

## “IMPACT OF E-COMMERCE BEHIND THE GROWTH OF HOTEL INDUSTRY IN INDIA”

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### **Abstract:**

Online companies are spreading like mushrooms in India as they are able to identify the bundle of opportunities that are visible behind the apparent use of Internet and smart phone industry. This paper will put some light on the growth and factors behind the online hotel booking industry by the help of major E-commerce players like online travel agents , mobile apps and trip advisors and its impact on building consumer loyalty in India .The study reveals that Indian travel and tourism industry increases with the growth rate of 10% and online booking of hotel are becoming much more convenient which would affect the growth of industry upto 3 times as per its regular growth

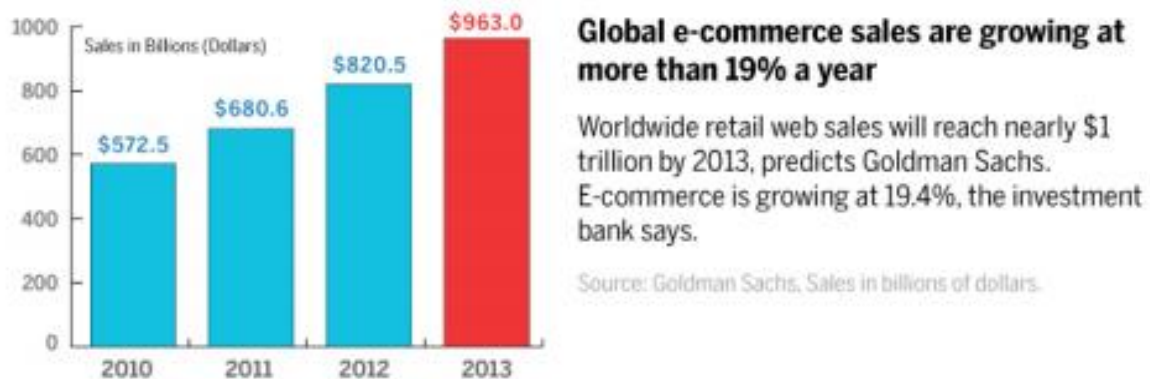
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## Introduction

The Hotel industry is a highly competitive business. The competitiveness of an industry and the method by which a firm competes has a considerable effect on the firm's Information Technology performance (Nomsa Mndzebele). David Wardell (1987) described the lodging industry on the Economist as "the most underautomated segment of the international travel industry. Reservations are often still dealt with by hand [...]". Today the situation is completely changed. Since its beginning, the online revolution has given a decisive contribution to the technological modernization of the hospitality sector and the same happened for e-commerce. Looking at e-commerce in the hospitality industry, we decided to focus our attention on two emerging trends: first, the growing influence of Online Travel Agencies (OTAs) and of other travel portals in intermediating and orienting the demand for accommodation; and second, the large increase of online booking systems by hotels. In both cases we are dealing with electronic trade, according to OECD's narrow definition of "internet transaction" Tourism has been one of the fastest growing industries the world over. India has, for two years in a row, been voted the fastest growing continent for tourism. The Internet seems to have had the strongest impact on the tourism sector (The European E-Business Market Watch, 2004). ICT and Internet usage research in respect of the hotel and tourism industry has been conducted from user perspectives (Law et al., 2004) and from tourism provider perspectives (Buhalis and Main, 1998; Anckar and Walden, 2001; Raymond, 2001, Law and Jogaratnam, 2005). In recent years, the internet, e-commerce and e-business have all grown dynamically (Lawencia, 2015). The process of innovation, driven by transformation in business supply chains and the growth of online marketplaces, have widened and intensified in all parts of every economy across the globe. Several countries worldwide are taking advantage of this wave and making billions of dollars in revenue through e-commerce. (World Summit on The Information Society, Geneva: December 2003 and Tunis: November, 2005). Online reservations have now become the norm throughout the travel industry, and online researching has also shaken the hotel industry, in good ways and bad, with the arrival of review sites and mobile apps such as Trip advisor, Expedia and Hotel tonight (DAN BRAZIER). Online bookings have soared and hotels no longer rely on travel agents or expensive printed marketing. On the opposite side of the fence, the boom in personal Internet devices such as smart phones, tablets and laptops, has had an adverse effect on revenue as hotels now lose out on the extra up sell services they used to earn from such as movies, in-room

