

## "INSIDE THE CAPSULE: UNPACKING CONSUMER PERCEPTIONS OF CAPSULE HOTELS"

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### ABSTRACT

India is topographically different and offers assortment of societies that come with its claim encounters, making it one of the driving nations in terms of worldwide tourism use. Travel and tourism are two of the biggest businesses in India, with a add up to commitment of approximately US\$ 178 billion to the country's GDP. The remote trade profit from 2016 to 2019 developed at a CAGR of 7% but plunged in 2020 due to the COVID-19 widespread (IBEF, Apr 2023).

This study focuses on awareness of Indians towards capsule hotels and how much would they be interested in trying out a different style of hotel which is quite different from the popular style of lodging in India. This study was conducted to know if there is a need to create awareness about capsule hotels in the Indian market and also how to position it. Since the awareness level is expected to be low, the purpose of the study is also on how to create awareness and the approach that the marketers have to take in order to position the hotels in the appropriate way.

The lion's share of respondents promptly concurred with the objective of cost-effective, space-constrained, available and dependable capsule inns. Bangalore is exceptionally reasonable compared to other states in India. Costly and finding a reasonable quality remain in Bangalore can be troublesome. it was found that the Indian advertise would exceptionally well welcome capsule inns to India on the off chance that it gives what it guarantees.

**Key Words:** *Capsule Hotels, Hospitality, Travel and tourism, Consumer perception*

### INTRODUCTION

Capsule hotels, a concept that originated in Japan, are increasingly gaining popularity across the world as a unique and affordable accommodation option for travellers. These hotels offer compact, pod-like sleeping spaces that are designed to maximize the use of limited space while providing basic amenities for guests. With rising demand for affordable accommodation options, capsule hotels have also made their way to India in recent years. India, being a popular tourist destination with a wide range of budget options for

travellers, presents a promising market for capsule hotels. The concept of capsule hotels in India is still in its nascent stage, with a handful of capsule hotels operating in major cities such as Mumbai, Delhi, and Bengaluru. However, with the increasing demand for affordable and convenient accommodation options, the potential for growth in this sector is significant.

Capsule hotels (capsule hotels), also known as pod hotels in the West, are a type of hotel developed in Japan with many small bed-sized rooms called pods. Capsule hotels offer an inexpensive, basic lodging option for guests who don't need or can't afford the larger, more expensive rooms offered by traditional hotels. In 1979, the world's first capsule hotel opened at Capsule Inn Osaka in Osaka. It was designed by Kisho Kurokawa, one of Japan's most influential architects and founder of the Metabolist movement, which aims to fuse megastructures with natural biological growth. Kurokawa's architectural achievements can be seen all over Japan, including the iconic Nakagin Capsule Tower in Ginza (pictured above, slated for demolition in 2022) and the National Art Center, Tokyo in Roppongi. In the late 1970s, as the post-war reconstruction ended and the country entered its infamous bubble economy, Japan experienced a period of tremendous growth. Rapid expansion and rising real estate prices have increased demand for land and space in major cities such as Tokyo and Osaka, making it difficult for traditional hotels to locate near transportation and business centers. .

The solution to this dilemma was simple, shrink everything. Kurokawa's ultra-compact capsule hotel was a perfect fit (literally), able to accommodate guests right next to the train station, business center, and downtown area without paying a fortune. This format was replicated throughout Japan and eventually spread overseas. The Capsule Inn Osaka, which is still open today, features a spa, sauna, breakfast service, free Wi-Fi, and more. Since then, the concept has spread to different regions such as Belgium, China, Hong Kong, Iceland, India, Indonesia and Poland. Urban Pod, Mumbai Known as India's first pod hotel, Urban Pod in Andheri East, Mumbai offers amenities such as cozy beds, plasma TVs, personal reading lights, power outlets and hangers, wall mirrors and air conditioning in capsules. prepared for. In addition, the hotel also provides personal lockers. Choose from Classic Pods, Private Pods, and Ladies Only Pods. The hotel also has special rooms for the disabled. The price per night varies between about ₹2300 to ₹2600 per night for him per person including breakfast.

