

CUSTOMER PERCEPTION OF E-SERVICE QUALITY IN ONLINE TRAVEL COMPANIES IN INDIA

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Abstract: The tourism market in India is projected to grow at an annual rate of 7.9% till 2023. Hence, the tourism industry in India will be at boom in the next decade and this is likely to create a pressure on the tourism infrastructure. Since more and more people like to plan their travel, hotel bookings, package tours etc. at online sites like makemytrip.com, cleartrip.com, booking.com etc., this study aims to develop a research model to understand the relationship between e-service quality dimensions and overall service quality perceptions related to these sites. The study identified six latent constructs namely Convenience, Understanding the customer, Security, Reliability, Credibility and Responsiveness which could affect overall e-service quality in online travel companies. Data from 300 respondents was collected through a structured questionnaire for analysis of the model. The data was analyzed using Structured Equation Modelling with AMOS. Both the measurement model and the structured model were analyzed and their Goodness of Fit evaluated. This study suggests that in order to enhance the overall service quality, the online reservation sites should emphasize on responsiveness and reliability to attract and retain customers. The results obtained in the study can provide valuable insights to online reservation sites and provide a backdrop for further research.

Keywords: E-service Quality, Electronic Commerce, Customer Satisfaction, Online Travel Companies, Structured Equation Modelling

INTRODUCTION

With the development of a generation which is driven by the instinct of “ease of doing work”, introduction of worldwide web was no less than a blessing. Considered as one of the greatest inventions of mankind, World Wide Web has proven to be advantageous in all sectors of life be it linking the world economies, helping companies to expand globally, linking people over great distances etc. According to a report of Boston Consulting Group, the estimated number of internet users in India is expected to stabilize at 580 mn in 2018 from 205 mn in 2014 (Report on Indian Travel Industry by Aranca). This provides a huge market platform for companies who are eyeing towards increasing their sales globally. With more and

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more companies entering into e-commerce domain, firms that neglect to foresee its importance will sooner or later have to face major consequences.

In India e-tourism has emerged as one of the sectors having highest growth potential with online travel companies like makemytrip.com, cleartrip.com, yatra.com claiming 85% of the total industry share. With respect to Indian context, online travel continues to dominate the country's travel market. Within 2014-2016, it is expected to grow by 17.2% while outperforming the global travel market by 6 base points. People with hands on online travel and tourism booking are estimated to increase to an estimated figure of 46% in 2017 as compared to 41% in third quarter of 2015 (Report on Indian Travel Industry by Aranca).

Government of India is also striving to bolster this growth with their policies and strategies. Visa on arrival has been extended to 150 countries, an investment of INR 152 billion has been made in tourism sector and 100% FDI has been allowed to upgrade hospitality and tourism industry. Other tailwinds that are fortifying growth in tourism sector can be the escalating number of budget hotels in Tier-1 as well as in Tier-2 cities, brisk increase in disposable income of the middle class, continued increase in use of plastic cash (debit and credit cards) for conducting financial transactions, sprouting leisure lifestyles, etc. (Report on Indian Travel Industry by Aranca). With Indian market flooded with reasonably priced smartphones and data plans, the increased internet penetration can play an important role in Indian e-travel market growth.

Hence, with the world moving towards e-commerce and m-commerce, it is important not to neglect their impact on tourism sector as well. This study tends to determine the customer perception towards e-tourism and also attempts to identify the impact of dimensions of e-service quality on overall quality perception while making reservation through online portals.

REVIEW OF LITERATURE

E-service Quality

E-service quality can be regarded as the overall evaluation by the customer of an online service delivery. It doesn't matter whether the product is ordered online or offline as long as the delivery is prompt and quality of the product is good. The need of the hour is to modify strategies according to the customer needs and requirements (Atanu Nath & Liu Zheng, 2004). E-service quality can be attributed to be subjective in nature as per the requirements and needs of the customers. Although no major differences are perceived by the customers with respect to B2B and B2C e-services, however, information accuracy was more emphasized in B2B, whereas, website design held more importance in B2C (Emmanouil Stiakakis & Christos K. Georgiadis, 2009).