telephone and chargeable WiFi. Dave Garrison, CEO of iBahn, one of the world's top hotel Internet providers, has observed major change and growth in the use of iPads and mobile devices for applications such as YouTube, Netflix and social media. This has resulted in an increase in hotel broadband use and a decrease in guests ordering movie rental through their in-room television; a double hitter on the bottomline hotel profits. This explosion in hotel guest WiFi demand is a clear sign that something dramatic has changed. Today it is hard to deny that most hotel guests around the world are connected and smart hotels must now recognize that, to offer good customer service, they must move with the times and embrace the online world.



E-commerce mainly helps in the generation of leads, presenting information about the tourism product to the customers, and facilitating the transaction process electronically mainly using the world wide web. The adoption and usage of information technology and other associated technologies has received significant attention in the travel and tourism related literature in recent years. Studies have considered information technology related variables both as a dependent as well as an independent variable. For instance Ozturan and Roney (2004) and Wei et al (2001) look at the application of internet in the travel and hospitality industry by looking at the critical factors that lead to greater adoption. Martorell (2002), Connolly and Olsen (2000) and Bloch and Segev (1996) on the other hand consider e-commerce adoption as an independent variable that could affect and transform hospitality industry in the future. Zhu et al, (2002) has found that the technological capabilities of manufacturing enterprises positively affect an enterprise's usage of e-commerce.

## LITERATURE REVIEW

E-commerce is defined as the process of buying, selling, or exchanging products, services, or information via computer networks, including the Internet (Turban et al., 2008). In this review, the terms are used interchangeably. E-business includes not only buying and selling of goods and services but also servicing customers, collaborating with business partners, conducting e-learning, and conducting electronic transactions within an organization (Turban et al., 2008). E-commerce refers to business activities which are done using electronic data transmission via the internet and the World Wide Web, (Schneider and Perry, 2000). Saffu et al (2007) also defined e-commerce as —the exchange of goods and services among businesses and between businesses and consumers using internet technologies. E-commerce helps firms to improve product quality, reduce costs, assist them to reach new customers, suppliers or distributors and creates new ways of selling existing products (Schneider and Perry, 2000; Saloner and Spence, 2002).

Electronic commerce or e-commerce refers to a wide range of online business activities for products and services (Rosen, 2000). According to Euro Info Correspondence Centre (Belgrade, Serbia), It also pertains to —any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact.|| (Euro Info Correspondence Centre, 2002) E-commerce is usually associated with buying and selling over the Internet, or conducting any transaction involving the transfer of ownership or rights to use goods or services through a computer-mediated network. (Thomas L. Mesenbourg, 2000). Though popular, this definition is not comprehensive enough to capture recent developments in this new and revolutionary business phenomenon. A more complete definition is: E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals. (Lallana, Quimbo and Andam, 2000) The United Nations Conference on Trade and Development (UNCTAD, 2000) background paper on e-commerce and tourism states that: —The internet and its inherent inactivity empowers people to find information quickly and precisely on any destination or recreation that is capturing their interest.|| The internet has also presented the travel and tourism sector with the possibility of connecting as well as transacting with global customers on real time basis. The extent of use of e-commerce by the tourism industry has increased considerably over the years (United Nations E-commerce and Development Report, 2004). E-business and technology research

carried out in respect of the tourism sector has included work carried out in the United Kingdom (Wood, 2001), United States (Tierney 2000), Taiwan (Wan, 2002), Canada (Hudson and Lang, 2001) and Greece (Vrana and Zafiropolus, 2006). The internet and e-business that relates to the tourism industry has also been conducted from a strategic perspective research (Buhalis, 1998 and Maine, 1998) and from a value chain perspective (Wynne et al., 2001) So far research on e-commerce technology and internet applications focusing specifically on West Africa have focused on the exporting sector (Hinson and Sorenson, 2006; Hinson 2005, Hinson and Abor, 2005), the educational sector (Hinson and Amidu, 2006; Hinson,2006), banking sector ( Hinson, Ofori and Ayitiah, 2006, Hinson and Abor, 2004) and from e-commerce perspective (Saffu et al., 2006). Research on ecommerce activities of African countries and African tourism operators has been carried out by scholars like Mzumbe, 2005; Opoku and Hinson, 2006; and Wagner and Van Belle, 2005.