## **REVIEW OF LITERATURE**

India's hospitality and tourism industry is expected to reach INR 1,210.8 billion by the end of 2023. In 2017, India had over 10 million foreign tourists, a 14% growth rate compared to 2016, and the number is up from the in 2009 and He in 2010 doubled. According to India Travel and Tourism, the Competitiveness Index 2019 ranked India 34th out of 136 countries and 10th out of 136 countries in the price

competitiveness group. This means that India is well positioned to attract tourists from all over the world (Hospitality Industry, 2020). Capsule – A niche/non-branded segment that accounts for his 70%+ of all hotel rooms. Capsule hotel growth is expected to grow from 7.36% in 2018 to 14.80% in 2024. Additionally, this niche segment accounts for about 5% of the overall hotel industry in terms of room supply. In terms of city room supply, Tier I cities such as New Delhi and Mumbai accounted for the largest number of rooms, followed by Bangalore and Chennai. Together, they account for 30% of India's total market share. Small cities and towns account for about 27% of the hotel industry, with unbranded, niche and disorganized hotels dominating the market.

With an average hotel occupancy rate of around 65% in India, hotel vacancies represent an untapped opportunity of around USD 6 billion related to ARR (Naik, 2019). His daily occupancy rate for the hotel is almost 50-60%, and you can expect an opportunity to generate additional revenue by reselling rooms several times a day. Hotels can now decide when to open and close inventory by time rather than just by date. The Indian market is experimenting with the capsule concept. His OTAs like OYO, Yatra and MiStay allow guests to book hotels by the hour. Hotels like Ginger are especially geared towards business travelers, offering perks like discounts and free Wi-Fi, and check-in and check-out between 7am and 7pm. These players use product differentiation strategies to keep up with the competition. For example, StayUncle introduced Love Kits in partner hotel rooms.

Hospitality services are a harmonious blend of three elements: physical products, employee behavior and attitudes, and the environment (Reuland et al., 1985). El Farra found in his 1996 that price was the most important factor influencing patronage. Mid-range hotel by clientele. A lot of research has been done on hotel service quality, but very few studies have been done in India. In 1995 Thomson and Thomson conducted a study of quality issues at his nine hotels in Wellington, New Zealand, and in 2004 Juwaheer analyzed the strategic importance of service quality in Mauritius hotels. Shegill (2004) investigated travelers' perceptions of service quality in New Zealand hotels and used factor analysis to identify factors that customers consider important. Davidson (2003a) argues that there is a causal relationship between good organizational culture in hotels and levels of service quality. In another study, Davidson (2003b) examined hotel service quality and included customer satisfaction in organizational culture and climate. SERVQUAL was considered to be the most relevant tool for measuring hotel service quality (Fernandez, 2005). Nutson et al. (1991) using SERVQUAL he created a lodging-specific instrument called LODGSERV. This is his 26-item index used to measure consumer expectations for service quality in their hotel experience.

The capsule hotel pointed to by the airport reception was born in Japan in Osaka 1979, it has long remained a local experiment confined to the Japanese practice and experience. Until 2012 it was always east, but this time Xi'an embraces the first changes in a highly dynamic China (Huang, Sun, 2014). Models are shaped through the creation of mini-functional structures designed to Meet rapidly growing demand in places of high tourist interest. capsule hotel. The formula was first submitted in Europe in 2014 in Belgium (Stupariu, 2017), from which it later developed in Italy through his two new contemporaries. Realization with his Orio al Serio Bergamo experiment called "ZZZleeeepandgo"; BEnBO project implemented in Naples reality and operational since then late January 2017. The Origin of the Minimal Capsule Hotel Model and Its Revival in Europe and the United States reality. In fact, this structure was created in Japan to complement the accommodation. Permanently and cheaply providing short functions for large urbanized areas discount.

The tourism industry offers different goods and services to different target groups. The capsule hotel experience is perfect for adventurous budget travelers like backpackers. Cohen (2004) argued that backpackers prefer longer trips, are more flexible in their travel and accommodation arrangements, and experience novelty. Tourism is an experience-intensive service industry (Cetin & Istanbulu, 2014). Several studies have shown that travelers are more active and open to new experiences (Cohen, 1979; Crompton, 1979; MacCannell, 1989; Smith, 1994). Some travel in search of novelty and escape from everyday life. Cetin et al. (2014) confirmed the importance of customer experience to the hospitality industry, where experience is the dominant factor in differentiating from competitors. Similarly, Mathwick et al. (2001) proposed using experience scores to capture different aspects of the travel experience. As mentioned above, in addition to examining the impact of perceived risks, the present study examines the capsule hotel experience from the perspective of a holistic traveler behavior model that differs from previous studies that focused on price, service. Motivated by the desire to reveal the value of Convenience and social focus - Servicescape (Chiang, 2018) and Preference (Lee et al., 2018).

