

Factors Affecting Adoption of Travel Agencies: A Comparative Study

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Abstract

This paper aims to investigate the key reasons that influence the adoption of services offered by offline or online travel agencies among travelers in India. It elucidates and categorises those factors that exactly motivate the travelers towards offline and online travel agencies. The paper concludes that personalised counseling services and human interface are two most influencing and primary reasons for the choice of offline travel agency as an intermediary whereas anywhere anytime services and large variety of offerings are the two most influencing and primary reasons for the choice of online travel agency as an intermediary. The findings of the paper provide a valuable source of information to offline and online travel agencies to design strategies that could convince travelers' for the usefulness and added value of their travel offerings. This paper develops an argument that both the traditional and new intermediaries can co-exist by focusing on those reasons that influence the traveler to adopt the services offered by them.

Keywords: Travel Agent, Online Tourism, Distribution Channels, Multidimensional Scaling.

JEL Classification: M31, L83

Introduction

The widespread use of Information and Communication Technologies (ICTs) and internet in travel business has transformed the roles and relationships in travel industry. This development has also altered the role of tourism intermediaries (Kracht & Wang, 2009) as well as the structure of tourism distribution channels (Buhalis & Law, 2008; Berne et al., 2015). The World Tourism Organization (WTO, 1975, cited by Buhalis, 2000: 114) describes distribution channel as "a given combination of intermediaries who co-operate in the sale of a product. It follows that a distribution system can be and in most instances is composed of more than one distribution channel, each of which operates parallel to and in competition with other channels." These intermediaries can be the tour operators (wholesalers) and the travel agencies (retailers) (Salvado, 2012) and can follow varied routes such as online, offline, direct and indirect channels in any number of combinations (ITIC, 2010). Earlier, travel intermediaries such as offline tour operators and travel agencies used to play a major role in the value chain but gradually a new form of travel intermediaries driven by the internet termed as tourism "eMediaries" has evolved (Buhalis& Licata, 2002). Offline travel intermediaries such as tour

operators or travel agencies uses phone, fax, post or email etc. to sell and market travel product and services whilst new online travel intermediaries uses travel websites enriched with essential information and online booking capabilities to sell and market travel product and services.

In addition, due to advent of internet the dependence of suppliers on travel agencies as a distribution channel has decreased (Poon, 2001). Internet has made possible for suppliers of travel product and services to communicate and sell directly to customers in order to save commissions of intermediaries and to reduce distribution costs. The use of internet as a service delivery channel has aroused a question of disintermediation of tourism distribution channel. Disintermediation can be defined as “the reduction or elimination of the role of retailers, distributors, brokers, and other middlemen in transactions between the producer and the customer (Atkinson, 2001)”. The arguments in favor of disintermediation highlighted the benefits of greater flexibility and variety offered by Internet technologies, incompetence of travel agency personnel and discrimination of suppliers based on commission by these agencies (Buhalis, 1998; Barnett & Standing, 2001). On the other side, the arguments put forth against disintermediation included the time saving feature of travel agencies, the human interface they offer, professional services they provide and the reduction in uncertainty and insecurity due to their commitment for all travel arrangements (Buhalis, 1998; Palmer & McCole 1999). However, the views of travelers are unclear regarding the reasons affecting the adoption of services offered by offline or online travel agencies. The knowledge of these reasons is essential to acquire to foster an understanding about the needs and preferences of existing and potential customers to better market their offerings and to make informed strategic decisions.

