

How to Pick the Perfect Hotel

Online travel agencies should be able to better predict their customers' decision making and meet their needs, suggest SHTM's Dr Sangwon Park and his co-researchers in a ground-breaking study published recently. Through identifying a simple typology of decision-making styles, the researchers offer unprecedented insights into precisely how and why Internet users decide which travel products to buy. As the online share of travel revenue increases in the Asia-Pacific region and beyond, their findings have far-reaching implications not only for online hotel marketing but also for the global tourism economy.

Online Travel Agencies

According to the researchers, the Internet has revolutionised the way we travel. With the rise of e-commerce and the near-ubiquity of mobile handsets, it is now possible to compare a variety of travel options at the touch of a button, and to book a whole holiday in a matter of hours or even minutes. Yet the benefits for travellers go beyond mere convenience: the Internet is levelling the playing field in terms of access to information. "The advent of online travel agencies (OTAs)", write the researchers, "has contributed substantially to reducing information asymmetry between consumers and service providers by offering not only useful and up-to-date information but also price transparency".

It is no surprise, then, that OTAs have recorded phenomenal growth in the last decade – and this trend shows no sign of slowing. The researchers note that the value of the global online travel market is

expected to reach an astonishing US\$1,091 billion by 2022, with the greatest growth predicted in the Asia-Pacific region. As disposable income increases worldwide and more people in emerging markets gain access to high-speed Internet connectivity, OTAs are likely to eclipse their offline counterparts.

However, the researchers warn that this growth creates challenges as well as opportunities for travellers and OTAs. As travel options proliferate online, consumers may experience information overload, and OTAs may struggle to differentiate themselves in an increasingly saturated market. How consumers make their travel purchases online – such as the flights or hotels they book – has thus become a hot topic of research in recent years. As the researchers note, understanding travellers' decision-making behaviours is critical "not only for academics but also for practitioners".

Complex Decision Making

Purchasing travel products, explain the researchers, is a high-risk activity, "a complex process that requires an extensive decision-making strategy due to high cost and involvement". Generally, the researchers suggest, a traveller first forms an "awareness set", which contains all of the products – such as hotels – that they know about or have experienced. Next, they funnel down this vast range of travel options to "products that they are considering for purchase". In the final stage, they make a decision.

Yet this process is far from simple, the researchers suggest, as

"consumers do not always take homogenous sequential steps to reach their final decisions". Many factors may affect people's online booking behaviour. A convenient, easy to navigate OTA website offering swift price comparison enables travellers to book a hotel in just a few clicks. But the OTA must also provide the right kinds of information, combining the advantages of text and pictures. Last but not least, note the researchers, people booking hotels online are likely to be influenced by their individual characteristics, "such as demographics, product knowledge, online experiences, personality and shopping orientations".

Clearly, given the contribution made by tourism to economies worldwide, it is crucial to help OTAs determine precisely how these factors influence consumers when booking holidays online. This may help them to tailor their marketing strategies to better match travellers with hotels, yielding greater customer satisfaction. Yet research in this area has some surprising gaps. Although online hotel decision-making behaviour is a "dynamic process that encompasses various strategies", write the researchers, most studies have taken a static approach. To make matters worse, studies have generally focused on whether consumers are likely to purchase travel products, not whether they actually do.

Real Behavioural Data

The researchers thus set out "to understand the entire online booking process by analysing actual behavioural data". To do this, they needed to use multiple

methods: screen capture software, which allowed them to observe the entire process of online hotel decision making “in action”, and surveys, to collect the participants’ cognitive responses.

They distributed flyers on the campuses of two universities in London and the southeast of England, inviting students and staff to participate. They first asked the 44 respondents to complete a survey on their personal characteristics, Internet usage and past experience of travel. Next, the researchers report, “each respondent was asked to plan an imaginary week-long holiday during the winter to visit Paris”.

A wealth of options was available. The accommodation within the participants’ budget ranged from low-end to luxury hotels, and they were instructed to plan their holidays using Booking.com, one of the world’s largest and most user-friendly OTAs. Paris was chosen as a destination because it offers a huge variety of hotels, meeting the needs of diverse travellers. This, write the researchers, made the city “an ideal test ground to address the purposes of this research”.

Customising Travel Options

The next step was to meticulously analyse the videos of the participants’ online decision making – down to their mouse clicks and cursor movements. The results were striking. The researchers identified three distinct patterns of decision making when booking online hotels. “Arbitrary” decision makers chose their hotels directly from the vast array of options available to them. “Standard” decision makers created a “wish list” of hotels before making their final decision. “Comprehensive” decision makers “appeared to use

a more sophisticated process of decision-making”.

Not surprisingly, arbitrary decision making took the least time. Compared with the other two groups, travellers in this group were younger, earned less and were more likely to be male. Their main concern when choosing a hotel was price. This was also true of the standard decision makers. At first, they were swayed by hotel location, but when making the final decision, they focused on room rates. However, things were rather different for the comprehensive decision makers. They were “more likely to deliberate the types of services on offer”, write the researchers, “whereas the other types of decision makers were largely concerned with room prices”.

This typology, explain the researchers, suggests that “the way a traveller behaves online reflects different traveller characteristics”, and that different factors – such as hotel price or location – matter more than others at different points in the online booking process. This knowledge will undoubtedly help OTAs to customise their marketing strategies to meet the needs of different categories of traveller. For example, argue the researchers, “streamlined online interfaces could be made to suit the fast-paced decision making of arbitrary decision makers”. Comprehensive decision makers would benefit more from tools such as wish lists or comparison features.

Future Tourism

As the researchers note, their novel typology will help OTAs to stand out from their competitors by “understanding travellers’ heterogeneous information needs” and creating tailor-made approaches to meet them. But

OTAs are not the only beneficiaries of this timely research. Travellers will have better and more targeted information at their fingertips, enabling them to pick the perfect hotel with minimal fuss, and hoteliers will have more satisfied customers. As the volume of online bookings continues to grow, and tourism makes an increasingly critical contribution to economic development in the Asia-Pacific region and beyond, this can only spell good news for societies worldwide.

POINTS TO NOTE

- More and more people are going online to book their holidays.
- However, travellers’ online decision making remains poorly understood.
- There are, in fact, three main patterns of decision making, ranging from “arbitrary” to “comprehensive”.
- Online travel agencies can tailor their marketing strategies to suit different types of traveller and their approaches to decision making.

Sangwon Park, Yizhen Yin and Byung-Gak Son (2019). “Understanding of Online Hotel Booking Process: A Multiple Method Approach”. *Journal of Vacation Marketing*, Vol. 25, Issue 3, pp. 334-348.