For most travelers outside of Japan, the concept of capsule hotels is strange and new. The Western media gives capsule hotels a negative image. WebUrbanist compared them to morgue corpse drawers (Rogers, 2016). Forbes criticized their small interiors and advised claustrophobic travelers not to use them (Morrison, 2016). Previous research has shown that tourists seeking familiarity perceive unfamiliar environments as more dangerous (Lepp & Gibson, 2003). Previous research has also highlighted the powerful impact of perceived risk on consumer behavior (Mitchell, 1999). At first glance, it's natural to think that a hotel that barely fits a bed poses all sorts of security problems. For some travelers, risk and adventure are fundamental to their travel identity, so the level of novelty associated with a particular destination is proportional to its perceived risk (Elsrud, 2001).

## **RESEARCH OBJECTIVE**

To assess the awareness level of capsule hotels in the Indian market.

To evaluate the preference of capsule hotels among Indian consumers

## **RESEARCH METHODOLOGY**

This study aims to understand the awareness and preference level of Indian consumers on capsule hotels. By the method of survey, various questions were asked to find out, not just the awareness level of the people, but also their preference to stay in a capsule hotel if such facilities are made available to them locally. It ultimately helps us understand the overall likeness towards the capsule hotel in the Indian market and also focus on the areas to market in-order to create awareness in the most efficient manner.

## **RESEARCH DESIGNS AND METHODS FOR DATA COLLECTION**

Both primary and secondary data was used in the study.

- **Primary data**

Primary data is collected directly from respondents using structured questionnaires. The survey is provided in a Google form and is used as a tool to obtain responses so that the survey can be easily completed.

- **Secondary data**

Secondary data required for research are collected from various journals on the internet.

- **Tool of data collection**

Online questionnaire, face to face interview

- **Period of study**

April 2023

- **Tools used for data analysis**

Qualitative analysis

## **CRITERIA TO QUALIFY AS A RESPONDENT:**

- Must be experienced in travelling and have basic knowledge of hotels, facilities provided, pricing and so on.

- Must have visited Bangalore and availed lodging facility at least once.
- Non – claustrophobic
- Must not be a resident of Bangalore.

The data collected was from non-residents of Bangalore who have often travelled to Bangalore for various purposes such as to write exams, on business occasions, to meet up with friends, for recreational activity and above all, for tourism purposes. The questionnaire contains 10 questions which will assess the knowledge of the people on capsule hotels and their confidence in preferring a capsule hotel in Bangalore. A total of 104 responses were recorded through Google forms. The surveyors chose the respondents through both digital and physical mode. They were also strictly adhering to the qualifying criteria.

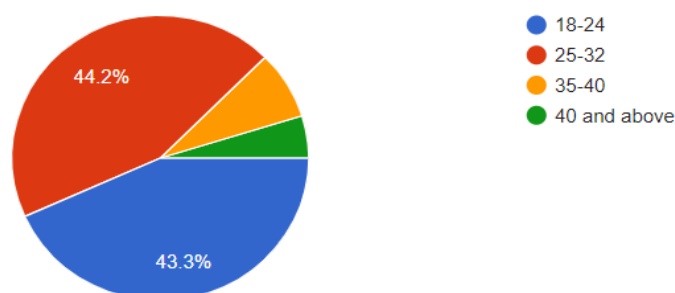
## LIMITATIONS

The biggest limitation is that the responses were less in comparison to the actual potential market; therefore the study needs to be conducted on a larger scale to come out with more accurate results. A study about awareness and preferences should have a larger sample size.

The next biggest limitation is the time restriction. The study was conducted within a mere one month time, where a study of this size could easily take multiple months or even a year to give out accurate results.

## DATA ANALYSIS AND INTERPRETATION

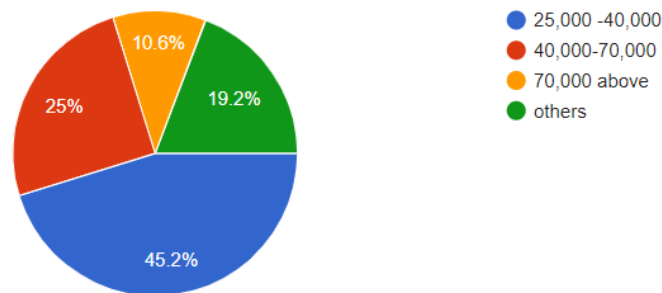
### 1) Age group:



**Chart1: Age Group of Respondents, Source: Research Questionnaire**

Inference: Most of the respondents were between 18-24 (43%) and 25-32 (44%) years of age. The target group for a capsule hotel would be around the 20-35 age group. Therefore, most of the respondents belonged to the possible target segment.