Dimensions of Online Service Quality

E-quality dimensions can be numerous and diversified. E-service is set in a context which is different from traditional business transactions. Zeng *et al.* (2009) identified customer service, fulfillment/reliability, product portfolio, ease of use and security/privacy as five antecedents of overall satisfaction for online financial and retailing services through confirmatory factor analysis. The study also employed the use of LISREL 8.5 to understand the relationship among the five determinants. The study emphasized that these five determinants significantly impact behavioral consequences like recommendation, repurchase intention and price sensitivity. With reference to customer value and satisfaction, dimensions such as reliability, product design, privacy and security have been found to increase customer value in terms of transactional, utilitarian and social value as identified by conducting confirmatory factor analysis (Gregory Bresolles *et al.*, 2011). It has also been observed that pre-transactional services can also play a major role in customer perception of service quality for tourism industry (Allard C. R. Van Reil *et al.*, 2012). In their study, Azam *et al.* (2012) identified information satisfaction consisting of relevancy, understandability, consistency and currency as well as system satisfaction comprising of users' interface, security, personalization, tele-presence and navigability as factors significantly affecting e-satisfaction and purchase intention. The study utilized path analysis to test the structural model developed from 220 responses. B Ranjbarian *et al.* (2012) with the help of confirmatory factor analysis conceptualized the influence of convenience, merchandising, security and serviceability on e-satisfaction. Also, a conceptual model of e-commerce was developed, in which customer satisfaction, trust and loyalty in the hotel industry could have effects on e-service quality. The hotel industry is one the subset of the tourism sector which makes it even more vital to be evaluated and this is where this project found its importance and need (A.H.Mutia Sobihah *et al.*, 2013). With respect to banking sector, the dimensions such as ease of use, security, personalization and responsiveness were identified to have a significant influence on customer's perception of e-service quality through factor analysis. Later correlation matrix and multiple regression analysis were conducted to test the effect of the above dimensions on customer perception of e-service quality (Saba M. Hussain, 2014). Moreover, the adjusted R² values for e- ticketing technique factors, i.e., customer technical support, infrastructure, security and user-friendliness indicate that these factors account for 76 percent of variance in customer satisfaction. The research paper had analyzed 177 responses to validate the result (Mazen Kamal Qteishat *et al.*, 2014). A modified scale of SERVQUAL model comprising of quality dimensions like website design, reliability, responsiveness, security and empathy were used to evaluate e-service quality. Dimensions like information, personalization, fulfilment and service quality were described by five elements namely, Tangibles, Reliability, Responsiveness, Capacity (knowledge or skill of service provider) and Courtesy (Yousif, 2015). Similarly, with the help of

SERVQUAL model, three dimensions namely, service quality, information quality and system quality were identified to affect service quality in m-commerce which in turn affects customer satisfaction. (Anas Abdelsatar Salameh *et al.*, 2015).

Purchase Intentions of Customers

Many researches showed that increase in customer perception of e-service quality and customer satisfaction have had a positive impact on purchasing behavior of customers. With the help of modified SERVQUAL model, it was suggested that dimensions like website design, reliability, responsiveness and trust affects overall service quality and customer satisfaction and also significantly affects customer purchase intentions (Gwo-Guang Lee & Hsiu-Fen Lin, 2005). Similarly, it was also shown that satisfaction with respect to website design also affects the consumer buying decision from the online portal. Factors like site design, convenience, product information, product offering and financial security identified from conducting confirmatory factor analysis were observed to positively affect consumer buying decision (Masoomah Hooman *et al.*, 2006). Now, when we talk about tourism, the tourists are the prime concern. Certain research papers depict that the increase in the number of tourists can be traced back to the positive effects of online tourism. The purchase and consumption process can be differentiated into three stages: the pre-purchase stage, ordering in the purchase stage and feedback in the post-purchase stage. Further with the help of regression analysis and ANOVA for the online booking researchers can understand how customers explore their future booking or reservations plan (Hongxia Peng *et al.*, 2013). Moreover, trust has been acknowledged as one of the most important elements which affects customer's purchasing decisions in e-tourism sector. Not only does it help to build a positive reputation for the company, it also aids in retaining the customers and attracting new customers. Thus, building trust is one of the most crucial factors that might affect purchasing intentions of the customer. Factor analysis was conducted on 367 responses to extract the factors affecting consumer trust. The constructs identified were website characteristics, personalization, website information, promotional deals, availability, price competitiveness and refund policy. Further convergent validity was tested for the identified factors using Pearsonian coefficients of correlation (Dr. HIRAK DAS GUPTA & NIDHI PHUTELA, 2014). Another research paper tends to derive the perception on purchase intention as exemplified with an online bookstore with the help of structural equation model (SEM). The study verifies that product perception and service quality have a positive influence on the consumers purchase intentions. And also, the perceived risk has a negative influence on the same. Moreover, according to the study, shopping experience has a major impact on purchase intentions of customers (Chin-Yaw Chen *et al.*).

