ABSTRACT

The study aims to review literature in order to identify and understand the key factors that affect consumers’ decision while making online hotel room reservations. The upsurge in internet technology fuelled electronic commerce (e-commerce) has had a tumultuous effect on many traditional forms of conducting business. Hospitality sector is not untouched. The study examines the varied factors that affect consumer decision pertaining online hotel room bookings. It aims at studying hedonistic versus utilitarian motivations, price and costs, trust, satisfaction and loyalty, amongst other factors. The digital customer decision model and role of social media and online travel agents have also been discussed. This study is an attempt to understand the dynamics that drive hotel room sales in the competitive world of the travel product.

Keywords: Online Hotel Booking, Hedonistic, Hospitality

INTRODUCTION

Hospitality industry is an integral part of the services industry. As any other service, it is characteristically perishable. Room revenue lost for a night, is lost forever. The market demand and supply largely influence price and availability of rooms. The market is marked with fluctuating demand, whereas the supply is mostly stable and stagnant. Supply is fixed, whereas demand is volatile. Supply increases with addition of room inventory. More rooms are being added all over the world. The demand for the same is also growing but not necessarily at the same rate. In such a situation, a successful sale, that optimises the yield per available room, is of paramount importance.

Sale of room is the underlying objective and also the success of every hotel and its management. To make the room available to the potential customer, satisfy and have him come back again, being fundamental to the hotel marketing plan.

Demand and supply need to meet. The opportunity is created when a need backed by capability and willingness to pay, is met with the product. Here, timeliness is an important consideration. By this, it is meant that demand is met when and as soon as it arises. It is met at the right time, right place and at the right price. These several variables need to be controlled in the most effective way in order to realize demand and make a successful sale.

The sale of star category hotel rooms has come a long way. Traditionally rooms have been sold simply over the counter. In this re-active process, a guest would seek the hotel, reach out and make a booking.
With changing times, maximisation of profits also started becoming a strong consideration. With the advent and success of yield management that first started in the Airlines industry, just sale was not enough. Sale at the best price, optimising revenue has soon become the norm. Matching supply with demand, and using price as variable to the ever changing demand brought corrections in the prices and has become a function of the market.

The number of hotel rooms being added, is on the rise. More and more models are developed that make commissioning and operating of hotels much easier and lucrative. This has led to a highly competitive supply. The suppliers of hotel; rooms are fighting tooth and nail for the market share. In such a competitive market, price becomes a critical factor. Also important is the distribution of the room to the customer. How, how quickly and how cheap the room reaches the consumer is the key.

Distribution has evolved a long way. From over the counter sale, relationship marketing, personal selling, travel agent, Global Distribution Services to today’s room purchase from the comfort of one’s house, and at a click of a button.

Internet technology has transformed distribution all across, hotel product being no exception. Internet removes the hurdle of marketplace, making distribution network more accessible. Electronic communication has also reduced costs and time. As consumers become more apt in usage of information technology, they are pushing the envelope further and actively participate of booking hotel room over the net. This is characterised by minimum or no human interface. Information is available, and in fact there is an overload of information. Consumers have started re-looking their buying decision. Their preference, attitude and motivation have changed, drastically affecting their buying behaviour. The decision making process greatly relies on reviews and feedback. Fact information is not good without a comparison between comparable set of products. Price is a range of affordability, matched with quality it assures. Such comparison makes it important for all service providers top offer the best price, at a competitive rate. Real-time information on availability of rooms and prices also greatly facilitates the sale of an online product.

Keeping in mind the effect of technology on hotel bookings, it is imperative to study what determines sale of hotel rooms on various online platforms.

LITERATURE REVIEW

Review of relevant literature on the title of study. Many factors impact the online hotel room buying decision. Most of the key determinants are explained, not necessarily in order of their relevance and importance.

