

Power of OTAs in Enhancing Sales and Visibility of Budget Hotels

Mr. Pankaj

Assistant Professor

Chaudhary Ranbir Singh University, Jind, Haryana

Pankaj.dangi98@gmail.com

Abstract

For budget hotels, an important way of distributing travel content is through the use of Online Travel Agencies (OTAs). Typically, budget hotels have weak brand identity, limited marketing budgets, and have less ability to convert direct bookings. OTAs increase customer trust by creating reviews and ratings, extend the range of potential bookings, and enhance visibility, allowing these hotels to expand their customer base and boost sales. Meanwhile sources of problems with OTA use include commission costs, competition over pricing, platform dependency, and losing control of customer relationships. This paper explains how to promote OTA's in budget hotels and their visibility in the light of the recent scholarly studies as well as tourism related documents published by the Government of India. The paper is summarizing that when used as an element of a comprehensive distribution strategy that relies on service, review management, and direct booking was strong; the paper also seems to conclude that OTAs are no longer a great asset for budget hotels.

Keywords: Online Travel Agencies, OTAs, budget hotels, hotel sales, hotel visibility, online booking, digital distribution, hospitality marketing

1. Introduction

The on-going transformation in the hotel sector towards digital distribution has been in full swing. Today consumers can search, compare and book rooms, hotels or apartments online, with pricing, location, ratings, photos, guest reviews, facilities, cancellation policy provided all in one place. This digital booking environment has embraced OTA services since they are a way of getting a hotel in contact with a customer whose only wish is to be housed. Smaller and budget hotels require an OTA more than many large hotel brands as they often have less budget to advertise with, are less well known, not so many direct booking

channels etc. It's possible for a budget hotel to offer low-cost accommodation and great service without them being noticed online. One of the solutions to the problem is done by implementing OTA; in OTA, users can search for various hotels by different prices, locations, ratings, etc. and get the related budget puts in their face (Garcia et al., 2022; Zhou et al., 2024). OTA's serve to build customer confidence as well. Customers sometimes rely on OTA reviews, ratings, photos and verified bookings information to make booking decisions, especially when they are not booking with a well-known brand that will be part of their budget hotel. This converts OTA visibility into something else entirely than regular advertising. Not only will it keep the customer informed, but it will also shape their confidence and booking patterns (Vo Thi et al., 2021; Ahmad & Sharma, 2023). Beyond this, the tourism demand in India reinforces the significance of digital hotel distribution. In addition to this, the Indian tourism demand underscores the importance of digital hotel distribution. The domestic tourist arrivals in India totaled 2,509.63 million during 2023 and foreign tourist arrivals stood at 9.52 million. The use of a large tourism market in which budget hotels can take advantage of having their value and availability more easily discoverable and accessible via digital means.

Table 1: India Tourism Demand Indicators, 2023

Indicator	Value
International Tourist Arrivals	18.89 million
Foreign Tourist Arrivals	9.52 million
Domestic Tourist Visits	2,509.63 million
Foreign Exchange Earnings from Tourism	₹231,927 crore

Source: Ministry of Tourism, Government of India, India Tourism Data Compendium Key Highlights 2024.

2. Role of OTAs in Improving Visibility

Visibility is the capacity being perceived, heard and chosen by people implementing the act of a hotel. One of the difficulties the budget hotel sector is facing is related to visibility, as the majority of budget hotels have not yet developed a strong brand and not launched their own digital marketing campaign. In this regard, OTA has made room for budget hotels at the places where Urbanites are making their bookings.

The OTA visibility is made up of search results, location filters and price filters, guest reviews and star ratings, photos, map position and promotion tags. These are the amenities that make a budget motel seem as though they are on par with the other hotel options and other alternative hotels available. The hotel can be found using OTA search results even if the customer is unaware of the hotel's name (O'Connor et al., 2025; Abdullah et al., 2022).

While digital transformation can affect a high-star hotel, it can affect budget hotels in different ways. For budget hotels, digital can be used more sparingly due to limited resources. For the case of budget hotels, OTA can thus be a viable, 'ready to use' digital entry point that offers a complete search, booking, payment and review functionality (Yang et al., 2024, Buhalis et al., 2023).