In this ever-changing market, it is very important for firms to understand the needs of the customers as well as how various dimensions can affect the overall

perception of e-service quality by the customers. Keeping this in view, this study aims to develop a research model to understand the relationship between e-service quality dimensions and overall service quality perceptions related to online travel companies.

The literature review suggests that SERVQUAL model, ANOVA, Confirmatory factor analysis (CFA), multiple regression analysis and SEM model are being used to understand the overall perception of e-service quality by the customers. Having done the literature review, the following objectives are being proposed for the current study:

- To study the impact of convenience, understanding the customer, security, reliability, credibility and responsiveness on e-service quality for online travel companies.
- To develop a model for understanding the relationship between e-service quality dimensions and overall service quality perception using structured equation modelling (SEM).

MATERIAL AND METHODS

The questionnaire used for data collection has been attached as Appendix I. The questionnaire was used mainly to test the model proposed for consumer perception towards reservation through online portals. 5-point Likert scale ranging from Strongly Agree to Strongly Disagree was used to collect the responses. To check the reliability of the questionnaire Cronbach's alpha test was used. The value of Cronbach's alpha was found to be 0.91 (greater than 0.7) implying excellent internal consistency of the questionnaire.

The aim of this study is to develop a model to understand the relationship between the dimensions affecting e-service quality and overall customer perception of service quality using the data collected from 300 respondents. To further confirm the validity of the research model Structured Equation Modelling (SEM) with AMOS was used.

RESULTS AND DISCUSSION

Though there are various dimensions that affect consumer's perception of e-service quality, in this research paper we have tried to explore the effect of six factors which were chosen after a detailed literature review. These factors being - Convenience, Reliability, Responsiveness, Security and Privacy, Credibility and Understanding and Knowing Customers.

Convenience denotes that information searching for a product is easy when done online rather than going for conventional retail shopping. Bhatnagar and Ghose (2004) asserted that convenience is one of the most prominent benefits of

online shopping as it allows for price comparisons, less physical effort, easy payments, home delivery etc.

Reliability includes consistency of performance and dependability. It means that the firm will perform the service in a right manner, maintain the records accurately and also assure the security of personal information.

Responsiveness concerns with the willingness or readiness of employees to provide service. It involves providing services at the right time and giving prompt responses to the queries of customers.

Security is the freedom from danger, risk, or doubt. Numerous studies have emphasized the importance of secure transactions between the customer and online portal. It brings forth the comfort of a customer to exchange information and conduct financial transactions online in response to positive expectations he has regarding the behavior of the online companies.

Credibility involves trustworthiness, believability, and honesty. The name, reputation of the company as well as the way contact persons interact with customers can impact the dimension of credibility.

Understanding and knowing the customer involves making the necessary efforts to understand the needs of a customer. With competitive pressures rising and every company coming up with customized products, it is essential to understand the customer's specific requirements, provide individualized attention, and reward loyal customers.

After collecting data from 300 respondents, the confirmatory analysis was conducted in three stages. The first stage dealt with formulation of measurement model. The measurement model depicts the relationship between latent constructs and measured variables. A latent construct is a hypothesized and unobserved concept that can be represented by observable or measurable variables (Hair et al). In this research the construct validity for the six constructs have been studied. Upon analysis it was observed that the factor loadings of all the constructs lies between 0.25 and 0.59. As the goodness of fit for all the latent constructs lies above 0.95, the measurement model is considered to be fit.