Internet Technology

Chen, (2014), advocated that the boom in internet technology has led to the tremendous growth in digital marketing and e-commerce. He stressed that flexibility, accessibility, speed and comparisons, among others have boosted the growth of internet as the preferred distribution platform for customers. He further quoted that in a highly competitive online travel market, it is critical for service providers to understand how to keep consumers on their websites and persuade them to make a purchase (Cheung and Law, 2009). Grant, (2013), stated that in the present times, pre-booking over the internet, with the abundant information now made easily available, which include not just visuals of hotels, guest rooms, public areas, outlets, menus etc., but importantly also independent holidaymaker reviews, should take the risk out of the process. Li-Ming, (2013), commented that consumers who are keen in booking a room can do it either directly through the hotel websites, or alternately using various online travel portals. Essawy, (2012), reasoned that owing to the reach and power of internet powered e-commerce, organizations today are spending large sums of finance in technology. Kim and Singh, (2012), endorsed that for the past decade the internet had undoubtedly become the emergent communication and distribution channel by collapsing all geographical and physical barriers, and making it a competitive marketing medium in the hospitality and tourism industry (Doolin et al., 2002). In today’s technology fuelled era, internet has fast become the most efficient and effective source of hotel room
bookings. Law, (2010), quoted Kim and Kim (2004), who advocated that the internet makes both consumers and suppliers happy as it facilitates reduced costs and for the former helps receive real-time information. Yadav and Varadarajan (2005) explained, “major firms across a wide spectrum of industries began making significant investments in this regard a few years ago and continue to signal their long-term commitment to developing and implementing such initiatives” (p. 5940). This hugely increasing concentration in technology is mainly due to the influence it has in growing markets, influencing consumer purchase behaviour leading to mounting sales.

Convenience
Chen, H. (2014), stated that customers can freely browse in the comfort of their surrounding, any time of the day and any time closer or far from actual booking date. This leads to huge convenience. Also information, comparison, virtual tours and information leads to easy access and helps decision making process. Kim and Singh, (2012), quoted that it is clear that travelers increasingly prefer interacting with travel businesses online to conveniently gather information on destinations, prices, and schedules (Greenspan, 2004; Tanford et al., 2012).

Cost / Price
Kim and Singh, (2012), noted that one of the chief advantages use of electronic platform for reaching out to the customers is the reduction in costs (O’Connor and Frew, 2004). It kills the various marketing related costs ion making to product known and available to the customer. The drop in costs has had a dual effect. On one hand the hotels can sustain business and generate profitability by controlled costs, and on the other hand customers also get a competitive price. Not only that, to add to the monetary benefits, Theodosiou and Katsikea, (2012), found that hotel establishments that accept e-business model also witnessed substantial enhancement in their organizational performance which is evidently an effect of their advanced internet marketing performance. Importantly, the advent and growth of digital shopping has also encourages transparency in pricing of the hospitality products. This has given was to much desired competitive rates, thus boosting sale and hence generating volume business. This has led to a well accepted win-win situation to the host, guests and the involved intermediaries.

Hedonic and Utilitarian motivation
Scholl-Grissemenn, (2017), endorsed that one of the most extensively prevalent techniques to learn the determinants of hospitality pricing, is hedonic pricing. Hanks, (2012), shared that broadly, hedonic products are regarded as experimental, fun, luxurious, pleasurable and enjoyable. Utilitarian in contrast, are thought of as, instrumental, functional and necessary (Dhar and Wertensbroch, 2000). Sarkar, (2011), highlighted that utilitarian motivation is that which appeals to the logical side of the mind of a person, which rationalizes and reasons. Motivation on the other hand, stems from a person’s feelings and emotions. Hence, hedonic value is more subjective than utilitarian, and arises from amusement and entertainment than task completion (Baek, 2009; Holbrook & Hirschman, 1982). Franke, (2003), stressed on the significance of customization such as functionality and style. These in turn fetch maximum value to the consumers. In recent years, the concept of mass customization has gained enormous interest as well as application in marketing and tourism research (Dellaert and Stremersch, 2005; Liechty et al., 2001; Randall et al., 2007; Simonson, 2005; von Hippel, 2001). Utilitarian motivation has its base in economic utility theory and is often the underlying reason of consumer preference. It refers to attributes such as durability, price or reliability (Sheth et al., 2000). The hedonic (experiential) motivation comprises emotions and views consumers as more than just thinkers and as feelers and doers (Holbrook and Hirschman, 1982).