This research is directed towards understanding the reasons influencing Indian customers' adoption of online and offline travel agencies. Indian tourism industry has emerged as a major service sector of the country, which is contributing significantly in the growth of economy. Travel and tourism has become the third largest foreign exchange earner for India. According to India Brand Equity Foundation report (2015), India earned foreign exchange earnings of USD 19.7 billion from tourism in 2014. Foreign exchange earnings increased at a CAGR of 10.9 percent during 2006-14. Tourism has also been fulfilling long-lasting socio-economic objectives of Indian economy by integrating the people at national level and creating international sensitivity (Gupta, Reeti 2015). Indian travel industry is transforming as Indian customers are growing in awareness and confidence to make online transactions. According to report of Research and Markets (2012), Indian customers are aware about online travel portals, new information sources such as social media, online communities, and ready to pay

for the convenience and better service. These changes are compelling travel agencies to embrace an electronic medium to cater the potential demand of e-savvy customers. Over 250 offline travel agents in India (Approved by Ministry of Tourism, GOI) are coming across a question constantly i.e. “Does every travel agent need to have an online presence?” These travel agencies are transforming themselves into dynamic and techno-savvy organization to capture new markets and customers. On the other hand, online travel agencies such as IRCTC/ Rail tourism India, Make My Trip, Yatra Online, Jet Airways, Trip Advisor Media Group, Clear Trip, Expedia, Travora Media, and Must See India are competing with each other to reach out to customer. The website of Indian Railway Catering and Tourism Corporation Limited (IRCTC) ranked as the largest travel website in Asia Pacific in terms of transactions. According to the report by eMarketer, this portal is holding a dominant position in the online ecommerce market in India and occupying the greatest reach among all travel sites in India. This portal, being an authenticated government service portal, has changed the perception of travelers towards online purchasing of travel services. Few other homegrown online travel agents are also gaining market share as MakeMyTrip records 11.6 per cent reach, and Yatra Online witnesses 8.3 per cent reach among Indian customers.

Thus, changes in Indian travel market are compelling offline travel agents to embrace an electronic medium to cater the potential demand of e-savvy customers whereas online travel agents, being comparatively new in India, are striving to attract customers toward them. In this scenario, there is a need to decipher opinions of Indian customers towards those strengths of offline as well as of online travel agents, which can become their competitive advantage.

Research Gaps and Objectives of the Study

Stating over the issue of disintermediation various studies are convergent on some issues but there is no strong level of agreement. Some studies (Buhalis, 1998; Barnett & Standing, 2001) dealing with travelers' perception on the issue of disintermediation of travel agencies due to advent to online travel services inferred the decline in importance of travel agencies, while other studies (Palmer & McCole 1999; Buhalis & Licata 2002; Law et al. 2004) indicate towards secure presence of travel agencies. There are many reasons affecting the adoption of online mode of purchasing travel products and services. Consumers' perception of innovation features such as relative advantage, complexity, and compatibility of online air travel shopping affects the adoption of online mode of travel distribution (Christou & Panagiotis, 2003). There is a relationship quality-loyalty link between online and offline travel retailers and the quality of the relationship between customers and service firms is a major driver of customer

loyalty in both online and offline service contexts (Walsha et al., 2010). Demographic and travel characteristics of customers such as age, gender, country of residence, reason of visit, and mode of booking influence the choice of online or offline mode for hotel room reservations. The choice of online and offline booking depends on the reason of visit. Those who travel for business purposes book through travel agencies whereas leisure guests and conference visitors prefer online booking (Crnojevac et al., 2010). Customers prefer the offline mode to buy national tourism product but prefer travel websites to buy international tourism products (Cosmaet al., 2012). Travel agencies are providing better service in terms of risk reduction in travel purchase and extending professional counseling to travelers whereas travel websites are a more flexible channel to search for information and make reservations (Chiappa, 2013).

In India, both offline and online distribution channel exists which are affected by varied socio-demographic characteristics such as age, gender, education, industry, as well as lifestyle, their frequency of travel, and nature of their exploratory, task and internet value orientation. Young and well-educated tourists, which are frequent travelers and internet users, have a positive attitude towards online mode of travel purchase (Beldona et al., 2011). Internet value perception is also a significant predictor of channel choice. The greater the travelers perceive the value of internet, the greater the selection of online options in the purchase of air travel tickets (Beldona et al., 2011). There is 'lack of trust' on online services in attitude of Indian customers due to their unawareness about the technical aspects (Khare&Khare,

2010). Financial security of the transactions is one of the strongest determinants of more prolific online behaviour of Indian consumers with regard to travel product and services (Singh &Khare, 2012). Purchase intention is a prerequisite of their attitude towards online travel buying decision in both metro as well as non-metro cities of India (Khandelwal et al., 2012).

