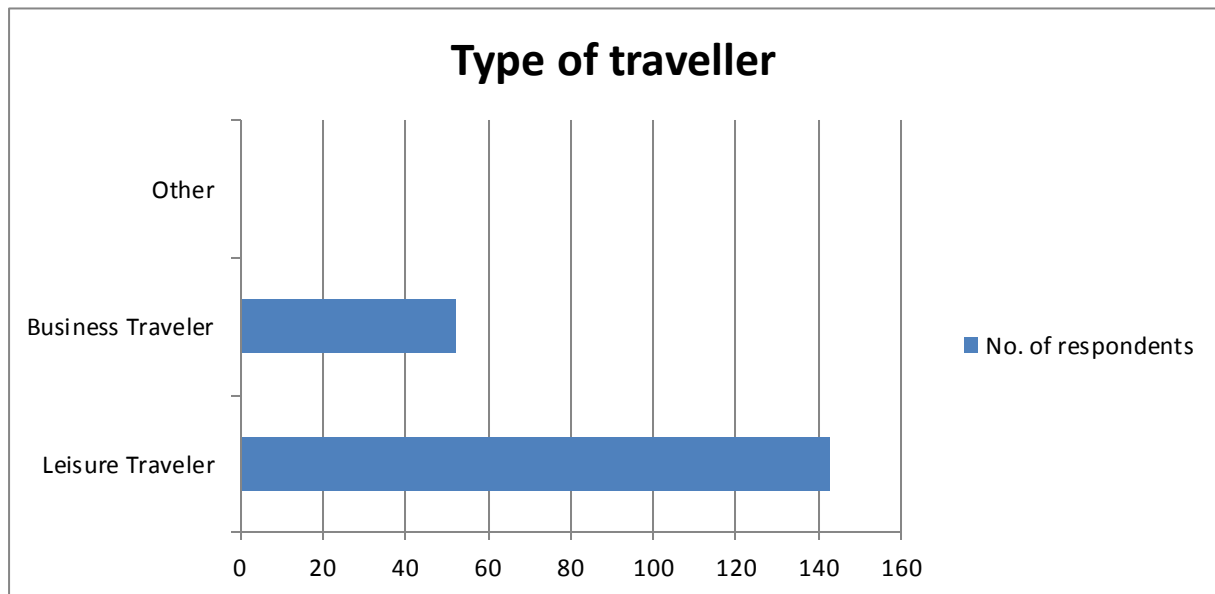| SNo.	Type of traveler	n=195	Percentage
1	What would you relate yourself to most from the following?		
2	Leisure Traveler	143	73
3	Business Traveler	52	27
4	Other	00	00

Figure A1: Form of travel by the respondents

Discussion:

- The bulk of the respondents surveyed use the online medium of booking when they are travelling for leisure alone or with family.

- This is interesting but expected result as most of the travellers when travelling to a new place give importance to getting familiar to the place of stay so as to avoid inconvenience later

