



AN ANALYSIS OF THE EFFECTS OF OTAS ON TRAVEL AGENTS IN HOTEL ROOM BOOKINGS

Dr. Ms. Vidya Vilas Kadam and Mr. Devesh Janvekar

* Asst. Professor, Maharashtra State Institute of Hotel Management Pune

**Student, Master in Hotel Management and Catering Technology, Maharashtra State
Institute of Hotel Management Pune

Abstract

This research activity was conducted to compare various factors of comparison which online channels are providing over the traditional mediums in booking a hotel room. If we look at the glance of the history of hotel bookings, then we would be able to understand that the hotel room reservations were either made directly (telephoning the property/face-to-face) or via a travel agent. Over the past decade, a large offer of booking channels has emerged. Nowadays, hotel distribution channels for transient bookings are grouped into five major categories such as Central Reservation System, Direct Bookings (walk-ins, telephone), Global Distribution System, Hotel's website, and OTAs (Online Travel Agents). With new booking channels rising, conventional channels are slowly however steadily losing market share; whereas new channels, notably those who permit bookings via online channels like OTAs, GDS, and Brand's portal are becoming popular. The DIY (Do-it-Yourself) approach has been introduced in the market due to these OTAs and other online distribution systems. Though there are many advantages to booking through these mediums, today's customer is well aware of threats that could arise by using these platforms. The hotels receive almost 40% - 45% of the occupancy through the Online Travel Agents and the hotel's portal, and the remaining through the offline travel agents. Thus, the study has proved that OTAs and online channels are the most popular and efficient way of booking a hotel room for the customers

Key Words – Travel Agents, OTA, Room Booking.

Introduction

A travel agent may be an individual /firm or corporation which is commonly known as a travel agency. An agency means the office of travel agent or organization where all travel goods and services are assembled and coordinated for the smooth conduct of travel agency business. Technically, a travel agent is an owner or manager of an agency, but other employees are responsible for advising tourists and selling packages tours/individual components of travel products.

A Travel agent is a person who has full knowledge of tourist products – destinations, modes of travel, climate, accommodation, and other areas of the service



sector. He acts on the behalf of product providers/principles and in return gets a commission.

OTA stands for Online Travel Agency. OTAs are online companies whose websites allow consumers to book various travel related services directly via the Internet. They are the 3rd party agents reselling trips, hotels, cars, flights, vacation packages, etc. provided/organised by others. Travel shopping via online agencies has become very popular nowadays, especially, in the last minute segment and also because of the frequent usage of smartphones. Today, consumers are on-the-go and the advantage of a booking engine and the reservation solutions provided by the OTAs is that it offers instant payment and booking confirmation.

Literature Review

In his research, "From Travel Agents to OTAs" Timothy Webb has stated the evolution of consumer booking behaviour i.e. travel booking has changed substantially over the past two decades. The traditional approach of utilizing travel agents and booking ahead has evolved into a fast-paced, last-minute booking environment. This evolution has had substantial effects on revenue management (RM) in the areas of forecasting, pricing, and online travel agency inventory allocations. These changes have made understanding the consumer booking process a requirement for success.

As the introduction of the Internet, the tourism and hospitality industry has witnessed sea changes into the trends of booking as well as consumer behaviour. The researcher found that these online travel agents (OTAs) have positively captured the market and the minds of the consumer as it provides last minute, quick, and efficient booking systems. It was also observed during the research activity that many hotels have blocked their rooms for such OTAs, giving them a more profitable business.

Steve Olenski mentioned in his blog, "Are OTAs really killing Travel Agencies" that online booking is easier and leaves travellers spoiled for choice. From aggregators like Kayak.com, which merely assembles inventory from other websites, to travel sites like Flights.com most travellers agree that online booking is just more efficient and cheaper. The blog on the Andaman Holiday's website stated that with everything becoming a DIY (do-it-yourself), why are people still choosing the traditional offline medium for their travel booking? The answer lies simply in one word – trust. A local agent has a clear edge when it comes to providing a good vacation deal and more importantly a better service. The most important of it all is the human factor – a face, a real person who takes full responsibility for crafting a personalized vacation.



