

ONLINE TRAVEL AGENCIES AND THE TRANSFORMATION OF CONSUMER BEHAVIOUR IN INDIA: A COMPREHENSIVE REVIEW AND CONCEPTUAL FRAMEWORK

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Abstract

The digital transformation of the travel and tourism sector has significantly reshaped consumer behaviour in India. The emergence of Online Travel Agencies (OTAs), such as MakeMyTrip, Yatra, Cleartrip, Golbibo, and Expedia, has altered how consumers search for travel information, compare alternatives, book services, and evaluate post-purchase experiences. This paper provides a comprehensive academic review of literature relevant to online travel consumption patterns before 2015, examining the socio-cultural, psychological, technological, and economic determinants influencing consumer adoption of OTAs. It further develops a conceptual framework illustrating the relationships between perceived usefulness, perceived ease of use, trust in e-WOM, price sensitivity, and purchase intention. The paper uses a secondary qualitative methodology, synthesizing peer-reviewed studies, industry reports, and theoretical foundations to explain behavioural transformations. The discussion highlights key challenges faced by OTAs in India, including price competition, service quality inconsistencies, and loyalty instability. The study concludes that while OTAs have democratized travel planning and enhanced information accessibility, their future growth depends on personalization, consumer trust building, and integrated travel ecosystem development.

Keywords: Consumer Behaviour, OTAs, e-WOM, Ecosystem Development, Planning.

Introduction

The Indian travel and tourism sector has undergone a profound shift over the past two decades, driven by economic liberalization, rising disposable incomes, expanding aviation networks, and rapid digitalization. Traditionally, the Indian travel market was heavily fragmented and largely dominated by offline agents, tour operators, and personal contact-based information exchange systems. In such a setting, consumers relied on trust-based brokerage, where itineraries, pricing, and accommodation options depended on the recommendations and discretion of travel intermediaries (Buhalis, 1998). This market structure led to information asymmetry, limited transparency, and restricted consumer autonomy.

The diffusion of the internet in India, particularly after the 2000s, and the subsequent proliferation of smartphones during 2011–2014, transformed the flow of travel-related information. With increasing digital literacy, consumers shifted from passive recipients of agent-provided travel suggestions to active evaluators capable of researching destinations, comparing prices, and making independent travel decisions. It is in this socio-economic and technological context that Online Travel Agencies (OTAs) emerged as major intermediaries simplifying the travel booking process through real-time information accessibility.

Among Indian OTAs, MakeMyTrip represents a pioneering and transformative entity. Established in 2000 initially to cater to the overseas Indian market, MakeMyTrip recognized early the

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potential of online air ticket booking and hospitality integration. The company strategically expanded into domestic air travel, hotel bookings, bus reservations, and packaged tours as internet penetration deepened across urban and semi-urban India. MakeMyTrip's success resulted from its ability to resolve key consumer concerns such as price transparency, refund guarantees, secure payment methods, and credible access to user-generated reviews—factors that gradually shifted consumer trust from offline agents to digital platforms.

The entry of competitors such as Cleartrip, Yatra, Goibibo, Expedia, and later aggregators like Paytm Travel intensified market competition. To capture the highly price-sensitive Indian traveler, OTAs employed aggressive promotional pricing, festival-based cashback campaigns, loyalty credits, and hotel bundling discounts. This fostered a culture in which price comparison became central to consumer decision-making, influencing travel frequency, destination choice, and accommodation categories.

However, the transformation of consumer behaviour extends beyond cost considerations. The shift to digital travel planning reflects deeper psychological, cognitive, cultural, and social mechanisms. Consumers are increasingly influenced by electronic word-of-mouth (e-WOM), social network experiences, perceived convenience, perceived ease of use, trust in digital payment infrastructure, and personalized recommendation algorithms. Therefore, OTAs have become both technological platforms and behavioural influence systems shaping travel expectations, travel identity, and experiential preferences.

Given this background, the present review examines how OTAs have reshaped consumer behaviour in India and identifies structural and experiential factors that facilitate or hinder digital travel adoption. The analysis is grounded in academic research, industry publications, and conceptual frameworks published prior to 2015 to maintain historical authenticity of the digital transition period.

Literature Review

Consumer behaviour in travel decision-making is multidimensional and involves need recognition, information search, evaluation of alternatives, booking choices, and post-purchase reflections. The evolution of OTAs has modified each of these components.