Table A3: Mode used for service booking by respondents

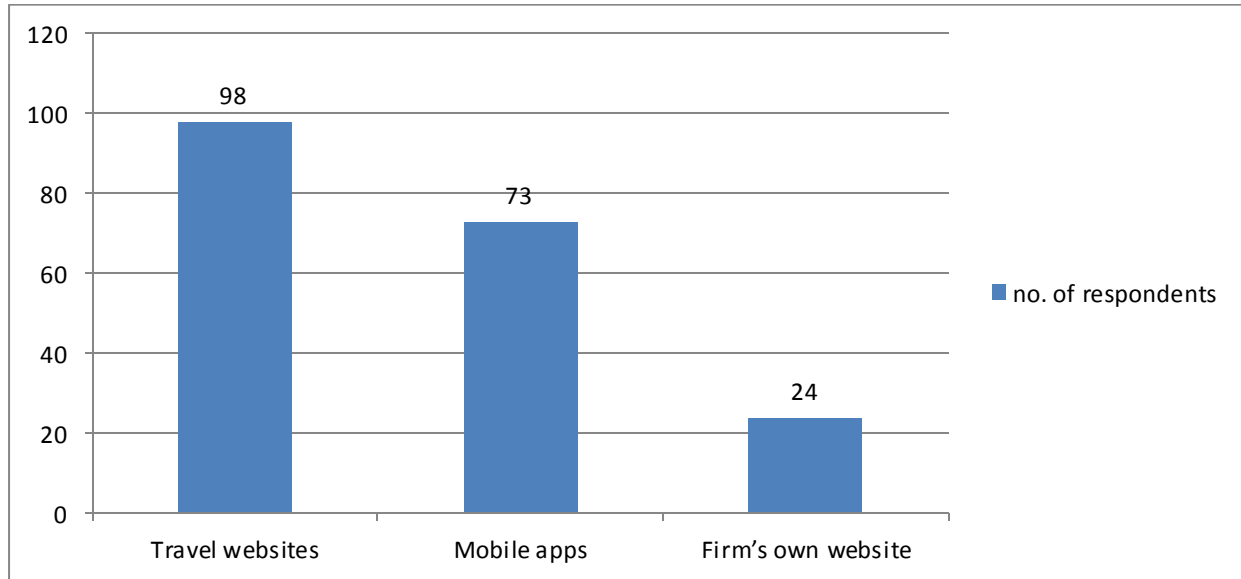| SNo.	Preferred mode of booking	n=195	Percentage
1	What mode is used by the respondent for service booking		
2	Travel websites	98	50
3	Mobile apps	73	37
4	Firm's own website	24	13

Figure A2: Mode used for service booking by respondents

Discussion:
- Clearly the preferred mode of booking the online services is still from the 3rd party websites like clear trip, goibibo etc. This is because of the awareness and promotions done by the websites in gaining the trust of the customers

- But because of the mobile penetration in nook and corner of India and better connectivity the use mobile apps has increased and is fast catching up. Various 3rd party travel websites are now operating on mobile platforms

Table A4: Periodicity of using online services by respondents

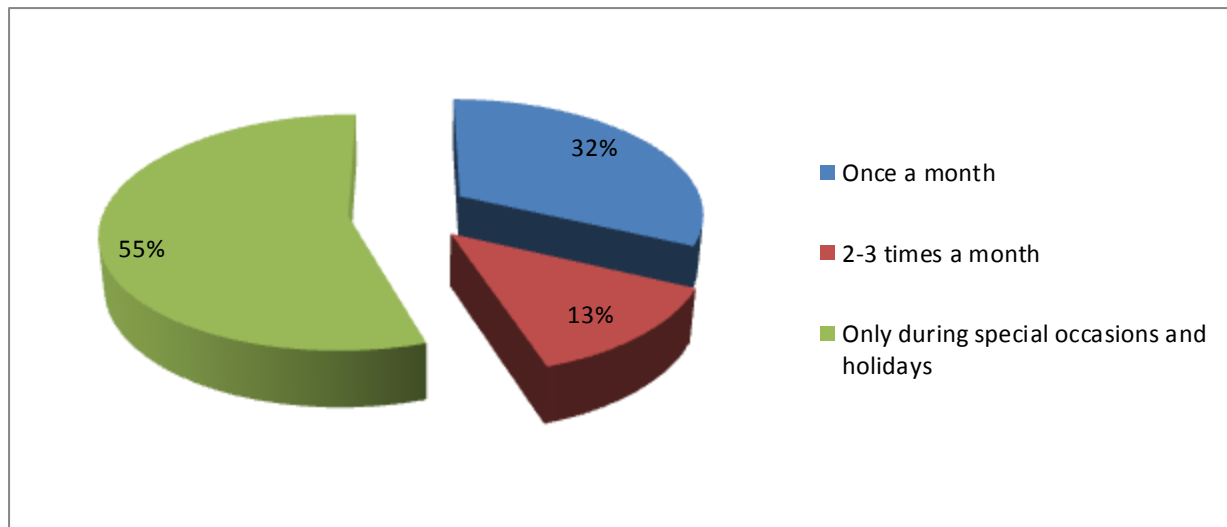| SNo.	Periodicity of bookings	n=195	Percentage
1	Once a month	62	32
2	2-3 times a month	26	13
3	Only during special occasions and holidays	107	55
4	Others	00	00

Figure A3: Periodicity of using online services by respondents

Discussion:

- As most of the travellers are leisure travellers the use of online booking services increases during special occasions and holidays. The   use of once a month option can be attributed to the frequent business travellers
- Thus the online service providers should come up with the creative ad campaign and special offers during this period to increase their revenues

Table A5: Preferred services when booking online by respondents

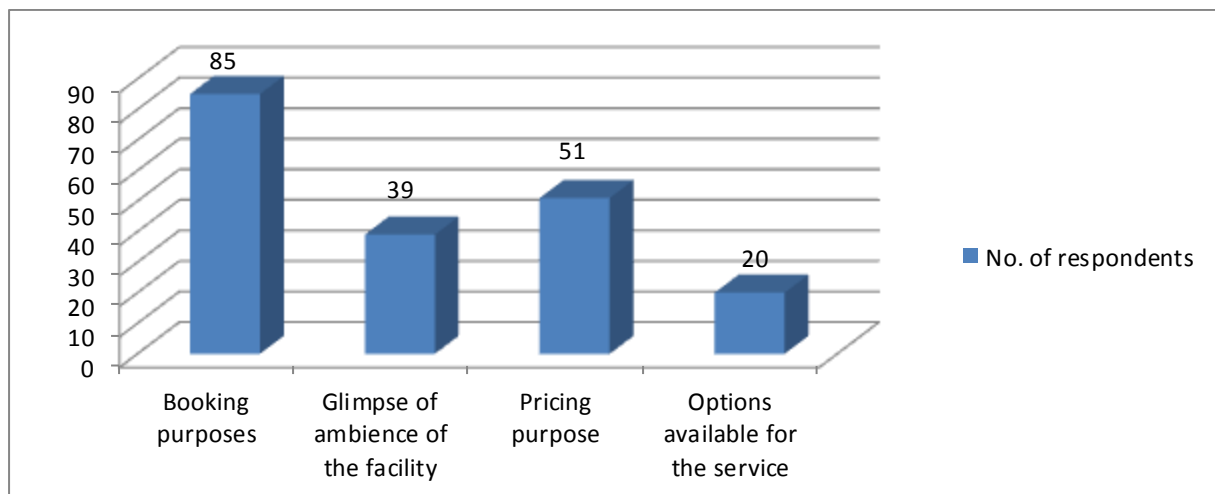| SNo.	Type of service	n=195	Percentage
1	Booking purposes	85	35
2	Glimpse of ambience of the facility	39	21
3	Pricing purpose	51	31
4	Options available for the service	20	13

Figure A4: Preferred services when booking online by respondents

Discussion:

- The use of online services for booking purpose slightly exceeds the use for checking the prices. This may be due to the fact that if the respondents are satisfied with the pricing of their stay and facilities provided by the hotels they make online booking for the same.
- This also shows that now a days people are more confident to make online transactions and have trust with the websites regarding their financial information

Table A6: Expenditure and frequency on service by customer

Sr.no	Services	Ave Spending per transection	No. of respondents	Frequency (quarters)	No. of respondents
1	Flight Bookings	a) Rs 500-4999 b) Rs 5000-9999 c) Rs 10000-19999 d) Rs 20000-50000	a) 89 b) 61 c) 33 d) 12	a) 1-2 times b) 3-4 times c) 5-6 times d) 7-8 times	a) 146 b) 48 c) 1 d) 0
2	Hotel Bookings	a) Rs 500-4999 b) Rs 5000-9999 c) Rs 10000-19999 d) Rs 20000-50000	a) 109 b) 53 c) 23 d) 10	a) 1-2 times b) 3-4 times c) 5-6 times d) 7-8 times	a) 95 b) 71 c) 23 d) 6
3	Meals	a) Rs 500-4999 b) Rs 5000-9999 c) Rs 10000-19999 d) Rs 20000-50000	a) 184 b) 9 c) 2 d) 0	a) 1-2 times b) 3-4 times c) 5-6 times d) 7-8 times	a) 63 b) 82 c) 35 d) 15
4	Cab bookings	a) Rs 100-200 b) Rs 201-300 c) Rs 301-400 d) Rs 401-500	a) 134 b) 44 c) 10 d) 7	a) 1-2 times b) 3-4 times c) 5-6 times d) 7-8 times	a) 56 b) 81 c) 33 d) 25
5	Holiday packages	a) Rs 500-4999 b) Rs 5000-9999 c) Rs 10000-19999 d) Rs 20000-50000	a) 11 b) 68 c) 85 d) 31	a) 1-2 times b) 3-4 times c) 5-6 times d) 7-8 times	a) 188 b) 7 c) 0 d) 0