In case of Hotels, the art of revenue management and smart distribution has become the secret weapon of every hotel. Caroline Strachan continues in her blog, Hotels have worked out how to release and hold their inventory of rooms based on factors like day of the week, citywide events and onsite meetings. This enables them to fluctuate the price of their bedrooms; a bedroom that hasn't been slept in is a waste, just as out-of-date food is to a supermarket. OTAs spend billions of dollars a year in advertising to win over leisure traffic, for which OTAs charge hotels high commissions. The OTAs tell hotels, "Pay us more commission, and we'll do the advertising for you." However, OTAs are luring business travellers with "lower" rates by distributing and making their rates bookable via travel management company/online booking tool channels.

Significance of the study

Online Travel Agents are gaining popularity in the market. The trend of booking a room through a travel agent has shifted to a DIY (do-it-yourself) approach where customers have gained access to book their travel plans on their own. Hence, this study will help the new entrants as well as potential players in the market in the form of travel agencies to sustain in the market with the help of research. It will help the travel agencies in determining the ways to survive in such cut-throat competition.

My main objective of this research is to identify the most effective source of room booking from the customer's point of view. The key elements to be explored from this research activity are the concept of OTAs, the role of travel agent in the hotel room booking, advantages & disadvantages of room booking from both sources i.e. OTAs and the travel agencies.

Objectives –

In order to streamline the present study, related to the Hospitality & Tourism industry in the Pune, the following objectives have been formed:

1. To study the concept of Online Travel Agents (OTAs)
2. To study the concept of Travel Agent & its role in hotel room bookings.
3. To identify the most effective source for room booking from a customer's point of view.

Hypothesis

Booking a room through an OTAs is the most effective source to book a room.



Scope & Limitations of the study

The participants of this research were the customers, travel agents, and hotels. The total sample of 10 questionnaires was designed for the travel agents and 10 responses are recorded by personally visiting their offices (response rate 100%). Hotels were targeted for a sample of 10 and achieved 05 hotels (50% response rate) have filled the questionnaire. For customers, the sample was designed for 50 questionnaires and received 45. The response rate is 90%. Thus, we believe that the answers can be considered reliable. The study is limited to budgeted hotels in the vicinity of Pune City and does not have any relevance to any other types of Hotels in any other locations elsewhere.

1. The travel agents selected for the study are from Pune City only, and does not have any relevance to any other location elsewhere.
2. The Study is limited to the period from August 2019 to November 2019 only. The findings of this research may not apply to any other period even for the same area and the same type of hotels/services.
3. Secondary sources of data are usually of limited worth for research purposes because of the error incompleteness in basic data. The secondary data which is shared by the researcher may or may not be reliable.
4. The sample size is too small as compared to the population of budgeted hotels, travel agents, and even the customers in the selected area. However, a researcher being an individual is capable of handling limited data.

Research Methodology

1. Approach – Quantitative
2. Type of research – Analytical
3. Sample – Travel Agents, Hotels (Budgeted Category) and Customers.
4. Method of Sampling – Purposive – Judgmental
5. Data collection – Present paper is based on secondary data and primary data.
Following are the sources of collection of data:
 - a. Websites
 - b. Travel Market Report
 - c. Various previously published research papers.
 - d. Questionnaires
 - i. Travel Agents – 10
 - ii. Hotels – 05
 - iii. Customers – 45