### 2) Individual income:



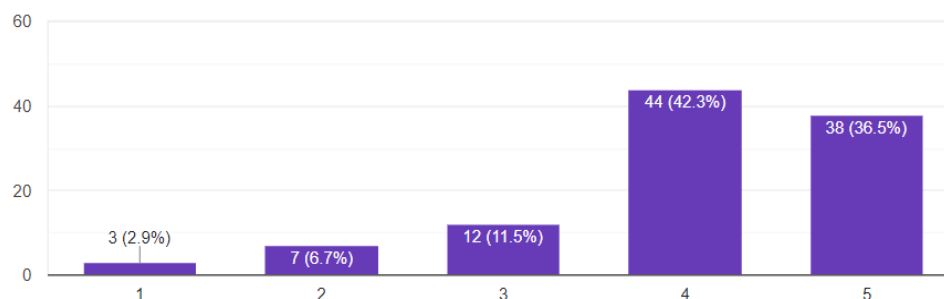
**Chart2: Income Level of Respondents, Source: Research Questionnaire**

Inference: Majority of the respondents were in the income group of 25,000 - 40,000 rupees, which would possibly be the income earning capacity of the capsule hotel's target segment.

### 3) Geographical location (Hometown or place of settlement)

Majority of the responses were recorded from nearby states such as Kerala, Tamil Nadu, Telengana and Mumbai. The questionnaire was sent out in such a way that the people who prefer Bangalore for their weekend travel could respond from personal experience.

### 4) On a scale of 1 to 5, 1 being the lowest rating and 5 being the highest, how likely are you to choose traveling as your weekend getaway?

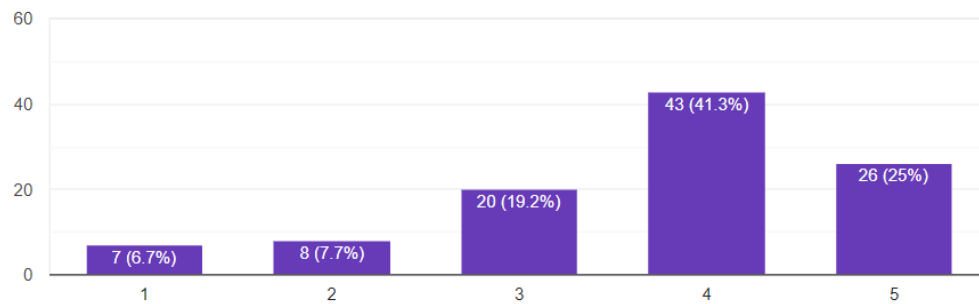


**Chart3: Respondents preference to travel, Source: Research Questionnaire**

Inference: 44% of the respondents were rated 4 out of 5 on the scale on their preference to travel during weekends, whereas 38% were hard-core travellers rating it 5 out of 5. The question was focused so that the people who chose touring even if they have just a couple of days to spare would rate it 4 or 5.



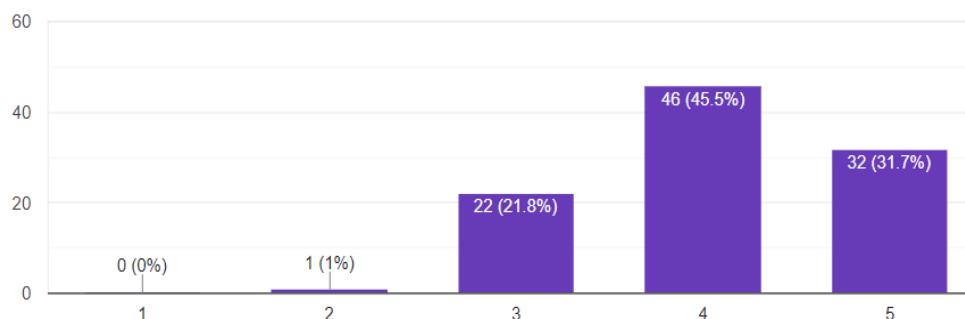
5) How frequently (times) do you visit/ plan to Bangalore on an average in a year?



