



Management

A STUDY ON IMPACT OF ICT ON THE MARKETING STRATEGY OF INDIAN TOURISM INDUSTRY

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Abstract

Deployment of ICT has been changing the way companies in every industry conduct their business. The most impacted is the marketing department. Marketers need to constantly study the market and the rapid changes in technology to continue satisfying the new-age customers. These customers have access to multiple sources of information due to increased usage of ICT. The present study analyses the evolution of Indian tourism industry, focusing on its marketing strategies over the years. The author reviews various sources to study the disruption caused by deployment of ICT in the marketing strategies used by the industry. Tourism industry is a combination of various interrelated industries, such as food industry, transport industry, hotel industry, etc. It was found that the information and communication technologies have revived the Indian tourism industry like never before. The impact can be noted in the form of price competition, changes in consumer behaviour, demand for customization, reduced barriers to entry and increased bargaining power of buyers.

Keywords: Tourism; Hospitality; ICT; Marketing Strategy; Information and Communication Technology.

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1. Introduction

Shanker (2008) defines ICT as “ICT is a broad terminology referring to multiple communication technologies which range from simple and complex namely Cell Phone applications (SMS), Digital Cameras, Internet, Wireless (Wi-Fi and WiMAN), VOIP, GPS, GIS, Convergence (data, voice, media), Digital radio”.

Tourism industry is a combination of various interrelated industries, such as food industry, transport industry, hotel industry, etc. The business is considered to be complicate as it involves multiple socio-economic activities like attracting people to a destination, providing transport services, housing, food entertainment etc. (Shanker, 2008)

It was after WWII that the industry grew to become one of the largest industries in the world, with an annual growth rate of over 5 percent over the last twenty years. The dusk of twentieth century saw the industry of tourism as an economic activity with immense potential for overall development of the locale by generating employment, earning foreign exchange, improving infrastructure facilities, aiding regional development, enhancing environment and preserving cultural edifices, thereby facilitating overall development of the economy, but having only low entrance barriers when compared to other industries.

Shanker (2008) suggested that, although the core product of tourism industry is physical service, it is largely an information product. The expectation and satisfaction from the service is dominantly dependent on the information the tourist acquires through social interactions with the supplier of such services or the supplier of the information itself. The gap between decision-making and consumption can be overcome by information about the product. Gupta & Gulla (2010) quoted “The Internet is more important to travel and tourism because when travel is purchased, it is typically the information which is being purchased”. Therefore the tourism industry would flourish with efficient information and communication technologies.

In India, travel has been an important social activity since time immemorial. It was after the Ministry of Tourism and Culture launched an international campaign called “Incredible India” in 2002, that the industry shifted to the highest gear. Internet came to India in 1995 but all the travel agencies and the ministry itself used it in tourism marketing post the launch of this campaign (Dubey & Parihar, 2013).

Nearly a decade after the launch of the campaign, online travel in India is said to dominate the country’s travel market. The industry is expected to grow by 17.8% during 2013–2016E, outperforming the overall travel market by 6.0% points. Online penetration in bookings is estimated to increase from 41% in 2014 to 46% in 2017. (Doctor, 2015)

2. Objective of the Study

The study aims to analyze the impact of Information Technology in India on the marketing functions of Indian Tourism Industry as to how the deployment of technology has forced the marketers and bankers to change their services and the way they are offered.

3. Methodology

The paper is conceptual in nature. Various research papers and online articles have been reviewed in a chronological manner to form the timeline of changes occurred in the banking sector marketing.

4. The Impact

“ICT in tourism is used for product development, marketing, distribution and training of tourism sector personnel” (Gupta A. , 2012). Deployment of ICT has been changing the way companies in the tourism industry conduct their business. Computerized Reservation System (CRS) was among the first applications of IT worldwide in the 1970s followed by Global Distribution System (GDS) in the 1980s. E-tourism then emerged as a term encompassing entire range of ICT applications in tourism industry. (Gupta A. , 2012)

The traditional though prevalent sources of information in the tourism industry such as pamphlets, brochures, and directories, guide books etc. produced and published by different countries prevail even today but are considered inefficient and have been replaced by Internet. With the help of Internet tourists can get instant access to information such as climate, landscapes, promotional videos, hotels websites, travel agencies websites, travel documentaries, schedule and availability of various transport modes, tourist reviews, best season of visit etc. This allows direct interaction between tourism organization and the potential customer cutting across travel agents and other intermediaries. The company, therefore, is able to make a customer profile offering customized services and packages. (Gupta A. , 2012)