Thus, different studies have declared some common and many differential versions to customer's perception towards offline travel agencies as well as online travel agencies. There is no clear indication regarding the factors that exactly motivate them towards or away from offline and online travel agencies. The present study aims to fulfill the apparent research gaps in existing studies by exploring the key reasons that influence the adoption of services offered by offline or online travel agencies among travelers in India. It elucidates and categorises those factors that exactly motivate the travelers towards offline and online travel agencies.

Research Methodology

Conceptualization of the Study: The present study conceptualises various variables, on the basis of detailed study of existing literature available as stated above, which proposed to influence Indian customers' adoption of online and offline travel services. Sixteen variables have been selected after an in-depth review of literature, which are reasons given by customers for choosing offline and online travel agencies.

Factors Affecting Adoption

Offline Travel Agencies Offline	Online Travel Agencies
Offer personalized counseling and advices to their customers.	Provides up-to-date and correct information.
Provide customers a human interface with the other stakeholders of the industry.	Convenient as provides anywhere anytime services.
Reliable as they take responsibility for all the travel arrangements.	Provides variety of choices for travel products and services
More popular due to less dependence on computer and internet.	Provides economical and transparent pricing system.
Keep the personal information of the customers safe.	Easy to compare different travel products and services online.
Assist the customers to evaluate the offers of different service providers at one place.	Easy and simple to purchase travel products and services online.
Easy to use as people are aware about their functionality.	Quick and flexible to purchase products and services online.
Less risk involve in monetary transactions.	More environmental friendly as less use of paper.

Research Design: The present research is descriptive in nature as it attempts to discover the significant reasons influencing Indian customers' adoption of online and offline travel services. Sampling unit for this survey is those consumers who are aware of both online and offline travel agencies. The study carried out survey to collect the primary data using a structured self-administered questionnaire during April-June 2015. A Convenient and judgment sampling method is being followed for the administration of the survey. The target population of the study is the customers in National Capital Region (NCR), which is one of the largest National Capital Region of the World, and hence can better represent Indian customers.

Survey Instrument: Questionnaire used in the survey started with a set of questions to elicit the information related with demographic details of respondents including gender, age, education, occupation, income, internet access, and internet usage. Questions are asked to know the frequency of using offline mode for travel purchasing as well as online mode of travel purchasing and the reason of travelling. The Second section of the questionnaire includes variables extracting from the literature reviewed to examine the perception of customers about Online and Offline Travel Agencies. A five-point Likert scale ranging from 1 to 5 or strongly disagree to strongly agree is used for the perceptual mapping of varied variables.

Procedure: Researcher intercepted the targeted respondents at different metro railway stations of national capital region and offices of tour operators to get the questionnaires filled up. This effort resulted in collection of more diverse information in terms of socio-demographic information. Among the entire distributed and filled up questionnaires those 200 questionnaires that found to be consistent with the study selected for further analysis.

Reliability Analysis: To check the reliability of the collected data on perception of reasons influencing customers to adopt offline or online travel services, reliability analysis method was employed using Cronbach'

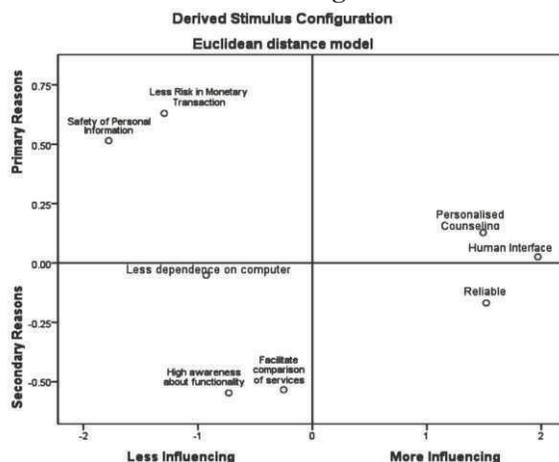
Alpha Model technique. An alpha value of all eight variables concerning offline travel agencies found to be 0.805 and regarding online travel agencies found to be 0.727 which is above the commonly accepted threshold of 0.60 (Hair et al., 1998). Therefore, all variables deemed to be reliable and used for subsequent analysis.