Hotels use ICTs in order to improve their operations, manage their inventory and maximize their profitability. Their systems facilitate both in-house management and distribution through electronic media. \_Property management systems (PMSs)‘ coordinate front office, sales, planning and operational functions by administrating reservations and managing the hotel inventory (Buhalis and Jun, 2011). Moreover, PMSs integrate the —back|| and —front|| of the house management and improve general administration functions such as accounting and finance; marketing research and planning; forecasting and yield management; payroll and personnel; and purchasing (Buhalis and Jun, 2011). Understandably, hotel chains gain more benefits from PMSs, as they can introduce a unified system for planning, budgeting and controlling and coordinating their properties centrally (Buhalis and Jun, 2011). Hotels also utilize ICTs and the Internet extensively for their distribution and marketing functions. Global presence is essential in order to enable both individual customers and the travel trade to access accurate information on availability and to provide easy, efficient, inexpensive and reliable ways of making and confirming reservations. Although Central Reservation Offices (CROs) introduced central reservations in the 1970s, it was not until the expansion of airline CRSs and the recent ICT developments that forced hotels to develop hotel CRSs in order to expand their distribution, improve efficiency, facilitate control, empower yield management, reduce labour costs and enable rapid response time to both customers and management requests (Buhalis and Jun, 2011). Following the development of hotel CRSs by most chains, the issue of interconnectivity with

other CRSs and the Internet emerged. As a result, ‘switch companies,’ such as THISCO and WIZCOM, emerged to provide an interface between the various systems and enable a certain degree of transparency. This reduces both set-up and reservation costs, whilst facilitates reservations through several distribution channels (Emmer, Tauck, Wilkinson, & Moore, 1993; O’Connor, 2000). E-commerce concept is to support trade with computing systems with high dynamic and open information technology. In this system, electronic data exchange, process communication (computer to computer applications) in the information business is a branch of this system. Trading partners (sellers, buyers or middlemen) in global electronic market system met through the internet. The electronic market is a computer system that links each other. All trading activities of finding customers or suppliers, consulting, contracts, agreements and settlement of payments via electronic take place safely and efficiently (Intan Salwani et. al., 2009; Tan et. al., 2009; Norzaidi et. al., 2007; Turban, 2003). E-commerce has been doing business online. Since the Internet became commercial, most companies have used the website to make a profit from big names like Amazon. com. Lately companies have been doing business and making money online. E-commerce covers a wide and numerous activities including the name and contact details as sales leads through the integration of online buying and selling experience. Opportunities for E-commerce are different and extensive and require greater care. Referred to Laudon and Traver (2012); Gilaninia et. al., (2012); and Turban (2003), four E-commerce concept that are identified are, Business to Business – B2B, Business to Consumer – B2C, Consumer to Consumer – C2C, and Consumer to Business – C2B. New forms of E-commerce are often used for business-to-customer relations and transactions, not just (EDI) for business-to-business relations. This offers much bigger numbers, therefore great penetration; therefore more people want to use it (Rezvani et. al., 2011, Fisher, 2000). E-commerce is necessary in the interest of both parties together in such a trade, the buyer and seller, because it offers a combination of low cost, high reliability, accuracy, and speed. Thus, it can have an impact on both top and bottom line productivity ratio (Fisher, 2000). In explaining the E-commerce, several approaches and important role has been highlighted by the researchers. In such case, most of the researchers have identified seven key role in E-commerce that are everywhere, global, consistent, accessibility, interactivity, information density, and personalization and customization, (Laudon and Traver, 2012; Zhu and Kraemer, 2005; Turban, 2003).

## Methodology

This study uses cross-sectional study design. In the early stages of data collection, a study was conducted involving 5 hotels that use e-commerce to get their opinion about the content and format of the questionnaire developed by Tow (2004). Based on this study, the researchers used all the items in the questionnaire study because they are important, relevant and appropriate for this study. After that, the translation technique of back to-back was used to translate the questionnaire survey in English and Malay to improve the validity and the reliability of the research findings (Hussey and Hussey, 1997). This questionnaire consists of two variables: a) the use of E-commerce consists of 31 items and b) the ability of the Organization consists of 28 items taken from Tow (2004). The items selected in this study have cronbach alpha greater than 0.60, which indicates that they meet acceptable standards of reliability analysis (Sekaran, 2003). All items used in the questionnaire were measured using a 5-item Likert scale which ranges from "strongly disagree" (1) to "strongly agree" (5).