Dubey & Parihar (2013) conducted a study to compare pre and post-condition growth of Internet tourism marketing of India for the period 1993 to 2011. Pre-period was considered before 2002 and post period was from 2002 to 2011. The study was conducted by applying t-test on the data extracted from Reserve Bank of India and the annual reports of the Ministry of Tourism. The revenue received from foreign tourists was taken as the sample size. Assuming 1993 as the base year for pre-period, FEE (Foreign Exchange Earnings) increased by 27.51% in 1995, by 58.99% in 1997, by 95.90% in 1999 and by 128.15% in 2001. The analysis concluded that the industry had grown during the pre-period but it had a tremendous growth during post period after deployment of Internet technology. Considering 2002 as the base year for post period, FEE increased by 119.80% in 2005, by 194.48%, in 2009 by 256.48% in 2007 and by 415.08% in 2011. The null hypothesis was rejected after applying paired t-test and it was concluded that Internet did have a significant impact on the tourism marketing of India.

Beegum & Mathew (2013) studied the impact of information technology in Kerala tourism. The study was limited to an identified tourism spot in Kerala. Data was collected from foreign and domestic tourists and stakeholders like Government officials and tour operators across the state of Kerala. The collected data was analyzed by using appropriate statistical techniques like chi-square, and arithmetical techniques like percentages, mean squares, weighted score etc.

Table 1: Mode of booking for various travel modes

Booking and Payments	Online	%	Offline	%
Airline ticket/Train/Bus	140	93.33	10	6.67
Accommodation	102	68	48	32
Local Transportation	54	36	96	64
Entertainment	72	48	78	52
Food	45	30	105	70

Source: (S., Beegam, & Mathew, 2013, p. 8)

The study found that in case of Airline/Train/Bus tickets, 93.33 per cent of tourists chose online booking and payments. 68 per cent of the tourists preferred to book their accommodation via online method. But since the local transportation was not technologically upgraded, more than half of the tourists chose offline method. The ones who chose online method received the option as part of their tour package. In case of payment for entertainment services there were equal instances of cash and online payment methods like credit/debit/shopping card etc. 70 per cent of the tourists paid for their food charges in cash mode and the remaining choose online payment. (S., Beegam, & Mathew, 2013)

The study revealed that information technology plays a significant role in Kerala tourism industry. The tourists visit Kerala tourism website before planning their tour to acquire information about the different tourist places in Kerala.

Kerala's official tourism website was launched in 1988. The site was designed in such a way as to provide basic and important information to those who were planning a trip to the state. In 2002, the website was upgraded to a Java-based dynamic one. On an average, the website receives nearly 1.5 million hits and 2.50 lacs page views per month from both national and international tourists. The website won the national award for the "Most innovative use of IT" in 2001, 2003, 2006, 2009, 2011 and 2013. The PC World India recognised this site as "one of the 10 best Indian sites" in 2008.

Religion is one of the most popular catalysts for tourism in India. The practice of pilgrimage has been an element of Indian social life since ancient times. Gupta & Gulla (2010) studied the role of Internet deployment in the spiritual tourism industry by conducting research on Vaishno Devi Shrine. The data was collected via structured questionnaires/interviews with open-ended and closed-ended questions for Indian pilgrims and the shrine board members. The website of Vaishno Devi Shrine Board and other religious places too were analyzed. The website showed that the number of pilgrims, which stood at 1.3 million in 1986, dramatically increased to 8.2 million in the year 2009. Any tourist can find details such as climate, maps, sight-seeing, additional facilities like helicopter bookings, darshan bookings and some links to hotels through that website. The board has offered various online donation schemes as well which are exempt from tax. The data collected was analysed using percentiles and factor analysis.

The well updated website and the host of services and information offered online is a conclusive proof of high integration of technology in spiritual tourism industry. The study concluded that majority of the respondents reportedly used Internet services mostly for train, air and hotel bookings, as well as for weather information and maps. The main drivers for using Internet were reliability, convenience, satisfactory experience and consistency of the information available. On an average, one quarter of the respondents did not know that such information can be found online. Some people either lacked the ability to assess such information or had privacy issues. Considering the easy deployment of technology provided to the user, to further increase the number and satisfaction of future tourists, the Vaishno Devi Shrine Board should make aggressive efforts to spread awareness about the services available. (Gupta & Gulla, 2010)

5. Disruption in Hospitality Industry

Hotel industry in India had been largely unorganized. There was no way to check the credibility of quality of services offered and hotels did not market themselves properly. The hotel industry was characterized by huge variation in services and non-standardization of rooms and quality of services. An average Indian customer felt lost while choosing a hotel as part of his tour plan. (Adwaita, 2015) Hotels did have their own websites and while bookings could be made via call or website, the photographs of rooms, beds and bathrooms on brochures and websites rarely conveyed the real picture (Pillai & J, 2015). The use of technology was negligent and inefficient before various room-aggregating companies entered.

