THE IMPACT OF INTERNET MARKETING ON THE PROFITABILITY OF THE HOSPITALITY SECTOR IN THE EASTERN CAPE PROVINCE, SOUTH AFRICA

BY

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ABSTRACT

The application of internet marketing techniques has been widespread in the hospitality sector worldwide, with many hotels crafting websites for marketing purposes. However, there is still a debate and speculation on the impact of internet marketing on business performance and profitability. Given the well-recognised value of internet marketing in the hospitality and tourism industry, this study sought to examine the impact of internet marketing on the profitability of the hospitality sector in South Africa and to establish factors which influence internet marketing usage.

In order to achieve these objectives, a perceptual survey was conducted in graded hotels and lodges in the Eastern Cape province of South Africa. Multiple linear regression analysis and hierarchical regression analysis were used to determine the relationship between internet marketing and business profitability as well as the relationship between organisational and environmental factors and internet marketing usage. Based on the findings of this study, it is concluded that the use of internet marketing can positively influence business profitability. It is also concluded that internet marketing experience moderates the relationship between internet marketing usage and business profitability. The results also indicate that factors such as technological competence, managerial support, level of star grading and alliances significantly influence internet marketing usage. Thus, from the findings of this study, it was concluded that hotels and lodges can enhance their profitability through internet marketing usage.

Keywords: Internet marketing, hospitality and profitability

DECLARATION

I, the undersigned Rosemary Matikiti, hereby declare that this dissertation entitled the Impact of internet marketing on the profitability of the hospitality sector. Eastern Cape. South Africa, is my own original work, has not been and will not be submitted or presented for the award of any other Degree, diploma, fellowship or other similar title.

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Signature   Date

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DEDICATION

This work is dedicated to my dear son Kudzaishe. You are so special to me and to my husband, Alen.

To my special sister, Chipo, I also dedicate this work to you.

LIST OF ABBREVIATIONS

BSCA   Balanced Score Card Approach

CBM   Competence based model

DEAT   Department of Environment Affairs and Tourism

E-   Electronic

E-Commerce   Electronic Commerce

ECDM   Electronic-commerce Domain Matrix

E-mail   Electronic Mail

IT   Information Technology

ICTs   Information Communication Technologies

RBV   Resource Based View

ROE   Return on Equity

SPSS   Statistical Package for Social Sciences

TBCSA   Tourism Business Council of South Africa

TGCSA   Tourism Grading Council of South Africa

TSTT   Tourism Sector Technology Trends

THETA   Tourism, Hospitality and Sport Education and Training Authority

WWW   World Wide Web

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CHAPTER ONE:

INTRODUCTION TO THE STUDY

1.1 <u>INTRODUCTION AND BACKGROUND TO THE STUDY</u>

The widespread use of the internet facilitates greater opportunities to enhance efficiency and effectiveness of firms. It is widely recognised that Information and Communication Technologies (ITCs) such as the internet are rapidly expanding and have affected the way businesses are performed and the way organisations compete (Grandson and Pearson, 2004; Barnes and Hinton, 2007:1). The Tourism industry makes use of a diverse range of information (Ulhas, 2007:6) and a main user of these technologies. The technologies have affected the way tourism organisations conduct their business and, in particular, the way organisations market their tourism products.

The growth of the internet as a marketing tool has progressed daily since its inception. Over the last decade organisations in all sectors of the economy rushed to join the online business community and adopted the internet in their daily business activities (Barnes and Hinton, 2007:1). In the hospitality context, many companies (especially hotels) have aggressively adopted the internet as another marketing tool (Wei, Heif, Thomas, Combrink and Hubet, 2001: 45; Ulhas, 2007:6). Thus, the real benefits of this tool are of major concern to both managers and researchers in the hospitality sector.