**Chart4: Frequency of visits to destination, Source: Research Questionnaire**

Inference: 43% chose that they may/ will visit Bangalore 4 times on an average and 26% chose that they would visit Bangalore 5 or more than others. Since most of the respondents were from nearby places to Bangalore, it was expected that the majority would likely chose Bangalore as one of their prominent weekend travel getaway.

6) On a scale of 1 to 5, 1 being the lowest rating and 5 being the highest, how expensive is a Bangalore trip in comparison to other cities in India?

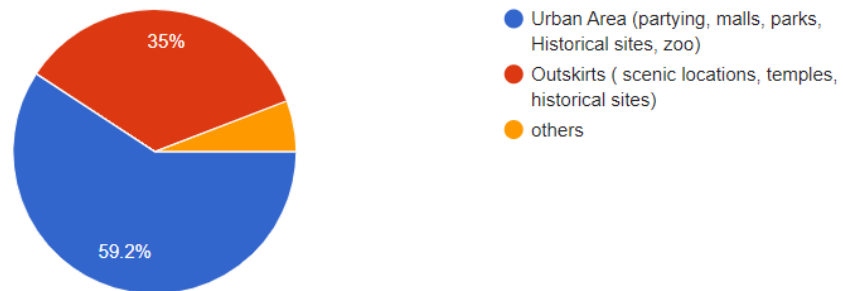


**Chart5: Perception towards fare, Source: Research Questionnaire**

Inference: 78% agreed that Bangalore is expensive in comparison to the other cities in India. This is a common notion that Bangalore is expensive in comparison to most cities in India, which happens to be true most of the times, where this is a personal opinion of the respondents we had.



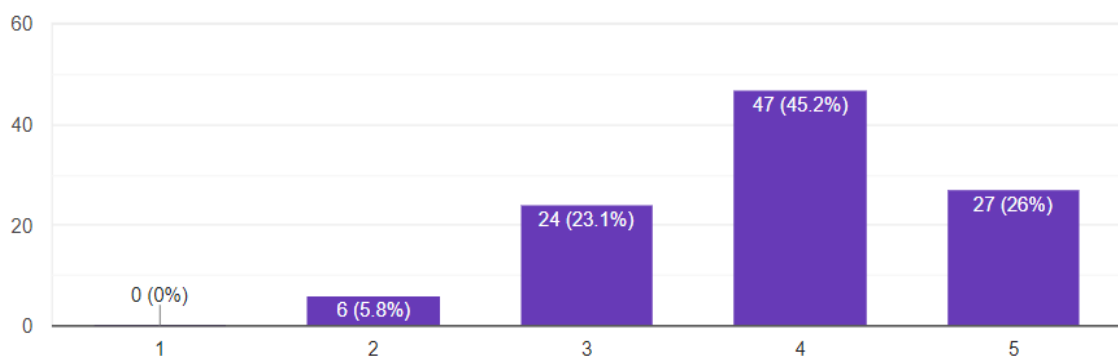
7) Which part of Bangalore would you prefer for your travel?



**Chart6: Choice of destination, Source: Research Questionnaire**

Inference: 59% of the respondents chose to explore the urban areas more than the other areas. However, from the face to face discussions held with some of the respondents, the people who chose outskirts were more ardent travellers than the others who had passion for travelling. However, majority chose urban.

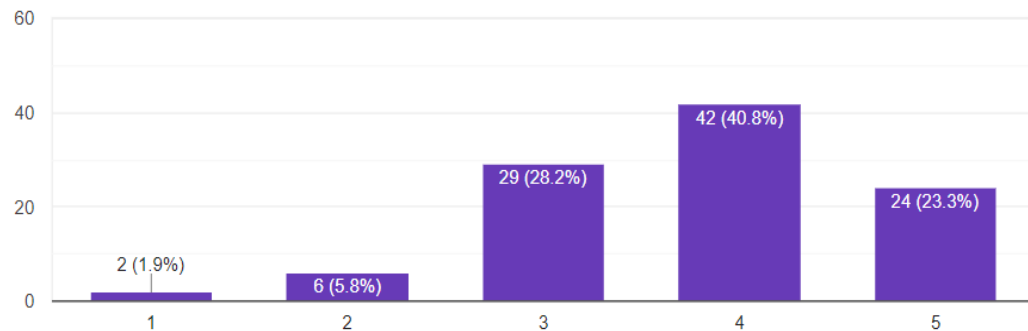
8) How likely are you to travel to Bangalore (the suggested number of times in question number 5), if you could get affordable stay at prime locations of the city?