Doctor (2015) identified hotel industry as one of the least penetrated segments in travel categories in India. Only about 10% of the hotels accepted online bookings, despite a high overall user-base of people seeking information on hotels online. As per a TNS/Google survey, conversions still tend to take place offline. While hotel data may not be as lofty as air data, the figures have improved. Occupancy rates touched 59% in May 2015. The author suggested that as more consumers become familiar with e-Commerce, the percentage of online hotel bookings in India will increase.

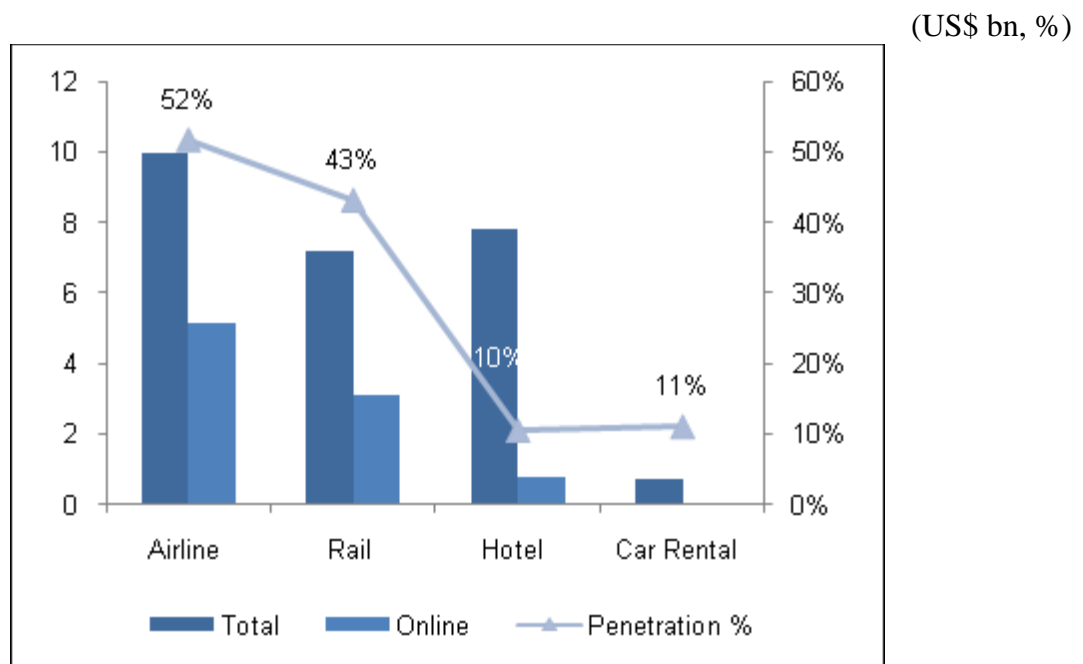


Figure 1:

Source: (Doctor, 2015, p. 7)

Presently, a host of such companies including Oyo, Zo Rooms, Treebo, Vista Rooms, ZipRoom and WudStayare creating a network of medium-priced, branded hotels much like the Taj, ITC, Hilton, Marriott and InterContinental did decades ago in the premium segment. They work with small to medium hotel entrepreneurs to standardize offerings, conduct physical quality checks, and deploy technology to automate many processes. They train the staff on etiquettes and offer them cash benefits upon receiving good ratings from customers. Their technology platforms

handle the inventory, predicting and generating demand, and adjusting prices accordingly. In return, the firms charge 15% and 20% as commission on every booking. These companies are even able to procure crockery and furniture for hotel use at cheaper rates as they work with large-scale vendors capitalizing on economies of scale, assuring them a purchase of a certain minimum number of units. (Pillai & J, 2015)