The second stage or the zero order model (Figure 1) identifies the correlational relationship among the constructs. The analysis showed that the maximum correlation was observed between credibility and understanding and knowing customer with a factor loading of 0.37. Credibility also has a high correlation with convenience with a factor loading of 0.33. Convenience was also observed to have a correlation with understanding and knowing your customer with a factor loading of 0.31. The zero order model reported 0.92 as GFI. As the index for CMIN/DF reported a value of 1.518 (acceptable range is below 2) and 0.071 for RMSEA (acceptable range lies between 0.03 and 0.08), the structural relationship model appears to be fit.

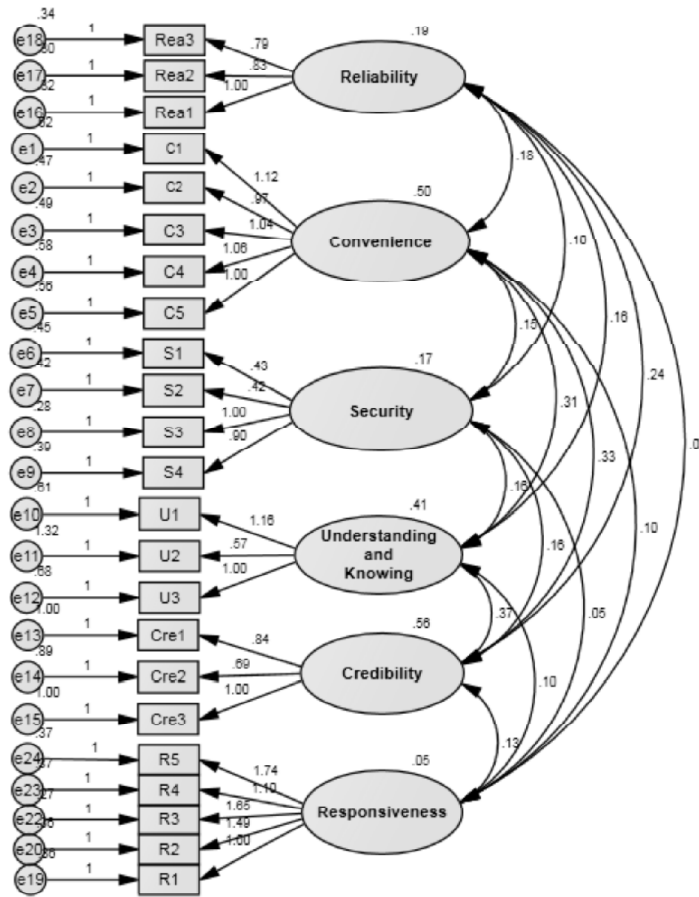


Figure 1: Structural Relationship Model

The third stage or the final order model (Figure 2) depicts the sizes of coefficients for all the six latent constructs on overall perception of e-service quality. The coefficients indicate that Responsiveness has the highest impact (with a coefficient value of 16.05) on overall customer perception of e-service quality while Convenience (having a coefficient size of 1.00) has the smallest impact. The model also depicts that parameters like Reliability, Understanding and Knowing Customer and Security also have considerable impact on the overall perception of e-service quality by customers.

However, as certain respondents felt that their bargaining rights were compromised while making reservations through online travel companies, the parameter of understanding and knowing customer reported negative correlation with overall perception of e-service quality. This further suggests that the online travel companies should ensure that the best interests of the customers are met in