The use of e-commerce technologies such as the internet offers opportunities for tourism firms to expand their customer base, build communication with customers and related partners in a more cost effective way (Kirvijavi and Saarinen, 1999; Lo and Darma 2000; Singh and Harmon, 2003; Ozituran and Roney, 2003; Shin, 2006). Although the impact of this new technology in tourism business performance has received considerable attention in the literature during the past years (Lo and Darma, 2000; Song 2005; Sunny, Kim and Jeong, 2004; Shin, 2006; Salwani, Marthandan, Norzaidi and Chong, 2009), its impact on business performance and profitability has rather been inconclusive. Research literature does not provide a reliable generalisation on the relationships between e-commerce usage and business performance (Powell and Dent- Micallef, 1997; Lo and Darma, 2000). Some studies (Sunny *et al.,* 2004; Ulhas, 2007; Salwani *et al.,* 2009) believe that internet marketing brings about high profitability, while others (Powell and Dent-Micallef, 1997; Kirvijavi and Saarinen, 1999;

Lo and Darma 2000; Singh and Harmon, 2003; Ozituran and Roney, 2003; Shin, 2006) found no relationship at all. Some researchers (Salwani *et al.*, 2009; Wen, Hau and Chang, 2005) indicate that the relationship between e-commerce and business performance is normally affected by the experience in which the business has used e-commerce. The conflicting results suggest that the relationship between e-commerce usage and business performance is much more complex than previously thought.

The purpose of this study is therefore to examine the impact of internet marketing usage on the profitability of the South African hospitality sector, particularly the hotel and lodging sector, an area which the researcher feels has received little attention. A considerable portion of the literature has emphasised the impact of internet marketing on business performance of different countries (Ozituran and Roney, 2003; Sunny *et al.,* 2004; Chaston and Mangles, 2003; Shin, 2006; Salwani *et al.*, 2009). However, there is very little published literature on the impact of internet marketing on the hotel and lodging sector in South Africa (Nothnagel 2006:183; Maswera, Davison and Edwards*,* 2008). To fulfil this gap, this study examined the relationship between internet marketing usage and business profitability in the South African hotel and lodging sector. Internet marketing usage in this study was used as an umbrella term encompassing the commonly used internet marketing methods which are e-mail marketing, web advertising, online branding as well as the use of search engines and newsletters for marketing hospitality services (Nothnagel 2006:26). The study did not include the newly developed internet features such as twitter and face book. The reason being that, this study used data from 2006-2009 excluding data for 2010 because of the World Cup Tournament which influences hospitality profit levels. It implies that during this period most hotels and lodges were not using these new features for marketing. Thus, usage was measured using the number of internet marketing methods that a company uses.

This study focuses on the graded hotels and lodges in the Eastern Cape Province of South Africa. There are several reasons for this choice. Firstly, as mentioned above, this sector has not been the central subject of study in this research area especially in South Africa. Secondly, during the last few years, hotels worldwide have become increasingly dependent on information technologies such as the internet for marketing

as well as to manage the diverse range of service provision, needed in a highly competitive and globalised market (Lo and Darma, 2000:2). Instead of conducting the study in a technologically advanced country, the researcher has chosen the developing economy with rapidly changing national information technologies. In terms of tourist demand, South Africa is as significant as any other tourist destination since it is one of the most popular destinations in Africa. Hence, the need to recognise the importance of information technologies such as the internet to remain competitive in the market is just as real as in other parts of the world.

Past research on internet marketing in South Africa concentrated on the utilisation or the role of e-commerce or the internet in tourism as a whole (Song, 2005; Elliott and Sewry, 2006; Maswera *et al.,* 2008; Elliott and Boshoff, 2009). Maswera *et al.* (2008) indicated that there is limited published literature concerning the impact of e-commerce in the South African tourism sector. As a result, there is no clear picture of the state of e-commerce adoption within the tourism industry of sub-Saharan Africa. A notable exception is research by Wynne*,* Berthon, Pih, Ewing and Napoli. (2002*)* that analysed the impact of the internet on the distribution value chain in the South African tourism industry. Verhoest *et al.* (2007) commented that previous studies on ICTs in South Africa have often limited themselves to the role of ICT *per se,* and failed to capture the critical role and complexity of the utilisation of ICT as a determining factor in shaping the impact on economic outcomes.

All across the African continent, it would seem that tourism is perceived as a major economic growth enabler (Hinson and Boateng, 2007). In South Africa, the hospitality and tourism sector has been identified as one of the priority sectors in the Government's micro-economic reform strategy of 2002 and continues to be one of the sectors that have shown substantial growth in terms of job creation and its contribution to the Gross Domestic Product (GDP). Currently, tourism which cuts across many sectors of the economy is estimated to have an overall contribution of about 8.4% of South Africa's GDP with the accommodation (hotels and lodges) being the key contributor (Tourism Business Council of South Africa Report, 2008). Approximately, the tourism sector contributes 7% of the total employment. In terms of internet adoption, the hospitality

sector has not been left behind, as it is evident from numerous hospitality properties that have established their own websites. Therefore, a study is needed which examines the impact of internet marketing on business profitability.