Role of Online Travel Agents –

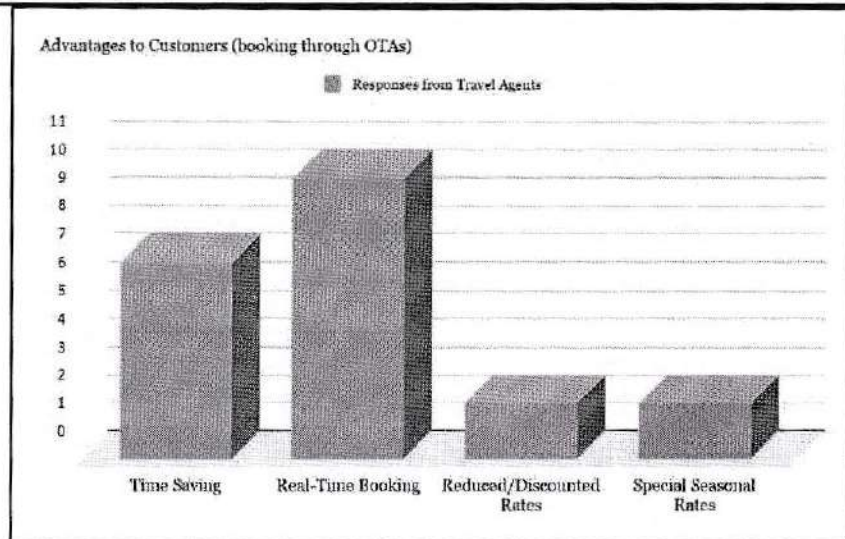
OTAs provide a high level of customer service through mobile applications, responsive websites, email campaigns, and even social media platforms. It has multiple channels of customer outreach to not only promote and offer new products and services but solicit feedback from customers which can be used to alter products and services offered. OTAs that leverage direct communication channels such as mobile chat applications and social media platforms can engage with customers on a one-on-one basis. This level of customer relations management gives travellers the personalized booking experience they desire with increased speed and convenience. OTAs are essentially available on a 24/7 basis, travellers have nearly unlimited access to their bookings. This makes it quick, easy, and simple for travellers to adjust bookings based on cancellations or errors - flight delays, misplaced reservations, overbookings, and more.

Role of Travel Agents (Offline) –

Whatever the size of a travel agency, it has to provide necessary travel information to tourists. A travel agency must give up-to-date, accurate, and timely information regarding destinations, modes of travel, accommodation, sight-seeing, shopping, immigration, passport, visa, customs clearance and procedure, health and security rules, and about various permits required to travel in a particular area, etc. Airline ticketing and reservation is a major source of revenue. Travel agencies perform a function of airline ticketing and reservation on behalf of various airlines. Travel agencies prepare tour packages and sell them to tourists. The costing and pricing of tour packages depend to a large extent on the ability of the travel agent as to how effectively he can negotiate with the principal suppliers. A travel agency consistently makes linkage with the accommodation sector, transport sector and other entertainment organizations to reserve rooms, and seats in the cultural programmes and transportation. Travel insurance protects the travellers against the personal as well as baggage losses resulting from a wide range of travel-related happenings and problems, again performed by the Travel Agents. Approved travel agency authorized by the government body provides currency exchange services to tourists.

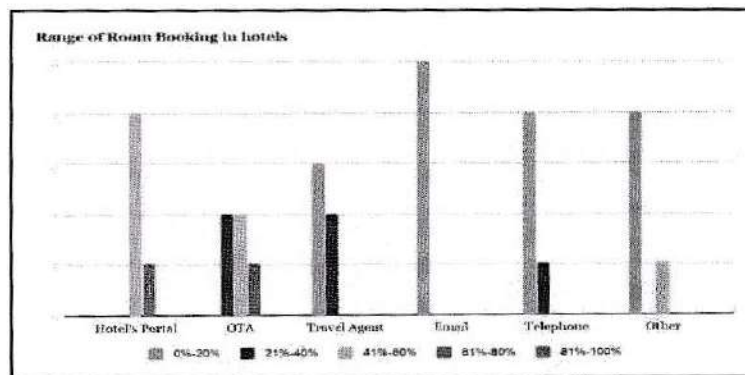
Data Analysis

In the study, the travel agents (offline) have agreed that booking through an OTA reduces the time as the customer may book a room in the hotel which is convenient to him/her on board or from anywhere using the internet. Also, some of them have stated discounted rates or reduced rates than that of market rate is being offered by the OTAs because of which customers prefer to book through these channels.