- **Information Search and Digital Knowledge Empowerment:** In traditional travel systems, consumers relied on physical brochures, travel agent suggestions, and peer recommendations. With the rise of OTAs, travelers gained access to extensive, real-time information on destinations, transportation, hotel services, cancellation policies, and local activities. Gretzel and Yoo (2008) observed that online information accessibility significantly reduces perceived travel uncertainty, enabling consumers to make more autonomous decisions. MakeMyTrip contributed to informational transparency by providing photos, star ratings, amenity-specific categorization, and verified guest reviews, reducing the cognitive effort needed to shortlist accommodations. This reduction in search cost (Choi & Kimes, 2002) is among the strongest behavioural drivers for OTA adoption.
- **Role of Electronic Word-of-Mouth (e-WOM) and Social Trust:** One of the distinguishing features of OTAs is the integration of peer-generated reviews. Litvin, Goldsmith, and Pan (2008) highlight that consumers tend to trust experiential narratives of real travelers more than promotional content circulated by travel companies. In a collectivist cultural setting like India, where interpersonal trust and community validation are significant, e-WOM functions as a risk-reduction mechanism. MakeMyTrip strategically institutionalized verified stay reviews, ensuring credibility and reinforcing purchase confidence. Price Sensitivity, Deal-Seeking, and Value Maximization: Indian consumers typically exhibit higher price sensitivity due to budget constraints and deeply rooted value-maximization tendencies. Racherla and Friske (2012) argue that promotion-driven price perception strongly influences online travel purchase intention. MakeMyTrip's promotional campaigns—ranging from cashback incentives to limited-time flight sales—played a crucial role in accelerating digital travel adoption, particularly among first-time online bookers.

- **Perceived Ease of Use and Technological Confidence:** The Technology Acceptance Model (TAM) (Davis, 1989) indicates that adoption of digital platforms depends on. Perceived Usefulness, Perceived Ease of Use MakeMyTrip's mobile app interface, designed for intuitive browsing and one-touch rebooking, strengthened self-efficacy among users and supported technology comfort.
- **Cultural and Social Dimensions in Indian Travel Behaviour:** Indian travel decisions often involve family-based collective evaluation, rather than purely individual decision-making (Narangajavana & Hu, 2008). OTAs allow users to share hotel links, compare room categories, and generate group decision consensus, aligning digital tools with Indian cultural patterns. The existing body of research on online travel consumption emphasizes that digital travel behavior is shaped by a combination of psychological beliefs, social influence, perceived platform credibility, and technology familiarity. In the Indian context, these influences are intensified by the rapid diffusion of smartphones and an expanding aspirational middle class that associates travel with lifestyle identity. Therefore, understanding consumer attitudes toward OTAs requires a multidimensional review of both technology adoption theories and tourism behavior theories.
- **Technology Acceptance and Perceived Usefulness:** Davis's (1989) Technology Acceptance Model (TAM) remains central in explaining why travelers adopt online booking platforms. TAM suggests. If consumers believe a platform enhances their efficiency in planning and booking travel (Perceived Usefulness), and if interacting with the platform is convenient and effortless (Perceived Ease of Use), they are more likely to adopt and continue using the platform. MakeMyTrip strategically aligned its platform with TAM principles by simplifying user navigation, streamlining booking steps, offering instant confirmations, and embedding "one-tap repeat booking" for frequent travelers. This minimized technical barriers, especially for first-time digital users in India.
- **Trust and Risk Perception:** Trust plays a crucial role in online transactions, especially in countries where digital payment culture evolved slowly. Consumers must trust. The platform (MakeMyTrip), The sellers (hotels, airlines), and The transaction channel (payment gateway). According to Bansal and Voyer (2000), online consumer trust is constructed through consistency, transparency, and credible information sources. MakeMyTrip's introduction of "Verified Traveller Reviews" and clear cancellation/refund policies reduced perceived financial and product uncertainty, increasing consumer confidence.
- **Destination Image and Emotional Motivation:** Travel behavior is not purely rational; it also involves emotional desire, aspiration, fantasy, and identity symbolism. Narangajavana and Hu (2008) emphasize that tourists choose destinations that reinforce lifestyle narratives. OTAs, including MakeMyTrip, strengthened this emotional appeal by integrating travel blogs, destination galleries, influencer journeys, and curated itineraries, shaping how consumers imagine and desire travel.
- **Mobile-Based Travel Consumption:** The shift from desktop to mobile represents one of the most significant transformations in Indian travel behavior. TRAI (2014) data indicated rapid smartphone inclusion in middle-income households, making mobile apps the dominant channel for flight and hotel bookings. Mobile-driven travel planning also promotes. Spontaneous weekend travel, Last-minute hotel negotiations, and On-the-go itinerary modification. This mobility-enhanced consumption reduced dependency on planned seasonal tourism and expanded informal travel segments.

Conceptual Framework

Based on literature reviewed, the behavioural shift toward OTAs in India can be explained through the interaction of five key constructs:

Construct	Definition	Influence on OTA Usage
Perceived Usefulness (PU)	Belief that OTA improves booking efficiency	Higher PU increases booking intention
Perceived Ease of Use (PEOU)	Belief that OTA is easy to operate	Reduces hesitation for new users
Trust & e-WOM Influence (TRU)	Confidence in peer reviews and transparent info	Strengthens psychological certainty
Price Sensitivity (PRS)	Importance placed on deals, discounts, value	Drives platform switching or loyalty
Purchase Intention (PI)	Likelihood of booking travel via OTA	Final behavioral output

The conceptual framework proposes that:

- PU and PEOU positively influence TRUST, because when the platform is easy and useful, consumers are more confident in its reliability.
- TRUST mediates the relationship between platform experience and Purchase Intention.
- Price Sensitivity moderates consumer loyalty, meaning:
 - High discount availability increases Purchase Intention.
 - Reduced discount availability may result in platform switching.