To address the gap, a study was then carried out to examine the influence of internet marketing usage on the profitability of South African graded hotels and lodges. To achieve this, an extensive literature review was first carried out to determine what constitutes internet marketing and which internal and external factors influence e-commerce usage (in this case internet marketing usage). The relationship between internet marketing usage and business profitability was then established. Since previous studies (Salwani et al., 2009; Wen, Hau and Chang, 2005) established that the relationship between e-commerce usage and business performance is affected by experience, internet marketing experience was including as a moderating variable in the hypothetical framework of this study. A moderator is a qualitative or quantitative variable that affects the direction and/or strength of the relationship between an independent variable and dependent variable (Muller, Judd, and Yzerbyt, 2005:39). The study then adopts the E-value model by Salwani *et al.*, (2009) and makes some minor adjustments in order to examine the pre-and post adoption issues of internet marketing. A perceptual survey was then carried out to establish the relationship between internet marketing usage and business profitability as well as determining internal and external factors which can influence internet marketing usage in the hotel and lodging sector of South Africa.

The introductory chapter of this study addresses a number of issues. Firstly, an introduction and background of the study is provided, including a brief discussion of the importance of hospitality and tourism sector to the South African economy. The purpose of the study is also provided in this section. Next, the research problem is defined and the research objectives, based on the problem statement, are clarified. A list of hypotheses formulated for this study is also provided. The significance of the study, limitations and delineations of the study are also highlighted in this chapter. Ethical considerations and the outline of the dissertation are provided. The research

methodology that was used to attain the anticipated objectives of the study also received attention.

1.2 <u>STATEMENT OF THE PROBLEM</u>

It is apparent that internet development and its application in tourism have attracted the attention of many researchers in both developed and developing nations. Many efforts have been devoted to establish the relationship between internet application and business performance. However, researchers have not yet reached a general conclusion on the impact of e-commerce or internet applications on business performance. Previous research present contradictory findings as some found a positive relationship between the two (Sunny *et al.,* 2004; Ulhas, 2007; Salwani *et al.,* 2009) and some found no relationship at all (Kirvijavi and Saarinen 1999; Powell and Dent-Micallef, 1997; Lo and Darma, 2000; Singh and Harmony, 2003; Ozituran and Roney, 2003; Shin, 2006). This implies that the impact of internet applications on business performance is still debatable and should be further researched.

While it is obvious that the South African hospitality sector has not been left behind in adopting internet, as it is evident from numerous hospitality properties that have established their presence on the internet, it is not clear yet whether the spread and utilisation of internet marketing has improved the profitability of the South African hospitality businesses. This is due to the fact that most previous studies (Song, 2005; Elliott and Sewry, 2006; Maswera *et al.,* 2008; Elliott and Boshoff, 2009) concentrated on the role and utilisation of the internet in the tourism industry without considering its effects on business performance. This makes it difficult to establish the real relationship between internet marketing usage and hospitality performance in South Africa. Thus, the research problem of this study emanated from the gap that exists due to the absence of general consensus on the relationship between e-commerce usage and business performance and absence of extensive literature on the impact internet utilisation in South African hotel and lodging sector. Therefore, this study provides information on the relationship between internet marketing usage and business

profitability of South African hospitality sector as well as the internal and external factors which influence internet marketing usage.

1.4 **OBJECTIVES OF THE STUDY**

The study is aimed at examining the impact of internet marketing usage on business profitability in the South Africa hospitality industry. In this regard, the study tends to analyse the relationship between internet marketing usage and business profitability, as well as the extent to which internal and external factors influence internet marketing usage as well as examining the extent to which internet marketing experience moderates the relationship between internet marketing usage and business profitability in the South African hospitality sector, which leads toward the primary objective of this study.

1.4.1 **Primary objective**

- To examine the relationship between internet marketing usage and business profitability in the South African hotel and lodging sector.

1.4.2 **Secondary objectives**

- To establish the internal and external factors which influence the level of internet marketing usage in the South African hotel and lodging sector.
- To examine the relationship between internet marketing usage and business profitability by considering the effects of moderating variables (i.e. internet marketing experience).