Sr.no	product categories	Price (x)	Quantity (y)	x.y	x^2	y^2
1	Flight Bookings	3600	2	7200	12960000	4
2	Hotel Bookings	3300	3	9900	10890000	9
3	Meals	2300	4	9200	5290000	16
4	Cab bookings	200	4	800	40000	16
5	Holiday packages	5600	2	11200	31360000	4
TOTAL		∑x=15,000	∑y=15	∑x*y=38,300	∑x^2=60540000	∑y^2=49

Karl Pearson's Correlation Coefficient =

$$\mathbf{n(\sum xy) - (\sum x).(\sum y)} / \sqrt{(\mathbf{n}\sum \mathbf{x^2}) - (\sum \mathbf{x})^2)(\mathbf{n}\sum \mathbf{y^2} - (\sum \mathbf{y^2}))}$$

$$= (\mathbf{225000}\text{-}191500)/\sqrt{(302700000 - 60540000) * (245 - 49)}$$

= 33500/42962
= 0.779

Hence relating to r =0.779
P Value=0.001
This rejects the null hypotheses (H_0) that is "Consumers of Pune have not started spending more on certain category of products in hospitality sector due to the emergence of the e-commerce platform." and accepts alternative hypotheses that is (H_A) "Consumers of Pune have started spending more on certain category of products in hospitality sector due to the emergence of the e-commerce platform.

Table A7: Reasons for customer preference to online service

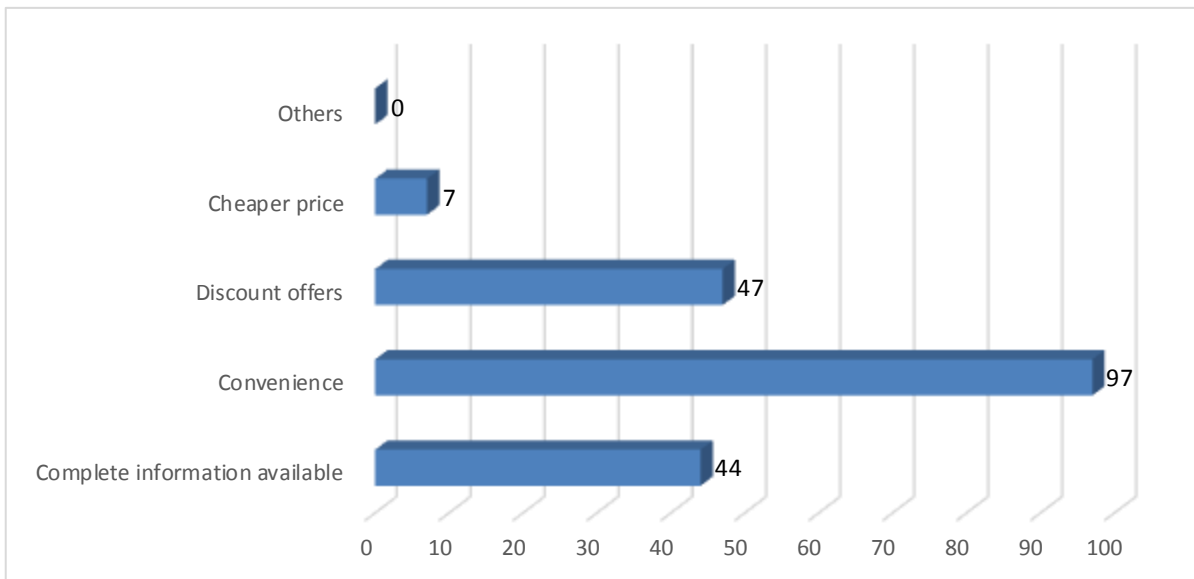| Sr No	Reasons for online preference	n=195	Percentage
1	Complete information available	44	23
2	Convenience	97	49
3	Discount and promotional offers	47	24
4	Affordable price	7	04
5	Others	0	0

Figure A6: Factors affecting customer preference

Discussion:

- Table 5 shows that most respondents prefer online services just for convenience with 49% of the total responses.
- The other two factors which affected the most were the discounts offers & information.
- Cheaper price was the least affecting factor as there is very less price difference while availing online service.