Methodology

This research adopts a qualitative, secondary, descriptive review methodology, which is appropriate when examining market trends, theoretical interpretations, and previously validated empirical insights.

- **Research Design:** This is a Descriptive Review with help of secondary data with Literature and Industry data published in various journals , websites and newspaper.

Data Sources

Source Type	Examples
Peer-reviewed Journals	Tourism Management, Journal of Travel Research, Annals of Tourism Research
Government Reports	TRAJ Internet Penetration Reports (2014), Indian Tourism Statistics
Industry Market Reports	Phocus Wright (2014), IATAI (2012), NASSCOM (2013)
Company Case Insights	MakeMyTrip growth and service model documentation

- **Selection Criteria:** Only literature and empirical findings published on or before 2015 were included to maintain contextual consistency with early-stage OTA evolution.
- **Limitations of Methodology:** Lack of primary field data limits region-specific behavioral comparisons. Rapid post-2016 digital expansion (UPI, 4G, fintech) is outside review scope. Consumer behaviour may have evolved further post-study period

Analysis and Discussion

The findings of the literature review and conceptual framework indicate that consumer behaviour in India has shifted from agent-mediated travel decisions to digitally empowered, self-managed travel planning. This transformation is driven not by technology alone, but by a combination of psychological confidence, cultural adaptation, and socio-economic progress. The emergence of MakeMyTrip as a market leader illustrates how digital trust-building can reshape consumption patterns. By offering transparent pricing, verified ratings, digital payments, and structured cancellation policies, MakeMyTrip successfully reduced perceived risk—one of the main barriers to online travel booking in India. The e-WOM ecosystem played a crucial role in this shift. Indian consumers, who traditionally rely on family and peer networks while making travel decisions, found online peer feedback an acceptable extension of these trust systems.

Additionally, price sensitivity remains a strong behavioural determinant. The Indian consumer still operates within a value maximization mindset, therefore promotional discounts and loyalty schemes directly influence purchase intention. This also explains why brand loyalty in the OTA market is relatively low; consumers often switch platforms in search of better deals. Therefore, the sustainability of OTAs cannot depend on discounts alone. Instead, platforms must shift towards experience personalization, differentiated services, and travel ecosystem integration. The conceptual model reinforces that Perceived Usefulness (PU) and Perceived Ease of Use (PEOU) influence Trust, which further determines Purchase Intention (PI). However, Price Sensitivity (PRS) moderates loyalty outcomes, indicating that loyalty cannot be nurtured unless OTAs create long-term relationship value beyond cost incentives.

Another noteworthy factor in the Indian context is mobile-first travel behaviour. Travel planning is no longer a pre-trip, desktop activity. It is continuous, flexible, and app-based. Travelers frequently revise hotels, transportation, and activities during the journey, which expands the decision window. This indicates a progressive decline in rigid travel planning and growth of experience-based explorative travel.

Overall, the transformation of Indian travel behaviour reflects global cultural integration, lifestyle modernization, and the rise of travel as a form of self-expression, not merely transportation and lodging.

Conclusion

Online Travel Agencies have revolutionized consumer behaviour in the Indian tourism industry by empowering travelers with autonomy, information access, choice variety, and price transparency. The shift from offline agent dependency to digital self-navigation marks a significant cultural transition aligned with broader trends in digital consumption.

The study demonstrates that OTA adoption is influenced by:

- Perceived usefulness and convenience of platforms
- Trust developed through e-WOM and transparent policies
- Price sensitivity and promotional incentives
- Mobile application accessibility and digital literacy
- Group and cultural decision-making norms

However, challenges persist. OTAs must manage customer service reliability, refund timeliness, and inventory coordination to sustain consumer trust. Moreover, excessive discount-driven competition may weaken long-term profitability and loyalty. The future growth of OTAs lies in building personalized travel experiences, partnering with local tourism ecosystems, and promoting sustainable and culturally authentic travel offerings. In summary, OTAs have not only digitized the travel booking process but have also contributed to reshaping the travel identity of the Indian consumer, fostering a shift toward exploratory, informed, and experience-centered travel behaviour.

Practical Implications

- **For OTA Companies:** Shift from discount-based competition to loyalty and relationship-based differentiation. Implement AI-driven personalization to recommend tailored travel packages. Improve customer support and grievance redressal, particularly refund speed.
- **For Tourism Planners & Government:** Encourage digital partnerships between OTAs and regional tourism boards. Promote local cultural and rural tourism experiences on OTA platforms. Support skill development for digital literacy in Tier-2 and Tier-3 regions.
- **For Academics & Researchers:** Future research should examine: Impact of UPI and 4G-era digital transformation (post-2016), Psychological outcomes of solo and experiential travel trends, Regional differences in online travel adoption.

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