1.5 **HYPOTHESES**

By drawing upon previous studies and the E-value model by Salwani *et al.*, (2009), this study presents a research framework as outlined below, together with developed hypotheses, which guided the researcher in the execution of the research. This hypothetical framework is slightly different from the E-value model. The E-value model was designed to explain the relationship between e-commerce and business

performance whilst this framework concentrates on internet marketing usage and business profitability hence some variables on this framework are different from that on the E-value model.

Figure 1.1: Hypothetical Framework

Internal factors
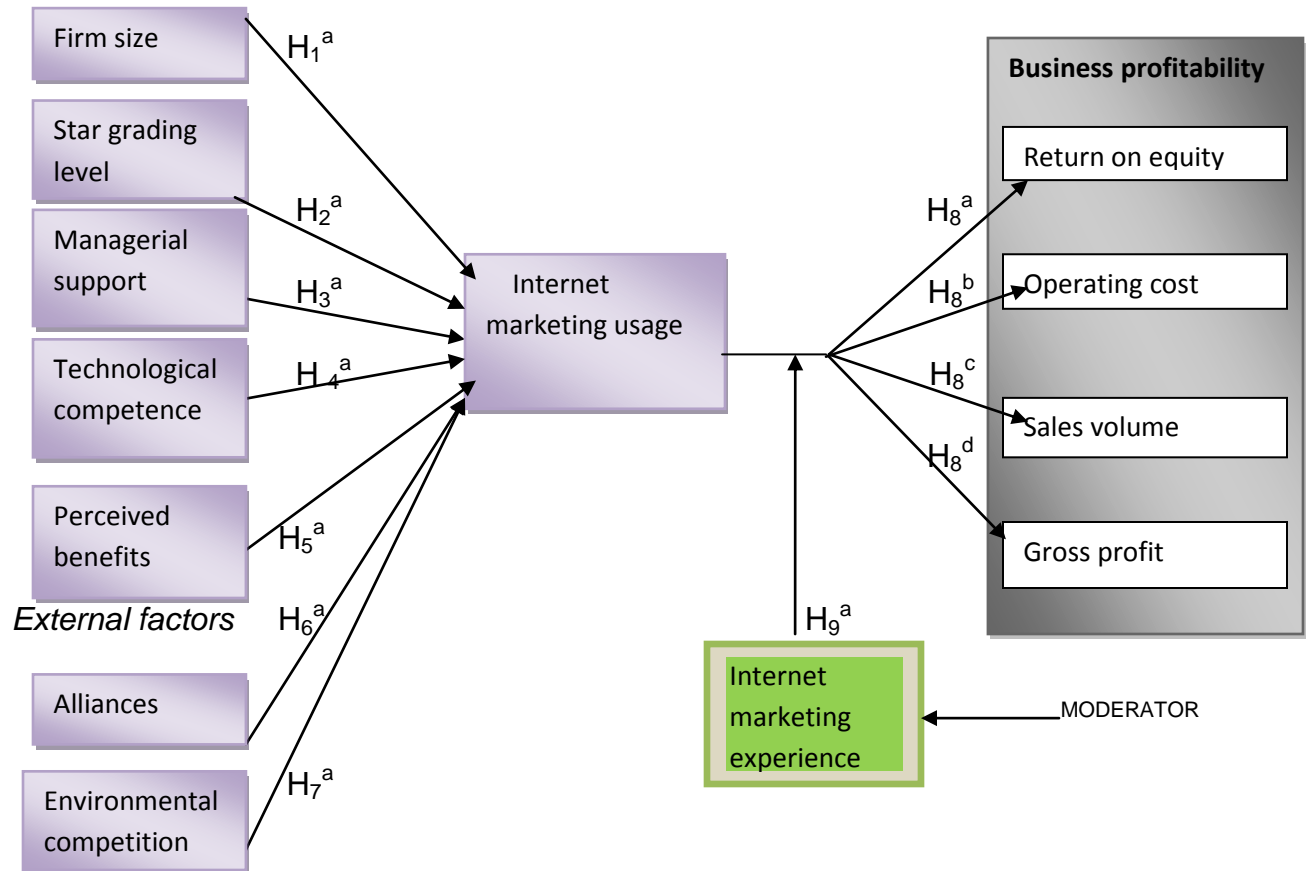
The study is based on two assumptions: the level of internet marketing usage is depended upon various internal and external factors and that, internet marketing usage significantly influence business profitability. The study is focussing on confirming these assumptions by testing the following hypotheses which are grouped into four categories namely: hypotheses concentrating on the internal factors that influence internet marketing usage, hypotheses concentrating on external factors that influence internet marketing usage, hypotheses concentrating on the influence of internet marketing on

business profitability and the hypothesis on the effect of internet marketing experience on the relationship between internet usage and business profitability.