Table A8: Customer check online reviews

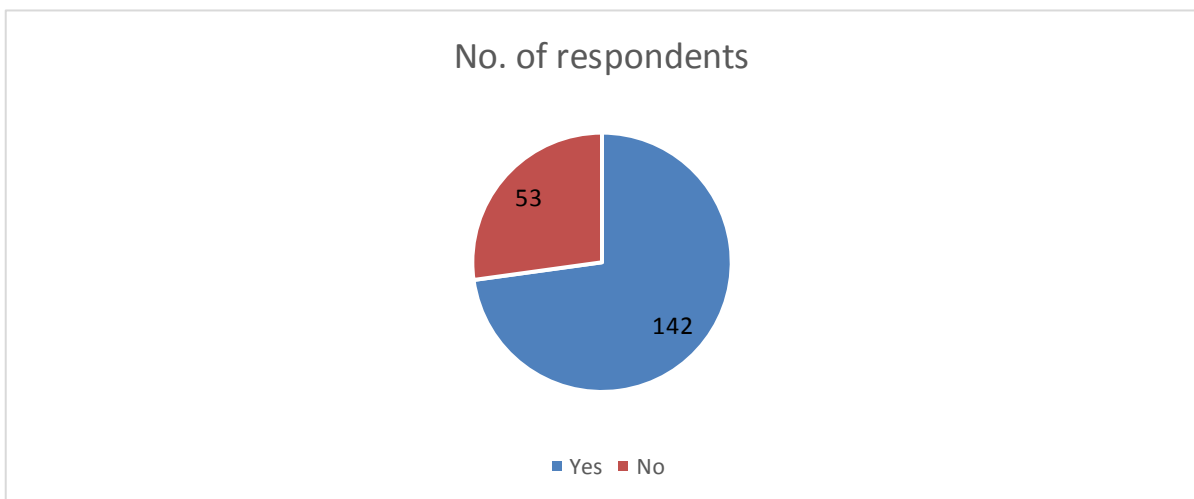| Sr No	Check online reviews	n=195	Percentage
1	Yes	142	73
2	No	53	27

Figure A7: Customer check online reviews

Discussion:

- In figure 7 it can be seen that most of the respondents (73%) responded that they do check online reviews before availing the service

- Online reviews gives the details about the other customer experience and in serviced based industry it is necessary to check reviews of other customers.

- In hospitality industry there are lot of cases of false information about the hotel, hence customer checks online reviews before making the decision.

Table A9: Customer satisfaction with the service provided by e-retailers

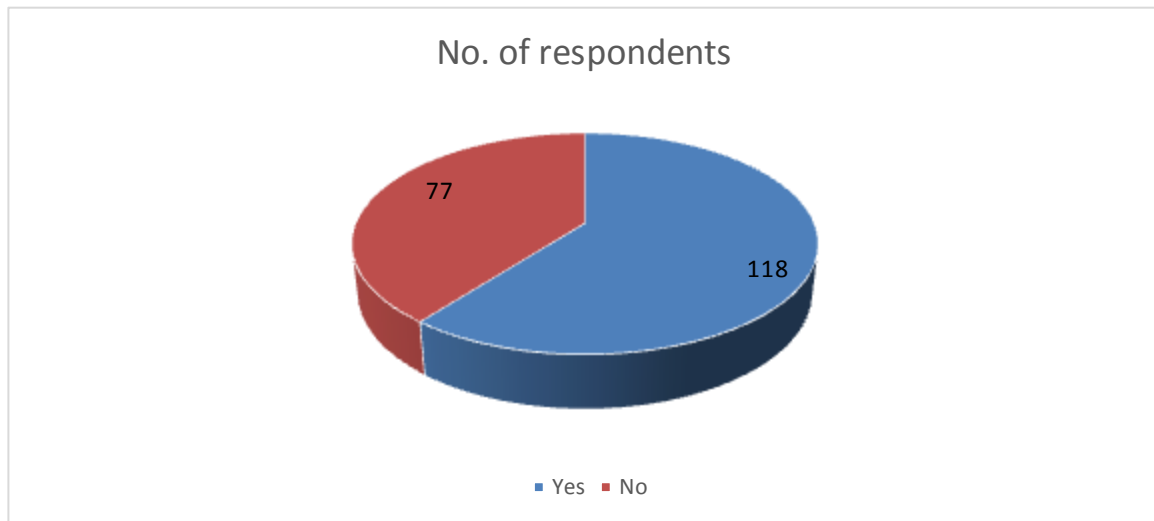| Sr No	Satisfied with the service provided	n=195	Percentage
1	Yes	118	61
2	No	77	39