6. Case of OYO Rooms

OYO Rooms started in 2013 and is currently India's largest branded network of hotel rooms with 14,000 rooms across India. OYO loops in affordable hotels and buys their non-booked rooms for a minimum guarantee amount. OYO sets certain standardization guidelines including free Wi-Fi, clean white linen sheets, flat screen TV, meals included etc. which the hotel has to meet to be able to get itself listed on the app. The hotel is then branded an OYO Hotel while preserving its own hotel name as well. OYO then lists these as OYO rooms on its own tech platform as well on other online travel platforms like MakeMyTrip. (Adwaita, 2015)

The operating model provides benefits to the company, hotel and the user. The company does not require huge capital investment since they just apply their brand name to the standardized hotels. The company is not required to pay any maintenance expenses or staff salaries. It assures high quality with reasonable cost to the user. The hotel benefits since it solves the problem of excess inventory since payment is received from OYO regardless of whether or not a booking was received by the hotel. Also, for small, less tech savvy hotels, getting listed on OYO platform works as a powerful marketing channel. By positioning themselves as a brand, OYO is able to sell its rooms from other online travel agent websites, which increases the channels of sales. An OYO consumer can use the app to order room service, check-in, check out or file a complaint. This reduces pressure on hotels and improves customer experience and convenience. (Adwaita, 2015)

7. Findings

Domestic tourism has increased significantly in India for a number of reasons.

- Disposable income has increased. (Doctor, 2015)
- Change in lifestyle and the pollution in urban cities has left Indians wanting time off for relaxation and clean environment.
- Infrastructure has improved in the past years. Improvements in air, railways, and road connectivity have contributed to the ease in travelling.
- Profuse deployment of Internet and smart phone technology and booming e-commerce has opened up new and better ways of connecting tourist and service providing companies.

The information and communication technologies have revived the Indian tourism industry like never before. Not only domestic but the number of international tourists visiting India has seen elevation in the past decade. The widespread deployment of technology has influenced the tourism market in many noticeable ways.

- Direct Interaction: Technology has made it possible for the users to directly interact with the companies in the tourism business cutting across intermediaries or agents. It has helped the companies to establish and nourish their relationship with the customer and analyse their wants more accurately.
- Price Competition: All tourism organizations be it hotels, airlines, restaurants or travel agencies have their own websites providing information about their range of services and prices attached. The arrival of various online travel portals such as Trivago.com has helped users compare prices of similar services. Such transparency of prices has led to a price war among companies. Gupta (2012) said that it has mainly become a price competition instead of offering a product of better quality or differentiating the service package.
- Customization: Due to direct interaction with the customer, tourism companies are able to create customer profiles. Such customer database aids in regularly altering products and services based on the needs and expectations of the client. (Shanker, 2008) Such databases are created using an application called Collaborative Filtering which is more of a data mining type of software. The findings are used for direct marketing. (Gupta A. , 2012)
- Change in Consumer Behaviour: The transparency and the convenience of collecting information using Internet have increased the awareness of the consumers. It has resulted in customers becoming more specific with regard to content and details of the package or the service they are buying. They have become more cost conscious and tend to compare the various offerings before making the final decision. (Shanker, 2008)
- Reduced Barriers to Entry: “The barriers for a new entry to E-tourism have been minimized, since the technological obstacles as well as the necessary resources to start up an online business (Capital, personnel, etc) are very limited, compared to traditional tourism business” (Gupta A. , 2012, p. 3). This has led to the emergence of non-tourism companies entering the industry and elevating the competitiveness of the market.
- Reduced Risk: Since tourism is a service industry, the perceived risk of final outcome is always present. According to Gupta A. (2012), “The potential customer’s decision risk and dependence on information is decreased with the help of ICT because he can see, inspect, compare or try out tourist services before deciding to use them” (p. 2).
- Bargaining power of Buyers: The availability of substitutes, low cost of accessing information and of switching suppliers has increased the bargaining power of the buyers. There are substitutes, even outside the tourism sector, also in the form of various entertainments oriented, cultural and sporting activities. (Gupta A. , 2012)

8. Conclusion

Since the introduction of information and communication technology, the industry underwent a drastic change. Tourism industry is a service industry heavily dependent on the effectiveness of reach of information to the consumer. The inherent nature of the industry gave rise to innumerable opportunities and challenges in tapping the new smart market. This new market consist of aware consumers who can compare and contrast all the service providers and are unwilling to make the effort of contacting the providers who refuse to have online presence. As a result the companies operating in the tourism industry had to deploy technology in reaching the customers, services offered and designing their overall package. With even rapid advancements

in technology, it will be interesting to see what new ways of doing things are invented and how the players of the industry continue to survive and grow.

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