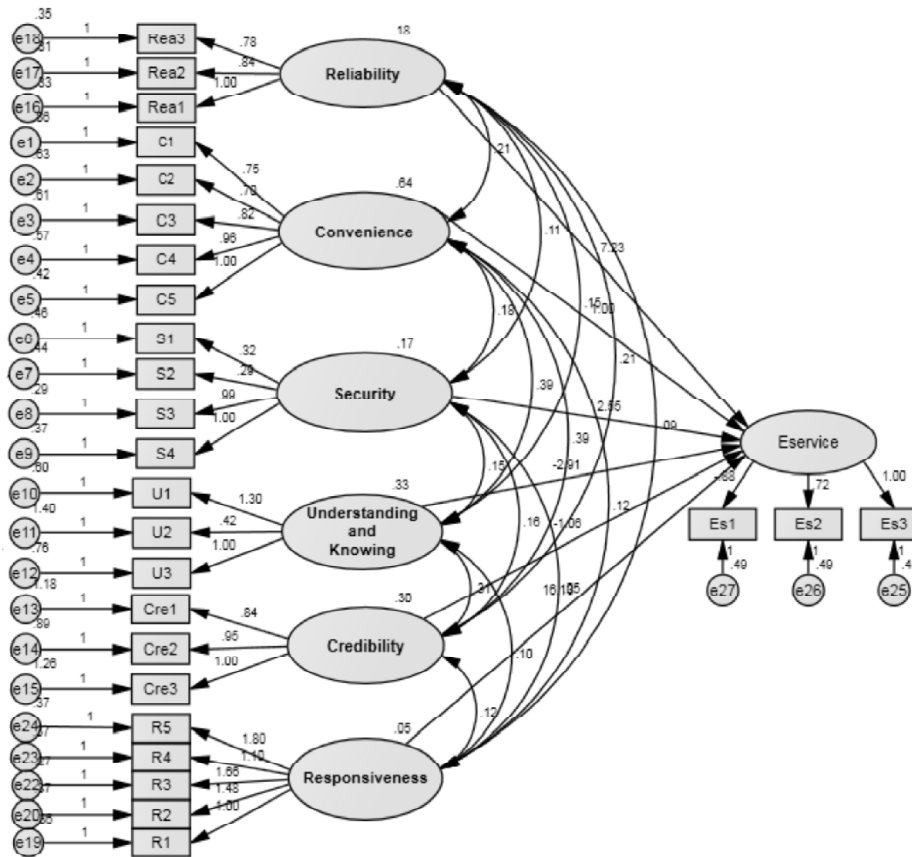


Figure 2: Final Order Model

order to retain their old customers as well as attract new customers. A slightly negative value was also reported for covariance between credibility and overall perception of e-service quality. This behavior could be extended to the fact that with quite a few pop-ups appearing on the websites, the consumers might find their privacy being compromised as well as it might affect their online experience negatively.

Further data analysis indicates the goodness of fit of the overall model. The model fit summary for the final order model shows that though the value of Goodness of Fit Index (GFI) is 0.913, the value for CMIN/DF for the model is 1.447 (acceptable range is below 3). RMSEA for the model with a value of 0.039 (acceptable range should be between 0.03 and 0.08) along with other fit indices demonstrate the fit of the proposed model. Thus, the current study confirms that the proposed model can be used by the online travel companies to understand the impact of the latent constructs on overall perception of e-service quality by the customers

CONCLUSION

In this study, we've been able to develop a specific model which makes it easy for the understanding of the various factors affecting overall e-service quality for online travel companies in India. The model has identified six latent constructs namely Responsiveness, Reliability, Convenience, Security, Understanding and Knowing Customers and Credibility to study their effect on overall customer perception of e-service quality. With the help of structured equation modelling technique, we could deduce that responsiveness has a major impact on retaining the customers. As the covariance value was found to be 16.05, which is the highest value among all the other latent constructs, it is suggested that online sites should put more emphasis on prompt responses to needs and queries of customers. However, the current study suggests that convenience has the least impact on e-service quality with respect to other constructs. While convenience is important, here in this context, it could be assumed that Convenience in this context is assumed and it not a distinguishing factor between travel web sites. Identifying these satisfaction antecedents will help the management to improve overall satisfaction of their online portals as well as divert their limited resources to the factors which facilitate maximum customer retention.

The study also provides basis for future research opportunities. As this study is limited only to understanding the effect of these antecedents on overall service quality perception, the same could be further extended to study the behavioral implications such as recommendation, purchase intentions of customers. Also this study has discussed the effects of latent constructs on overall service quality pertaining to online travel companies in India. Similar models can be used to study the impact of these factors on e-service quality for other sectors or industries or geographical regions which might put forth varying relationships among antecedents, e-satisfaction and behavioral patterns of the customers.

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