

A Study on the Effect of Information and Communication Technology on the Marketing Strategies of the Indian Tourism Industry

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Abstract

The use of Information and Communication Technology has now started to change the way how businesses are being conducted in every industry and in every company. The department to get the maximum impact of this change is the marketing department. Nowadays, marketers need to regularly study and analyse the fast changes happening in technology and hence in the market to continue to keep the new-age customers satisfied. These new-age customers have quick access to various sources of information due to increased availability and knowledge of Information and Communication Technology devices. This study focuses on analysing the evolution of Indian tourism industry, specifically the development of different marketing strategies over the years. The various sources have been reviewed to study the changes caused by the use of Information and Communication Technology in the strategies used for marketing by the industry. However, the tourism industry is not alone but is a combination of different interrelated industries, such as the transport industry, hotel industry, food industry, hospitality industry, etc. It was understood that the information and communication technologies have affected the Indian tourism industry a lot. The impact can be seen in the form of changes in the consumer behaviour, price competition, demands for customization, increased bargaining power of buyers and the reduced barriers to entry.

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

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Introduction

According to Shanker (2008), ICT is defined 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 said to be a combination of various interrelated industries, such as the hospitality industry, hotel industry, food industry, transport industry etc. The business of tourism is considered to be a very complicated one as it has the involvement of a number of socio-economic activities like creating an attraction for people towards a destination, providing them with proper housing and transport services, good food and of course, entertainment etc. (Shanker, 2008)

After the World War II, the tourism industry became one of the largest industries in the world, progressing with an annual growth rate of over 5% as seen over the last twenty years. The dusk of the 20th century saw the tourism industry to emerge as an economic activity having an immense potential for the overall development of the local population by generating employment for them, earning foreign exchange, improving facilities of infrastructure, aiding in the development of regions, enhancing and embracing environment and also preservation of cultural edifices, hence, facilitating the overall development of the economy, having only low entrance barriers in comparison to other industries.

Shanker (2008) also suggested that, although physical service is the core product of the tourism industry, it is also largely an information product. Since, the expectation and satisfaction obtained from the services is largely and dominantly dependent on the kind of information that the tourist has acquired through the social interactions with the provider of such services or the information itself. The existing gap between the taking of the decision and the consumption can be reduced and overcome by proper information about the kind of available product. Gupta & Gulla (2010) in their research 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 it is correctly said that the tourism industry will flourish with efficient and better information and communication technologies.

In India, since time immemorial, travel has always been a very important social activity. And it was in 2002, after the Ministry of Tourism and Culture launched its international campaign called “Incredible India”, that the tourism industry shifted to the highest gear. Although, Internet came to India in 1995 but the ministry itself and

all the travel agencies used it for marketing tourism after the launch of this international campaign (Dubey & Parihar, 2013).

Now, nearly a decade after launching of the campaign, the online travel in India is dominating the country's travel market. The travel and tourism industry is expected to have a growth by 17.8% during 2013–2016E, outperforming the overall travel market by 6.0% points. The online penetration of bookings is expected to increase from 41% in 2014 to 46% in 2017. (Doctor, 2015).

Objective of the Study

The aim of the study is to analyze the impact of Information Technology on the marketing functions of Indian Tourism Industry. The study also tries to understand as to how the deployment of technology has made the marketers and bankers to change the way they provide their services.

Methodology

The paper is conceptual in nature. A number of research papers and articles available online have been reviewed chronologically to form the timeline of changes occurring in the marketing sector of the travel and tourism industry.

The Impact

“ICT in tourism is used for product development, marketing, distribution and training of tourism sector personnel” (Gupta A. , 2012). The 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 traditionally prevalent sources of information in the tourism industry can be seen as pamphlets, brochures, and directories, guide books etc. These are produced and published by all countries even today but are now considered to be inefficient and have been replaced by the Internet. With the help of the Internet facility, tourists can now get an instant access to various information such as climate, landscapes, hotels websites, travel agency websites, travel documentaries, tourist reviews, promotional videos, schedule and availability of various transport modes, best season to travel etc. This allows direct interaction to take place between the tourism organization and the potential customer cutting across travel agents and other intermediaries. The company, therefore, is able to identify and make a customer profile hence, offering customized services and packages. (Gupta A. , 2012)