1.5.1 Influence of internal factors on internet marketing usage

H_1^0: Business size does not significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.

H_1^a: Business size significantly explain variance in internet marketing usage in the South Africa graded hotels and lodges.

H_2^0: Level of star grading does not significantly explain variance in internet marketing usage in the South African graded hotels and lodges.

H_2^a: Level of star grading significantly explain the variance internet marketing usage in the South African graded hotels and lodges.

H_3^0: Managerial support does not significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.

H_3^a: Managerial support significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.

H_4^0: Technological competence does not significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.

H_4^a: Technological competence significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.

H_5^0: Internet perceived benefits do not significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.

H_5^a: Internet perceived benefits significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.

1.5.2 Influence of external factors on internet marketing usage

H_6^0:   The existence of alliances does not significantly influence internet marketing usage in the South African graded hotels and lodges.

H_6^a: Existence of alliances significantly influence internet marketing usage in the South African graded hotels and lodges.

H_7^0:   Environmental pressure does not significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.

H_7^a: Environmental pressure significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.

1.5.3 Impact of internet usage on profitability

H_8^0:   Internet marketing usage does not significantly influence business profitability for the South African graded hotels and lodges.

H_8^a: Internet marketing usage significantly influence business profitability for the South African graded hotels and lodges.

1.5.4 The effect of a moderating variable

In order to examine the effect of internet marketing experience on the relationship between internet marketing usage and business profitability, the following hypothesis was formulated.

H_9^0:   The relationship between internet marketing usage and business profitability is not significantly moderated by internet marketing experience.

H_9^a: The relationship between internet marketing usage and business profitability is significantly moderated by the internet marketing experience (years).

1.6 <u>SIGNIFICANCE OF THE STUDY</u>

A review of the literature shows that studies on the impact of internet marketing on the profitability of the hospitality sector have mainly been conducted in developed economies and little empirical research has been conducted in developing countries. Several efforts have been made (Sunny *et al.,* 2004; Ulhas, 2007; Salwani *et al.,* 2009) to monitor the impact of internet marketing on the performance, efficiency and profitability of businesses all over the world, however, as far as South Africa is concerned, little research work is done so far to measure the impact on internet marketing on the performance of hospitality sector. Therefore, this study focused on the impact of internet marketing on the performance of the South African hospitality sector.

It implies that, from an academic perspective, this study is very significant as it provides a range of baseline data for future research. Thus, this research serves as future reference for other e-commerce researchers especially in the area of internet marketing in South Africa. The study will also provide information on the current debate on the impact of e-commerce on business performance.

Research literature shows that, during the past decade, business from all sectors of the economy rushed to join the online business community. Many hospitality companies (especially hotels) have aggressively adopted the internet as another marketing tool. As of today, managers are still contemplating on the real benefits of adopting internet (Lo and Darma 2000:3). Researching on this area helps to provide answers to specific issues on the impact of utilising internet for marketing to business performance and profitability. Thus, this study can also be considered to be beneficial from a managerial perspective as this research can assist owners, managers and marketers of graded properties to have a better understanding of the benefits of internet marketing. Practically, the findings of this study will benefit hospitality properties in South Africa to appreciate the impact internet marketing could have on the performance and profitability of their business.

Since this study is examining internet marketing by considering the pre-and post adoption issues of internet marketing, the findings of this study will also assist hospitality

properties to recognise factors which influence the success of internet marketing and revise their internet marketing strategies, where possible.

Lastly, results of the study can help to put forth proposals on the benefits of internet marketing to the hospitality sector. Thus the findings of this study serve to not only inform decisions on the value of internet marketing but also to furnish firms in tourism and hospitality as well as firms of similar structure on how internet can be utilised for marketing purposes.