**Chart7: Frequency of visit, Source: Research Questionnaire**

Inference: 75% agree that they require more affordable stay in Bangalore city. The responses to this question addresses a common issue in Bangalore. The regular stay, lodging or tourism becomes expensive when it comes to Bangalore, which opens up another opportunity to explore daily stay or apartment options in Bangalore.

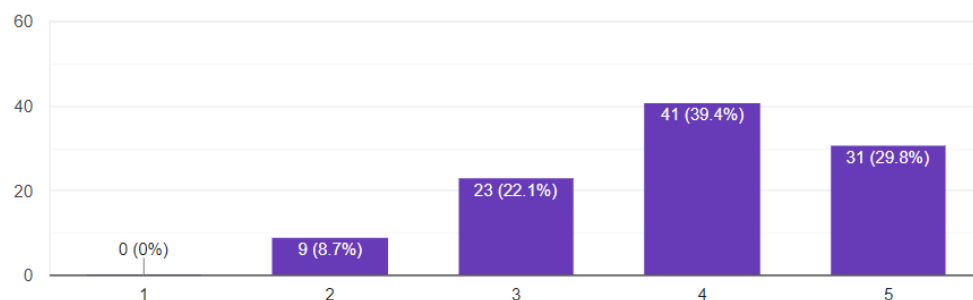
9) How likely are you to choose a capsule hotel?



**Chart8: Preference towards Capsule hotel, Source: Research Questionnaire**

Inference: 66% agreed that they would likely choose a capsule hotel to stay during their visit to Bangalore. People see value in the capsule hotels. From the discussion, it was understood that the capsule hotels seem attractive once the benefits are communicated to the market properly.

10) How would you rate the degree of influence the capsule hotel will have if you could stay in a capsule hotel?



**Chart9: Respondents degree of influence, Source: Research Questionnaire**

Inference: 72% agreed that the capsule hotels are one of the possible factors that would influence their travel decision if it was available. Not necessarily that capsule hotels influence their decision making, but since capsule hotels were seen as the next best possible solution to the ever expensive lodging issue in Bangalore.

## RECOMMENDATIONS

Since the study was made on people who plan to visit Bangalore, the study is limited by the Bangalore tourists. The next study can be made on people who plan to visit another state, perhaps, an even more expensive state such as Mumbai where the concept of capsule hotels are already familiar to people. Another option is to take the study where the location is a hill station or adventure tourism location where

the capsule hotels could be seen from a different perspective. This also helps to understand the different places where the capsule hotels could potentially be located.

Another potential of taking this study further could be by understanding how to position the capsule hotel according to the needs of the people travelling to a specific location as capsule hotels may be seen different by different people according to their personal needs and wants. The intend of the study was to understand the awareness level of the people on capsule hotels in the Indian market, which came out to be low, where the next step would be to understand how to market the offering.

## CONCLUSION

The study looks at Indian consumers and their level of preference for capsule hotels. The survey focuses on whether Indians are aware of capsule hotels and whether they would like to try a different style of hotel that differs significantly from the popular accommodation styles in India. This study was conducted to find out if there is a need to increase the visibility of capsule hotels in the Indian market and how to place them. With a low level of awareness to be expected, the study also covers how to increase awareness and the approach marketers should take to position their hotels accordingly.

From face-to-face discussions with the respondents, it was clear that, with the exception of two relatively few exceptions, people did not know about capsule hotels. Direct questions are not enough. Therefore, the benefits were shared with the respondents through a survey to see if they were interested in the idea. The majority of respondents readily agreed with the goal of cost-effective, space-constrained, accessible and reliable capsule hotels. Bangalore is very affordable compared to other states in India. Expensive and finding an affordable quality stay in Bangalore can be difficult. This is to be expected as India is a very price sensitive market.

Therefore it is safe to assume that the Indian market would very well welcome the capsule hotels to India if it provides what it promises. And more importantly how it is marketed becomes the next big question. This study has only scratched the surface of what could be expected of capsule hotels in India and that more research is always the answer to the unaddressed challenges that the capsule hotels will present.

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