Customer Attitude
Essawy, (2013) proposed a framework for bookers’ intent to reserve hotel rooms online. He adopted and further worked on the model from Davis (1989), Gretzel and Fesenmeir (2005), Jeong and Lambert (2001), Luo et al. (2007), Monsuwe et al. (2004), and Wand and Qualls (2007).
Bruner & Kumar, in their researches, found that consumers’ attitude toward websites is a valid measure of website helpfulness and considerably concurrent to consumers’ attitude toward the brand and subsequent purchase. This was reinforced by website features that include ease of use, product information, entertainment, trust, and accuracy. A study conducted by Sukpanich & Chen found that there were three variables that affected attitude toward online shopping. These three factors consist of awareness, preference and intention. Different people have different attitudes towards online shopping. These attitudes vary not only as the result of the activities performed, but as the result of personalities, lifestyles, social classes and other factors.

Trust

Essawy, (2013), noted that trusting websites of hotels attracted ample attention. Hotel websites enabling booking publish information which reduces the perceived risk in dealing with the website and/or with the company in general. The primary reason is that trust reduces the transaction costs of inspection and monitoring and promotes the customers’ commitment to the service provider (Hsieh et al., 2005). Furthermore, O’Connor, (2005), argued that the acceptance of hotel websites depends not only on customer acceptance of internet technologies as viable transaction means, but also on customer recognition of websites as reliable merchants. Pavlou, (2003), found that trust is one of the determinants of the perceived usefulness of commercial websites. Rowan, (2002), mentioned that digital consumers will increasingly anticipate integration amid physical and virtual channels. Obviously they will trust companies which succeed in meeting their expectations. Similarly, on the virtual retail market, the study of Ang et al., (2001), recommended that trust as perceived by customers in the digital milieu has three dimensions, which are (1) ability of online establishments to provide a product as promised, (2) their readiness to correct inconvenience if consumers are not pleased with their purchase, and (3) the existence of privacy policy statements.

Brand

Barreda, (2017), believed internet is a strong branding tool for businesses as it offers numerous ways to promote a business online. Online branding is in fact important for hospitality service providers, who don't have a tangible product. It is an influential means that has affected how hotels conduct their business and the way travelers and hotel brands interact. Chen, (2014), extensively worked on usage and buying intention, word of-mouth, relationship marketing and brand loyalty (Bawa, Srinivasan & Srivastava, 1997; Fortin, 2000; Kwon & Kwon, 2013; Lichtenstein et al., 1993; Martinez & Montaner, 2006; Yi & Yoo, 2011; Wirtz & Chew, 2002). Liu and Zhang (2014) advised that the building consumer relations will be more effective than a price war as a means to boosting online room bookings and preventing loss of market share. Bailey, (2006), indicated that lodging is a brand value...
business. By growing brand value, a hotel firm has the capability to trade its brand name to reach customers, thereby generating demand for sustained growth.

**Loyalty**

Chen, (2014), commented that it internet is useful to engage customers by by means of loyalty programs. These facilitate the service providers in tailor-made offering suited to the customers’ varied wants. Additional benefit to the customers, apart from personalized products, is also that one-on-one communication is possible, in a faster and instantaneous way. This helps relationship building and promotes loyalty.