Whether the hotel is able to optimized its OTA profile is another determining factor for visibility. Photos that do well, descriptions of the rooms, complete amenity details, policy transparency, pricing and availability updates increase the likelihood of them being noticed. The quality of web services, convenience of web sites, and flexibility of booking affects reputation and customer response of online travel platforms (Phonthanukitithaworn et al., 2021).

3. Role of OTAs in Enhancing Sales

OTA helps increase the number of sales by turning online visibility into booked searches. People that come to OTA platforms frequently have booking purpose. That's why they're valuable for budget hotels as they connect badgers with clients that are already scouring for budget lodging.

Sales can be processed on OTA platforms with instant booking, online payment, cancellation, price comparison, visibility of discount and the possibility of moving from mobile. All these features can lower the customer reservation hesitation and simplify the booking process. There is a close relationship between

online satisfaction and the intentions to book hotels online (Ahmad & Sharma, 2023). Information quality, service quality, system quality, and trust in the electronic booking system, are all closely related with online customer satisfaction and the intention to book the hotels online. OTA participation can affect occupancy, the average daily rate, revenue per room and profit. The financial outcome, however, leads to the question of whether it creates any new demand or leads to the transfer of customers from direct booking to commission channels (OTA) sources (O'Connor et al., 2025). While being involved in Booking.com can be beneficial for the financial conditions of accommodation providers, in particular small providers, the value rests on the cost-benefit balance (Abdullah et al., 2022).

OTAs are particularly helpful in low traffic times for budget accommodations. Hotels use promotional tools, price-cutting strategies, mobile marketing and flexibility to help the rooms fill up when they might otherwise not be full. But sales increase is not the only indicator of sales growth and can't be judged by bookings alone. If hotels rely too much on OTA bookings, their high commission fees may hurt profitability (Peng et al., 2024; Zhu et al., 2023).

4. Reviews, Ratings, and Customer Trust

An integral part of any OTA success are online reviews and ratings. In this case budgets do not have a great brand reputation and they rely on the reviews to determine how clean and safe the room, the behavior of the staff, the location, the value for money or service. Positive reviews build trust and increase the likelihood that customers would book, on the other hand, negative reviews can impact customers' confidence in the brand.

Online reviews play a role in satisfaction, engagement, and [loyalty] in the Hotel context (Vo Thi et al., 2021). Online satisfaction, offline satisfaction, and information quality accessed during the search process, are also the factors that influence the intention to book hotel online (Ahmad & Gandhi, 2023). This is not just because of the visibility it can (or can't) have - OTA reviews also impact customer decisions.

Credibility Review is critical. When they feel consumers may not trust the reviews to be genuine as our manipulated, they can hesitate to make purchases. Discounted trust in reviews can impact the selection of hotel platforms and customers' adoption of OTA systems for making bookings (Peng et al., 2024). In the

case of budget hotels, it is important to be transparent and consistent in the management of reviews. Responses to complaints, enhanced service quality and fostering genuine guest feedback can enhance trust.

Repeat business is another area that is helped by an online reputation. If there is a satisfactory rating and a budget hotel, then it can compete with larger hotels because the customer sees that the service is qualified with the previous guests. The service quality of travel websites affects customer perceptions of online travel services and confidence in booking a trip (Phonthanukitithaworn et al., 2021), which will impact on the brand reputation of E-brands (Southworth, 2022; Vos et al., 2022).

5. Market Opportunity for Budget Hotels in India

Budget hotels have good market opportunities in India because of the country's tourism market. Domestic tourism contributes considerable importance as domestic tourists, family tourists, students, small business tourists, pilgrimage tourists and price sensitive tourists may often be served by budget hotels.

The top 2 states in terms of domestic tourist visits in 2023 are Uttar Pradesh with a total of 478.53 million tourists visiting the state and Tamilnadu with 286.01 million domestic tourist visits. On the other hand, in Maharashtra, the foreign tourist visits totalled 339,726 and in Gujarat, 281,250. From these numbers, it is concluded that Indian tourism demand is heterogeneous across various states and budget hotels can also avail the tourism demand from foreign market. Table 2 provides some of the state-level indicators of tourism in 2023 in India. Table 2 presents some of the state-level indicators of tourism in the year 2023 in the Indian context.