Figure A7: Customer satisfaction with the service provided

Discussion:

- From figure 7 in can be seen that 61% of the total respondents are satisfied with the online service. But 39% of the respondents responded that they are not satisfied with the online service, this figure is actually high.

- The dissatisfaction was because of factors like false information, payment issues, refunds etc.

Table A10: Most preferred loyalty program by respondent

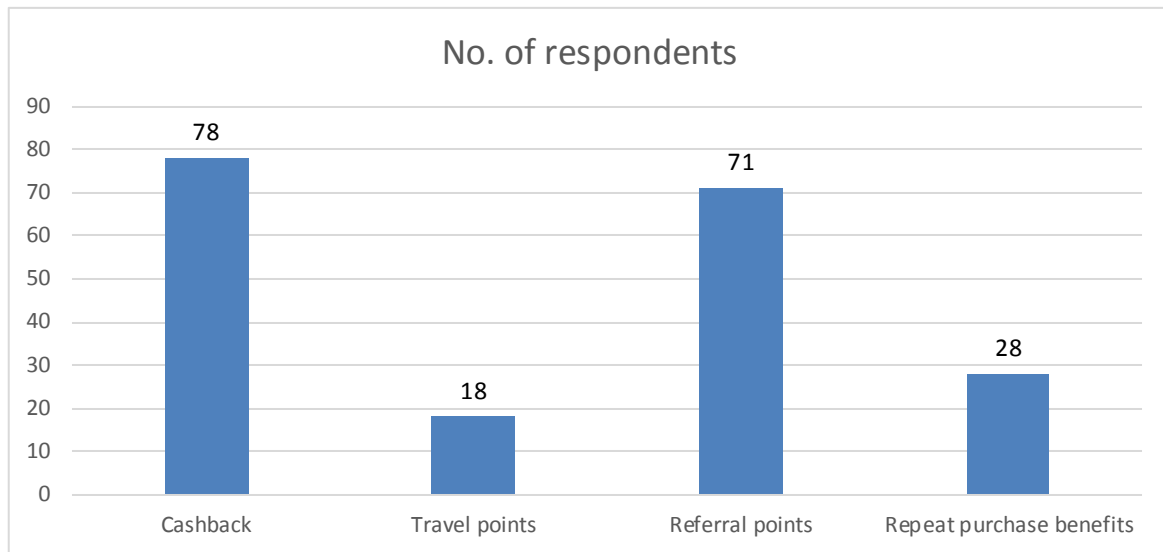| Sr No	Loyalty Programs	n=195	Percentage
1	Cashback	78	40
2	Travel points	18	9
3	Referral points	71	37
4	Repeat purchase benefits	28	14

Figure A8: Loyalty program preference

Discussion:

- From figure 8 it can be inferred that customers preferred cashback and referral points with highest percentages 40% and 37% respectively.
- Cashback are credited to customer wallet or to their account. Hence customer prefers cashback to their wallets so that they can use wallet cash for availing some other offers.
- Referral points are easy to avail and it does not require any monetary expenditure from customer side, hence preferred by customers.