Tools and Techniques: Responses to the statements are first analysed with the help of descriptive statistics followed by the inferential statistics to better understand the phenomenon. Descriptive analysis has been done in order to gauge the intensity of different reasons affecting the choice offline or online travel services on aggregate level by computing mean scores for each of the sixteen variables. The responses further mapped perceptually with Multidimensional Scaling (MDS) with ALSCAL (Alternating Least Squares Algorithm) Procedure. MDS technique has been used to portray the critical elements that influence the decision of customers during the selection of travel agencies and to present the relative positions of these driving forces in a pictorial format. To exercise these statistical techniques SPSS (Statistical Package for Social Science) version 17 for windows have been employed.

Perceptual Mapping and Discussion

Model Fit: R-square (RSQ) and residual stress have been calculated to measure the goodness of fit. RSQ values indicate the proportion of variance of the optimally scaled data (disparities). Higher the RSQ value, the better the model explains the variation of the scaled data. Stress values indicate about the fit between the optimally scaled data and their corresponding distances. The smaller the stress function, the better the model represents the input data. For multidimensional scaling model of offline travel agencies, the higher value of RSQ (0.98858) with a fairly low value of residual stress (0.05326) indicates goodness of fit. Furthermore, for multidimensional scaling model of online travel agencies, the higher value of RSQ (0.96309) with a fairly low value of residual stress (0.09061) indicates a reasonably good fit.

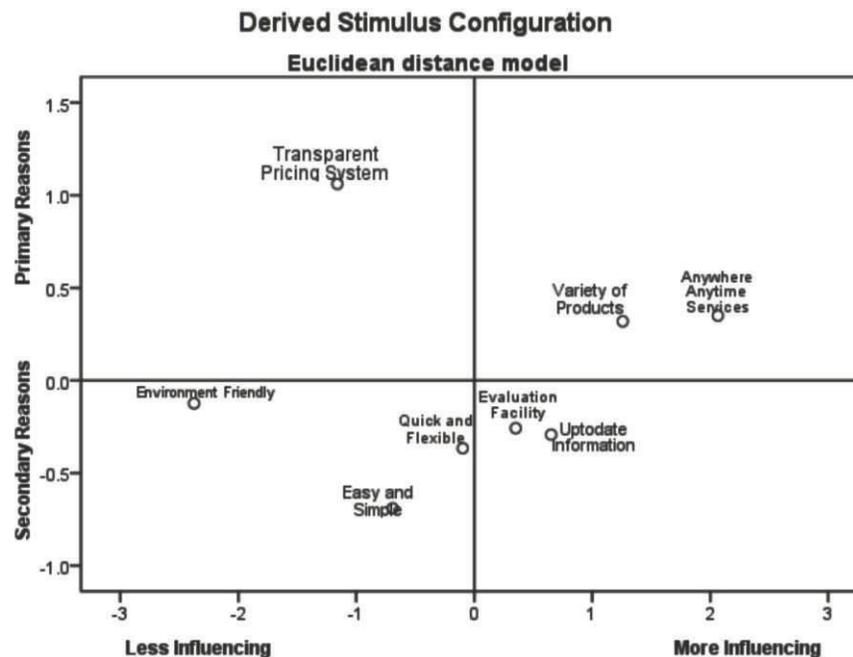
Figure 1: Multidimensional Scaling: Offline Travel Agencies