The population of this study is the hotel industry using E-commerce in India. The researchers distributed 30 questionnaires to study under the hotels and impact of online companies. Statistical Package for Social Sciences (SPSS) version 11.5 was used to analyze the data. First, the validity and reliability analyzes were conducted to assess the validity and reliability of the measurement scale (Nunally and Bernstein, 1994). Second, Pearson correlation analysis and descriptive statistics were conducted to determine the co linearity problem, and further confirm the validity and reliability of the construct (Hair et. al., 2006). Finally, multiple regression analysis has been recommended to assess the magnitude and direction of each independent variable and the dependent variable. Standardized coefficients (standardized beta) were used for all analyzes.

## Conclusion and Future Recommendation

The findings showed a significant relationship between E-commerce technology resources, E-commerce management skills, E-commerce business network, E-commerce competency and E-commerce information network with organization capabilities. Multiple regression analysis outcomes verify that E-commerce technology resources, E-commerce management skills, E-commerce business network, E-commerce competency and Ecommerce information network has

expressed great influence on organization capabilities. Of all the predictor's variables, E-commerce management skills appeared to be the most dominant variable in influencing organization capabilities. This result has also supported with previous studies by Tow (2004) and Bharadwaj (2000). These findings provide useful guidance to the hotel management, the Ministry of Tourism and the Indian government in its efforts to enhance the usage of E-commerce to improve organization capabilities to achieve capability in line with the capability of the hotel industry in west countries. The management has been and will be using the application of E-commerce websites should give attention to the management of E-commerce skills. This is due to one of the factors of E-commerce management skills is having a group of people who are skilled in managing information technology systems and E-commerce. This study has limitations in terms of the scope of the study or its methodology. 15% of all sales are conducted online, 60% of which are on mobile apps. Many hotels and restaurants have not only mobile friendly websites, but completely redesigned mobile websites. User friendly mobile apps have increase their sales, not just now but as mobile sales share increases. Customers are also rating their service while they are consuming their services.. E-Commerce is worth \$1.5 trillion dollars a year. Price comparison sites are reducing margins but also increasing volume of bookings. Social Networking sites such as Facebook and Twitter are the latest phenomenon in the hotel industry. Similar to internet marketing, Social Networking sites have given hotel operators the opportunity to directly connect with a new generation of travelers. Many hotels are using the social networking sites to offer discounted rates in an effort to stimulate demand. However, studies have portrayed the negative effects of discounted rates on profitability. Hotel operators must beware of this, and realize the lingering effects on overall profitability. Before decisions are made, a breakeven analysis can be done to calculate the amount of incremental room nights generated to off-set the decline in rate. In addition to a top line analysis, the true metric will be derived from additional NOI generated, taking into consideration the operating costs on a per occupied room basis. Internet marketing has had many positive effects on the hotel industry. Marketing over the internet has given hotel operators the opportunity to create a positive image and reach more potential customers at a lower price. One example is PPC (Pay per Click) advertising campaigns that are now widely used throughout the industry. The primary goal with PPC advertising is to appear in the "Sponsored Ads" section of the major search engines when a potential customer searches for hotels. Several hotel operators have cited returns of around 8:1



on average for branded properties from PPC advertising offsetting the influence of booking at lower rates with the additional induced demand as a result of the advertisement. PPC advertising links consumers directly to the hotel website eliminating the need for third party booking sites. The hotel may be offering rooms at a lower rate than previously desired, but they do not have to pay the high commissions when reservations are booked directly. TravelZoo is another online booking information source which allows hotel operators to sell vacant rooms last minute and at discounted rates. Industry experts have cited that TravelZoo can provide returns between 10 and 20:1 with downsides that include lower ADR and appealing to less desirable segments of demand. E-commerce and social networking sites will ultimately help the industry grow. However, operators must be careful when discounting rates to stimulate short-term demand because the further the rate is discounted today, the longer it will take to recover and grow.

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