Table A11: Biggest risk as per respondent while availing online services

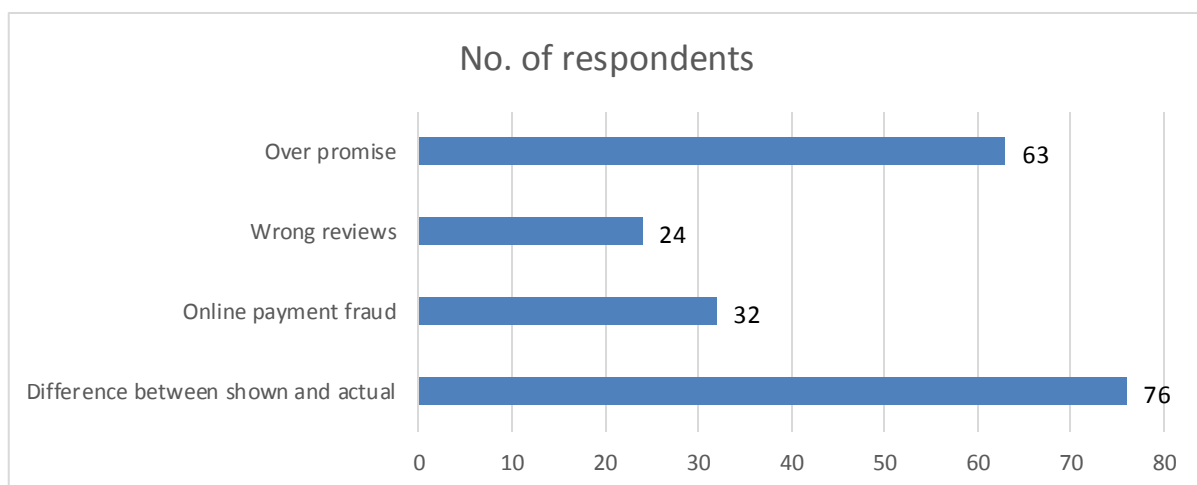| Sr No	Risks in availing online service	n=195	Percentage
1	Difference between shown and actual	76	38
2	Online payment fraud	32	16
3	Wrong reviews	24	13
4	Over promise	63	33

Figure A9: Risk perceived by respondents while availing online service

Discussion:

- The above table shows that the difference between shown and actual and over-promise are the two biggest factors which concern the consumers when opting for online services in hospitality sector
- To avoid these problems companies should ensure that puffing is not over done and should follow the principle of under promise, over deliver to increase customer satisfaction

Table A12: overall impact on consumer preference in hospitality sector because of e-commerce

Sr No	Impact on consumer preference	n=195	Percentage
1	Strongly Agree	43	22
2	Agree	111	57
3	Neutral	23	12
4	Disagree	13	07
5	Strongly Disagree	05	02

Discussion:

- Table no 12 shows that the overall impact on consumers in hospitality sector because of e-commerce is positive and very little i.e. 9% of the total respondent feels the impact is negative; while 12% choose to remain neutral
- The e-commerce companies should take advantage of this overall positive sentiment and should provide customers with new and improved services through better customer relations, use of different mode of communications to reach to the customers and trying to solve the problems of customers real time

Conclusion and Recommendations

With the emergence of E-commerce sector, there has been drastic change observed in consumer preferences in hospitality sector. The first objective of the study was to analyse the changing consumer preferences in hospitality sector due to emergence of e-commerce.
The findings shows that customers are moving from brick-mortar shopping to online purchasing due to convenience associated with it, attractive discounts offered by E-commerce players and several options available at their disposal. This has largely driven the consumer spending more on online shopping across different online shopping platforms in hospitality sector

The second objective of the study was to identify and enlist attributes that would make a comprehensive e-commerce model for the hospitality industry. The research shows that the customers are now open to the idea of online shopping and is accepted across all demography. Although customers like to spend more time on booking purposes, they also use online services also for pricing purpose, glimpse of ambience of the facility, options available for the service.

Consumers not only like to spend on Flight Bookings & Hotel Bookings but also on Meals, Cab bookings, Holiday packages. This clearly supports our hypothesis of increased consumer spending. E-commerce players need to leverage this opportunity by developing more easy-to-use web and mobile platforms and coming up with exciting loyalty programs.

Also, they need to address the issue of over-promise and mismatch between shown and actual as they feature high on customers concern. Thus taking advantage of overall positive ratings for the e-commerce in hospitality sector, these companies can work on providing customers with better options so as to increase their revenue and also satisfy the customers.

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