It is evident from the perceptual mapping (Figure 1) of travelers' perception of the reasons influencing the adoption of offline travel agencies that personalised counseling services and human interface are more influencing and primary reasons for the choice of travel agency as an intermediary. A number of studies (Walle, 1996; Buhalis, 1998; Palmer & McCole, 1999; Law et al., 2004; Chiappa, 2013) have presented the argument that these two reasons are the most influential reasons for choosing the services of travel agencies by customers. Reliability feature of travel agencies is pinpointed as another most influencing but

secondary reason of choosing the services offered by travel agencies. Safety of personal information while dealing with travel agencies and security of monetary transactions, are discovered as less influencing reasons in explaining the adoption of services offered by travel agencies. A closer examination of the results further reveals that high awareness about functioning of traditional travel agencies, less dependence on computer and internet technologies, and comparison among varied product and services, are having very weak relationship with the adoption of services offered by travel agencies.

Figure 2: Multidimensional Scaling: Online Travel Agencies



It is observed from the perceptual mapping (Figure 2) of travelers' perception of the reasons influencing the adoption of online travel agencies that anywhere anytime services and a large variety of tourism products are more influencing and primary reasons for the choice of online travel agencies as an intermediary. A number of studies (Olmeda & Sheldon, 2001; Buhalis & Licata, 2002; Christou & Panagiotis, 2003; Anckar, 2003; Law, 2004) have presented the argument that these two reasons are the most influential reasons for choosing the services of travel agencies by customers. Timely and up-to-date information as well as easy evaluation of varied tourism products is highlighted as more influencing but secondary reason of choosing the services offered by travel agencies. Transparent pricing system is pointed out as less influencing but primary reason in explaining the adoption of services offered by online travel agencies in pictorial presentation. A closer examination of the results further reveals that other three factors such as easy and simple, quick and flexible, and environment friendly are having very weak relationship with the adoption of services offered by travel agencies.

Conclusions And Recommendations

Considering that the Indian online travel market is expected to grow substantially over the next few years (RedSeer Analysis, 2012) along with findings and conclusions derived from the research, the study offers several recommendations for practitioners in the travel and tourism industry.

First, the role of offline travel agencies would remain secure as travelers perceived them important especially in terms of the human interface and personalised services. Travel agencies can even expand their business in tier-II and tier-III cities given that the reach of internet is low in these cities. Major players of the travel industry in India are following mergers and acquisitions strategy (RedSeer Analysis, 2012) so travel agencies can initiate collaborating with large-scale internet based companies to hold a competitive position in the distribution chain.

Second, travel agencies need to integrate an e-commerce model in their business framework to keep pace with the fast

changing distribution environment. Online marketing should be used to distribute up-to-date information at mass level and to attract the potential tech-savvy customers.

Third, the study recommends the offline travel agencies to emphasize on the advantages of purchasing products and services from them in terms of personalised counseling facility and human interface benefit in their promotional efforts. In addition, they need to make the travelers realize that they are more reliable as compare to internet.

Lastly, online travel agencies can achieve a substantial place in distribution system by offering innovative personalised tourism products and services to travelers. The participants of this sector need to highlight the relative usefulness of their services in terms of provider of anywhere anytime services and large variety of tour packages during promotion. Moreover, it is difficult to make comparison among varied tourism products due to their intangible nature so substantial emphases need to be put on evaluation facility and up-to-date information feature of online services to attract customers towards online travel agencies. User generated contents are very important as service consumers generally rely on word of mouth rather than advertising (Kotler, 2003). Therefore, online travel agencies need to focus on social networks and online communities of tourists for building and nurturing their image.

Limitations And Directions For Future Research

Like all studies, this research study is not without limitations. This study covers a limited area i.e. only those travelers who have heard about online travel agencies. Thus, due caution is required while generalising the research findings to travelers across the Indian travelers as whole. Second, the present research selects only sixteen variables for the study but there can be other possible variables affecting adoption of online or offline travel agencies. Further research involving more variables could be fruitful. Thirdly, this study can be extending to describe the effect of demographic variable on adoption of online vs. offline travel agencies by travelers with a broader sample size. In addition, research issues addressed in this study can be investigated in context of other developing and developed economics to gain comprehensive understanding of driving factors of online vs. offline travel agencies across different cultures.

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