**Reviews and Word-of-mouth**

Varkaris, (2017) accounted how negative content on social media platforms does not essentially exclude hotels, but makes potential travellers a bit “hesitant” in selecting a specific hotel. Nunthapirat, (2016), explained how increasing number of prospective guests depend on reviews before making a purchase. Specifically in case of lodging and boarding, it was seen that consumers especially believe the online reviews as a yardstick for buying decision. Review is no longer considered just as a mere feedback, but as significant and legitimate information that is an predecessor to buying decision. It is not just hotels that provide information to customers, now the customers themselves freely express and voice their individual experiences. Chen, (2014), mentioned that hotel guests give reviews and ratings based on their personal experience, satisfaction and revisit intention (Jeong & Jeon 2008). This greatly influences and affects hoe potential customers view the said product, and thereby affects buying decision. Seung Hyun, (2012), stated that it is clear that customers increasingly prefer ascertaining information on places, prices, and schedules (Greenspan, 2004; Tanford et al., 2012). Chung, (2010), elaborated on two distinct types of customer pre-purchase uncertainty: knowledge and choice uncertainty. He established the relation between uncertainty and the degree of consumer external information search in online room booking. Inadequate information often leads to customers navigating more for information, and through other information sources (Cline & Haynes, 2001; Radecki & Jaccard, 1995). Pathaketal, (2010), also discovered that recommendations have a positive impact on sale of products. Furthermore, the impact on sales is significantly higher if the recommended product is newly introduced in the market. It also positively affects the price. Chen et al. (2004) found that systems based on recommendation increase the sales of products and the effects of recommendation are strong.

**Meta-Search Sites and Social Media**

Chen, (2014) advocated the importance of meta search engines like google, bing,etc. Though these websites are not able to complete buying transactions, they facilitate by means of directing potential customers to travel and hotel websites, increase footfall by means of clicks, thereby increasing the likelihood of sale. They give visibility and accessibility to booking sites and thus are a precursor to the online booking process. Social media websites provide user-generated-content platforms for users to voice their travel-related information, product reviews and comments and personal experience (Xiang & Gretel, 2010). Kim and Singh, (2012) added that social media and other intermediaries influence potential customers and direct traffic to a hotel, thereby acting as gatekeepers. Nielsen (2010) claimed that almost all social sites such as Facebook, are now the most widespread homepages for users. People now spend most of their internet time using social media or blogs. The emergence of Internet-based social platforms have affected on integrated marketing communication for companies, as social media can influence numerous areas of consumer behaviour including general awareness, information, reviews, attitudes and buying behaviour. Sheng, (2002), studied the growth and effect of social media. It has become very popular. In comparison to Web 1.0, Web 2.0 is characterised by services rather than software, and any and as many devices can be connected to the web rather than just personal computers (Chen et al., 2012). Web 2.0 is one of the fastest growing segments on the web, and it includes social sharing of opinions through video sharing (Flickr and YouTube), blogs (i.e. Blogger and Twitter), sharing of knowledge (Wikipedia), and various other emerging forms.
E Service Quality

Kim and Singh, (2012) studied the effect of e-service quality with reference to online hotel room booking. Due to the rapid expansion of internet users and channels, service firms have realized the importance of electronic service quality for survival in the competitive online market (Evanschitzky et al., 2004). In other words, electronic medium needs to be handled in such a way that it provides best quality interface and usage, and hence is critical to consumer behaviour.

RESEARCH METHODOLOGY

In an attempt to undertake extensive and in-depth study on the topic, the research is based on literature published on the topic. The determinants that influence online booking were further classified into sub-heads. A few key ones were studied particularly in more detail.

Data has been sourced from:

1. National and International journals
2. Books
3. Scholarly articles

A funnel approach of general understanding leading to detailed know-how was incorporated in order to understand, assimilate and apply information in context to the title of study.

DISCUSSION AND CONCLUSION

Based on the study of the literature, the following observations and understanding can be ascertained:

1. Internet technology and digitalization has become the leading distribution channel for hotel room bookings. It has many advantages, lowered cost, ease and speed of transaction, instant interface, real time status and abundant information.

2. Travellers’ decision making process has also modified. Especially in case of reviews and e-WOM. Reviews, rating and recommendations are a consideration not only for post-purchase, but also have now become key pre-purchase consideration.

3. Travel is materialized as a result of hedonic (hedonistic) as well as utilitarian motivations. Destination and hotel are more driven by emotions and feelings, whereas the booking interface and process are more to do with utility and functionality. Hence, it is important to have balanced offerings.

4. Online websites help in brand building and customer loyalty. Trust is an essential pre-requisite that helps in not just carrying out the transaction, but establishing brand value and repeated purchase in the competitive environment.

REFERENCES