Considering this, there is still one advantage of booking through a Travel Agent and that is the human touch. Travel Agents are considering the needs and requirements of the customer. The travel agent is well aware of customer demands, likes, and dislikes, hence the rooms booked through them are more suitable to the needs of the customer. The OTAs are providing what they have for the customers and hence, it may not suit the requirements of the guest who is on the journey of various tourism activities.

Many hotels in the targeted area of research activity have partnership with the OTAs, with "MakeMyTrip" being the most trending partner with the hotels followed by TripAdvisor & Trivago.



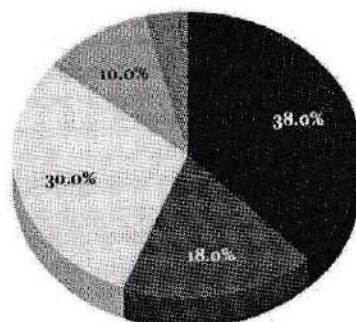


There are mixed responses about the OTAs through which hotels get room bookings. According to the Hotels, 40% - 45% room bookings are through these OTAs, while 45% - 50% from their web portal and remaining from the travel agents, emails, telephone, and other sources. Hence, from the data, OTAs are the second largest contributor to the hotels' room bookings.

For the customers, OTAs are becoming a more favourable way to book a room in their preferred hotel. Booking through an OTA is easier to search and book, it provides real-time booking as mentioned earlier. The location of the hotel room is more convenient to the customer while booking through an OTA as it provides various filters for location, amenities, services, etc. and also the refund is assured in case of cancellation.

Advantages to book through OTA

● Easy to Search & Book ● Convenient Location ● Appropriate Filters ● Real-Time Booking
● Others (refund, discounts & hotel reviews) ● None



Images of hotel rooms are uploaded on the site of an OTA which helps determine the room booking and very importantly the experience of guests who have stayed in the hotel is provided in the form of review which also provides the authenticity of the details. These are the few advantages that customers get by booking through an OTA.

Besides these advantages, the customers have strongly agreed that the threats of these easy and efficient booking channels always disappoint them. Hidden charges, terms & conditions are the most dissatisfying threats which customers majorly face during their booking cycle. Charges such as convenience fees, reservation fees, tax on the online payments are few examples of the Hidden Charges which OTAs apply on the room bookings and which has to be borne by the customers availing the services. Terms & Conditions are very rigid and difficult to interpret which results in an unhappy



customer. Fraudulent offers posted on the websites & apps of the OTAs always mislead the customer and in many cases, the customers are over-charged due to such false offers. The cleanliness shown in the pictures of the hotel room may not be observed by the hotel which is also the reason for the unhappy customers.

Taking into consideration the advantages and the disadvantages, the advantages supersede over disadvantages due to the long listing characteristics of the OTAs. As it facilitates direct communication and contact with the service provider, it is the most favourable channel to book a hotel room from a customer point of view. OTAs allow customers to book a hotel room across the globe, convenient to him/her. A 24/7 support team of an OTA makes the customer confident about his/her stay and assures assistance during the stay of the customer. It eliminates the dependence on the third party for room booking and promotes DIY (do-it-yourself) approach towards the tourism industry.

Findings & Suggestions

Findings

❖ Major Findings

1. The travel agencies are using hotel's websites and/or portals to book a room on the behalf of the guests.
2. The travel agents in the sample have clearly stated that there is a negative impact on the business of the travel industry – mainly travel agents due to the introduction of these online travel agents.
3. All the travel agents have confirmed that the benefits stated in the questionnaire can be availed if a customer books a room in the hotel through them.
4. The travel agents have also confirmed that OTAs are providing Real-time Booking and it saves time of the consumer.
5. Hotels are receiving room reservations through various channels such as OTAs, travel agents, company's own portal, email, etc.
6. 50% - 60% of room bookings are received from the OTAs while through the travel agents, hotels are receiving 20% - 30% occupancy.
7. 84% of the samples have stated that they book hotel room through an OTA.
8. About 40% of the samples have booked hotel room more than twice till date. 23% of the samples have booked room in the hotel more than seven times and 15 % of the total respondents book hotel room, every time, using OTAs.
9. 'In case the room has been booked through a travel agent then assured booking and discounted rates can be achieved' state 58% respondents of the total sample.
10. Dependability, lack of flexibility, and high mark-ups are some major disadvantages listed by the sample.
11. More than 75% of the samples have stated that OTA is much easier to book over a traditional booking.
12. There are many advantages listed by the sample in case of booking a room through an OTA. Easy to search and book, convenient location, appropriate filters, real-time booking are few to list.