Dubey & Parihar (2013) carried out a study to compare the conditions pre and post the growth of Internet in marketing the tourism services of India for the period 1993 to 2011. Pre-period was considered to be before 2002 and post period taken was from 2002 to 2011. The study was conducted by applying t-test on the data taken from the Reserve Bank of India and the annual reports of the Ministry of Tourism. The revenues received from the foreign tourists were taken as the sample size for the study. Assuming 1993 to be the base year for pre-period, 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 also concluded that the industry had grown during the pre-period but it had a tremendous growth during post period after the use of the Internet technology. Considering 2002 as the base year for the post period, Foreign Exchange Earnings 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 the Internet did have a major impact on the marketing of tourism services in India.

Beegum & Mathew (2013) studied the impact of information technology in Kerala tourism. Their study was limited to a specific tourism spot in Kerala. The data for the study 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 also found that in the case of bus/train/airline tickets, 93.33% of the tourists chose to book through online bookings and payments. 68% of the tourists preferred to book their accommodation online. But due to the local transportation not being technologically upgraded, more than half of the tourists chose the offline method for booking their accommodation. The ones who chose the online method received the option as part of their tour package. There were equal instances of cash and online payment methods for entertainment services like credit/debit/shopping card

etc. 70% of the tourists paid for their food charges in cash mode and the remaining choose the online payment method. (S., Beegam, & Mathew, 2013)

The study also revealed that information technology had a significant role in Kerala tourism industry. The tourists were visiting the Kerala tourism website before planning their trip to obtain required information about the different tourist places in Kerala.

Kerala launched its official tourism website in 1988. The site was designed in such a way so as to provide the basic and important information to travelers 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 also won the national award for the “Most innovative use of IT” in 2001, 2003, 2006, 2009, 2011 and 2013 respectively. The PC World India recognised this site as “one of the 10 best Indian sites” in 2008.

Religion is one of the most popular reasons for tourism in India. The practice of going on pilgrimage has been an important element of the 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 were also 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 planning the said pilgrimage can find details such as maps, climate, sight-seeing, facilities like helicopter bookings, Darshan bookings and links to hotels through the 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.

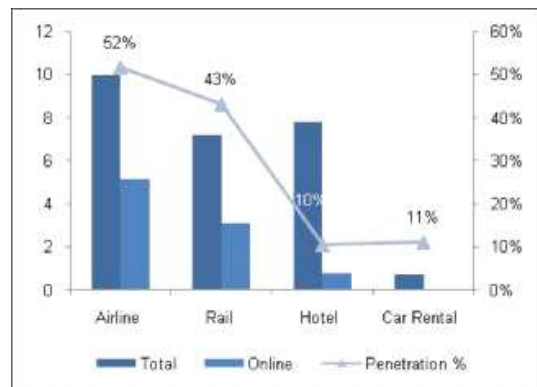
The well updated website and the large variety of services and information offered online is a proof of a major integration of technology in the spiritual tourism industry. The study also concluded that the majority of the respondents used the Internet services largely for train, air and hotel bookings, and also for weather information and maps. The main force for using Internet were convenience, reliability, consistency of the information available and satisfactory experience. On an average, a quarter of the respondents did not know that such information was easily available online. Some people had privacy issues or they either lacked the ability to assess such information. To further increase the

number and satisfaction of future tourists and pilgrims, the Vaishno Devi Shrine Board should make aggressive efforts to spread awareness about the available services.(Gupta & Gulla, 2010)

Disruption in Hospitality Industry

The Indian hotel industry is a largely unorganized sector. There was until now no way to check the credibility of the service quality offered and hotels also did not market and promote themselves properly. The hotel industry was also characterized by a huge variation in services being provided and non-standardization of rooms and also the quality of services. An average Indian customer felt lost and uncomfortable while choosing a hotel as part of his tour plan. (Adwaita, 2015) Hotels did have their own websites and bookings could be made through a call or on the website, the photographs of rooms, beds and bathrooms on brochures and websites available rarely conveyed the real picture (Pillai & J, 2015).