Table 2: Selected State-Level Tourism Indicators in India, 2023

Indicator	State	Value
Highest domestic tourist visits	Uttar Pradesh	478.53 million
Second-highest domestic tourist visits	Tamil Nadu	286.01 million

Highest foreign tourist visits	Maharashtra	3.39 million
Second-highest foreign tourist visits	Gujarat	2.81 million

Source: Ministry of Tourism, Government of India, India Tourism Data Compendium Key Highlights 2024.

Such a request is essential for budget hotels when it comes to the demand base. If a customer is going to a city that they have not been to before, they might not be familiar about budget hotels in the city. OTA platforms facilitate such customers in finding out hotels in a particular area, price range, reviews, and facilities. This helps increase the probability that smaller hotels will be found on the search process.

Regional tourism can also be enhanced with the help of digital hotel booking systems. With visitors travelling to religious, cultural, business or leisure sites, there is likely to be comparison of the accommodation online before they travel. This search behaviour can be useful for budget hotels that provide and keep up to date OTA listings (Buhalis et al., 2023; Yang et al., 2024).

6. Challenges of OTA Dependency

The challenges OTA's bring to budget hotels are matched by their visibility and sales.

- 1) It is the cost of the commission. Generally, budget hotels have lower rates and profits. If commissions are substantial, the hotel might get more bookings and earn less in any profit.
- 2) The second challenge is that of competition on price. Customers can make use of OTA platforms to help them comparison many hotels in no time at all. For budget hotels it is important to keep prices down to offer them appearance of being attractive, but relentless discounting can have a negative effect on the beauty of the brand, and therefore on profitability. It is possible to induce pricing pressure, service commitments and availability management tension on platform-based competition. Pricing tension, service promises and managing availability may arise as a result of platform-based competition (Zhu et al., 2023).

- 3) The third is dependency. Relying heavily on OTA services makes for a vulnerable budget hotel since ranking criteria, commission rate, cancellation regulations, promotional needs, and visibility in the algorithmic can all shift. An OTA drop in ranking can cause a significant drop in booking.
- 4) Limited customer ownership is the fourth challenge. With customer booking and communication tracked by the OTA, there could be a lack of transparency when the platform takes ownership of it. This makes it more difficult for hotels to establish direct communication and rebooking.
- 5) Pressure review is the fifth challenge. Customers rely heavily on the ratings, and even a couple negative reviews could have an impact on demand. Sufficiently, review trust and platform validity can affect customers' decisions (Peng et al., 2024).

7. Conclusion

The power of OTAs in boosting the visibility and sales of budget hotels can't be overlooked. They enable low-cost hotels to be presented to customers who are looking for a hotel to stay in. By providing them with search listings, filters, ratings, reviews, photos, maps and marketing tools, they make them easy to see. They enable sales with instant booking, e-wallet payment, cancellation features, clear pricing, email notifications, helping agents value estimate their quotes for the client, and mobile access to bookings. OTAs are helpful when it comes to budget hotels as it eliminates the negative side of less brand recognition and limited marketing budgets. They can improve and connect small and independent hotels with far more markets and to compete at digital toolspots. The contribution of OTA participation on customer booking intention, online reputation, revenue performance, and occupancy has been supported by recent scholarly work conducted by O' Connor et al., 2025; Abdullah et al., 2022; Garcia et al., 2022; and Zhou et al., 2024, respectively. OTAs should not be the sole business channel though. The long-term profit could be reduced due to various factors such as commission costs, the competition between the platforms, and pressure for reviews. Budget hotels need strategically take advantage of OTAs and strengthen the direct booking processes, improving services, guests relations and reviews management. Balanced distribution is the best option. OTAs should be deployed to make repeat bookings, to increase awareness and attract new guests who are likely to be the one and only time customers bookable through them. Hotels need to work on making customers repeat bookings through their direct channels after enjoying their stay. It is this way, that budget hotels can enjoy OTA visibility benefits without being beggars on the street.

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