13. In case of OTAs, hidden charges, lack of clearly expressed terms & conditions, fraudulent offers are some of the disadvantages.

❖ **Minor Findings**

1. Most of the travel agents have a contract with the hotel; hence they book the room over an email.
2. All the travel agents are aware of Online Travel Agents and agreed that the introduction of these OTAs have impacted on the business of the travel agents.
3. Many of the hotels are dealing with the local travel agents as well as the online travel agents simultaneously.
4. Makemytrip is popular among the customers and has covered almost 65% market share.
5. People or the potential customers are travelling majorly for leisure purposes.
6. The hotel staff has confirmed that the average room bookings are received through an OTA.

Suggestions

This research activity was conducted keeping in mind the three different aspects or concerns of the room booking. Hence, the suggestions are classified in these three aspects –

❖ **Travel Agents –**

1. The travel agents can contract with the hotels for room rates. These contracted rates are much cheaper than the market rates hence can improve the net margins of the firm.
2. Travel agents can act as an OTA by introducing technological advancement into the operations.
3. To win the competition, travel agents can create various strategies to attract the customers and can add value to the service touch-points.
4. One of the major advantages that the travel agency has is the personal touch. This can be used to lower the impact of the OTAs on the potential customers in the market.
5. Differentiation factors should be highlighted while dealing with the customers. Thus, creating a value in the eyes of the customer.

❖ **Hotels –**

1. The hotel can use various strategies to attract the guests directly to the hotel using hotel's portal.
2. Recording guest history, behavioural patterns, trends in the market can help the hotel to tap an opportunity.
3. Increasing the room occupancy by receiving room bookings through the hotel's web portal will automatically reduce the occupancy of rooms through the travel agents or the OTAs. Hence, reducing the high commission rates.



4. Based on the location of the property, the type of the customer can be identified and the potential customers can be targeted.

❖ **Customers**

1. There are times when the OTAs are charging high rates; hence, comparing both, i.e. the travel agent's prices and the OTA's pricing will help to select the best alternative.
2. Negotiations at the front desk while registration may also be beneficial as chances of getting direct discounts by the hotel increases at the time of registration.
3. The terms & conditions given on the OTA's portal need to be carefully understood and then only accepted or rejected.
4. While booking through an OTA, the cancellation fees need to be carefully checked.
5. Offers showing high discounts need to be carefully examined.

The above field data have revealed that the introduction of OTAs in the market have negatively impacted on the business of the travel agents (offline). The travel agents and the customers both have unanimously agreed that real-time booking and time saving are the key features of the OTAs which make them the most effective way of booking hotel rooms. Therefore, the hypothesis has been proved.

Travel agents (offline) may have a contract with the hotels for room rates (which are generally lower than the market rate) which help attract customers. They can also act as an OTA by advancing the organisational technology & systems. Sometimes the OTAs charge higher rates than the travel agents; hence customers should compare both and then choose the appropriate. Offers showing high discounts need to be carefully examined & confirmed by the OTAs support staff to reduce frauds.

Conclusion

During this research, it has occurred to the researcher that the customer is the focal point of any service. Today's customer is very conscious, educated, and is using the best possible resources to acquire information about a particular product. They are aware of online travel agents, their benefits, and threats as well. Online Travel Agents have a great impact on the travel agencies as most of the customers are using such channels to book their hotel rooms. Travel agencies need to use various strategies to attract customers back to the travel agency. They should be able to differentiate between the firm's products and services and competitor's products and services. Hence, travel agents must create value for each transaction with the customer to retain them.



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