Doctor (2015) identified the Indian hotel industry to be one of the least penetrated segments in the travel categories in India. Only about 10% of the hotels accepted online bookings, inspite of a high overall number of people drawing information on hotels online. But still the figures in the hotel data have improved. Occupancy rates for hotels touched 59% in May 2015. The author also stated that as more consumers become familiar with the ease of using e-Commerce, the percentage of hotel bookings being made online will increase in India.



Source: (Doctor, 2015, p. 7)

Figure-1

In the present scenario, a large number of companies including Oyo Rooms, Treebo, Vista Rooms, Zip Room etc are developing a network of medium-priced and branded hotels much like what the Taj, ITC, Hilton, Marriott and InterContinental did

decades ago in the premium segment. These companies work with small-size to medium hotel entrepreneurs to provide and standardize offerings, conduct physical quality checks, and use technology to automate many processes. They train the staff on etiquettes and offer them cash benefits on receiving good ratings from customers. The technology platforms of these companies handle the inventory, predicting and generating demand, and adjusting prices for the services accordingly. In return, these firms charge 15% and 20% as commission on every booking made. “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)

Case of OYO Rooms

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

The operating model of OYO provides benefits to all, the company, hotel and the user. The company in this case, does not require large capital investment as they just have to apply their brand name to the standardized hotels. The company is not required to pay any staff salaries or maintenance expenses. It assures the user with high quality at a reasonable cost. The hotel benefits as it solves their problem of excess inventory since the payment is received from OYO regardless of whether or not a booking was received by the hotel. Also, for small, less technically savvy hotels, getting listed on OYO platform works out to be a powerful marketing channel. By positioning themselves as a brand, OYO is now able to sell its rooms on 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)

Findings

Due to a number of reasons, domestic tourism has increased significantly in

India. These reasons can be seen as follows:

- Disposable income has increased. (Doctor, 2015)
- Change in lifestyle and the pollution in urban cities has left Indians wanting time for relaxation and clean environment.
- Improvements in air, railways, and road connectivity have contributed to the ease in travelling.
- Huge 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 developed the Indian tourism industry like never before. Not only domestic but the number of international tourists visiting India has seen a huge growth in the past decade. The widespread use of technology has affected the tourism market in many ways.

- **Interaction on same Platform:** Availability of Technological support has made it evidence the direct interaction between the various companies offering the tourism services online and the prospective customers. This has also reduced the importance of the intermediaries and has provided the opportunity to the companies to establish and nurture the relationship with the customers.
- **Competitive Prices:** All organizations offering tourism services online be it hotels, airlines, restaurants or travel agencies have their own websites providing information about their varied range of services and the prices associated with them. The introduction of online specific travel search engines such as Trivago.com has offered the online shoppers to compare the prices of almost similar services. 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:** With the more and more direct interaction with customers, companies offering online travel services have made it possible for the customers to prepare their own profile. Such pages serve the basis for the companies to review the existing services being offered by the companies along with basis for non online tourism services users to start using online tourism services. (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 Preferences:** Bundle of offerings, transparency and the convenience to collect the required information has also open several doors of knowledge about the interested subject (tourism). Resultant, customers becoming more specific with respect to content and the details of the tourism packages being offered by the tourism companies. They have become more cost conscious and tend to compare the various offerings before making the final decision. (Shanker, 2008).
- **Few Barriers to Entry:** “There are very few barriers to get entered into E-Tourism, 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 companies to get diversify their existing segments and elevating the competitiveness of the market.
- **Reduced Risk:** Being the part of service industry, Online Tourism Services has in grained the inherent risk. 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”.
- **Comparison of Prices:** 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).

Conclusion

Since the introduction of information and communication technology, the industry has undergone a drastic change. Tourism industry is a service industry which is heavily dependent on the effectiveness of information reaching the consumer. The nature of this industry has given rise to a large number of opportunities and challenges in tapping the newer smart and technologically developed market. This new market consists of aware consumers who can compare all the service providers and are not ready to contact the providers who refuse to have an online presence. Hence, as a result these companies operating in the travel and tourism industry have to deploy technology in reaching the customers, offering services and designing their overall travel package. With rapid advancements in technology, it will now be interesting to see what new ways of doing things are being invented and how the players of this industry continue to survive and grow.

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