1.7 <u>DELINEATIONS AND LIMITATIONS OF THE RESEARCH</u>

This study was confined to graded hotels and lodges in the Eastern Cape Province only. No other graded properties in other parts of South Africa which use internet marketing were included. Ungraded hotels and lodges were totally excluded in this study because most of them do not use internet for marketing purposes.

Limitations are inherent in any academic work because a single study cannot cover all aspects and cannot cover everything perfectly (Hofstee, 2006:60). In this study, empirical data was obtained from employees of graded hotels and lodges. No other forms of accommodation that might be using internet marketing were included in this study which becomes the major limitation of this study.

1.8 <u>RESEARCH METHODOLOGY AND DESIGN</u>

Research methodology can be defined as the manner in which data is collected for the research conducted. McDaniel and Gates (2001:31) define it as the overall logic of the general strategy or basic plan of the approach used to obtain and analyse the information; this includes the method of selecting the subject of the phenomena studied. In any research it important to start by defining the area of study as it reveals the area in which the target population was drawn.

1.8.1 <u>The Survey Area</u>

The research was carried out in the Eastern Cape Province in East London, Port Elizabeth, Port Alfred and Grahamstown and surrounding areas. All these towns, except Grahamstown, are situated along the coast were tourist activities are prevalent and there are a number of hotels and lodges in comparison to other towns in the Eastern Cape Province (Joyce, 2006:89).

1.8.2 <u>Research Design</u>

Research design is an overall plan for the methods to be used to collect and analyse the data of a research study (McDaniel and Gates, 2001:32). Determining the appropriate research design is a function of the research objectives and information requirements for the study. Most research objectives can be achieved by using three types of research design, namely: exploratory, descriptive or causal research design.

Causal research design was used for this study because the researcher's intention was to collect raw data and create data structures and information that will allow the researcher to model cause-and-effect relationship between two or more variables. Mc-Daniel and Gates (2001:33) also indicate that quantitative research methods are more directly related to casual research designs than to exploratory designs. Within the scope of causal research design the researcher utilised the survey research method. Duncan (2002:134) mentions that a survey method involves interacting with respondents to obtain facts and opinions or research procedures for collecting large amounts of raw data using question and answer formats, and are associated with causal research situations. Answers to survey questions can be represented in a numerical form and subjected to various kind of analysis.

1.8.3 <u>Research method</u>

Methods for collecting data have generally been classified into two broad categories, qualitative and quantitative research methods. This study used the quantitative research method. The quantitative research method uses formalised, standard and structured questioning where the response options have been predetermined by the researcher and the collected data will result in numerical counts from which statistical inferences

can be drawn. The researcher's intention in this study was to reach a large number of respondents, collect quantitative data and make statistical inferences instead of monitoring behaviour.

1.8.4 <u>Data gathering Techniques</u>

The term research technique refers to the way in which the data is collected from the intended respondent. Either field research or desk research can be carried out. Primary and secondary data was collected during this study, thus the research made use of both field and desk research even though more of the information was obtained through field research. The questionnaire was the main technique and instrument used for this study. Open-ended, close-ended and multiple choice questions were used. Open-ended (unstructured) questions are useful when the researcher is unsure of the response (McDaniel and Gates, 2001:31). On the other hand, close-ended (structured) questions provide data that can easily be coded as figures and interpreted in the same way by all respondents. Questionnaires were delivered to the respondents, by the researcher, through two main methods, namely; the drop-off method and e-mail method since all the graded accommodation types have websites and e-mail addresses. This measuring instrument (questionnaire) was chosen for this study because it is easy to analyse and data entry and tabulation for nearly all surveys, can be conducted easily through the use of various computer software packages. Marketing managers, accounting personnel and general managers were selected to complete the questionnaires.

1.8.5 <u>Population</u>

A population can be defined as a set of all objects that posses some common set of characteristics with respect to a marketing research problem (Mc Daniel and Gates, 2000:32). The population of this study composed of all graded hotels and lodges in the four selected towns of the Eastern Cape Province mentioned above. The website of the Tourism Grading Council of South Africa (TGCSA) indicates that there are 80 graded hotels and lodges in the four selected towns of the Eastern Cape Province (Tourism grading council of South Africa, 2008).

1.8.6 Sampling

One of the first steps in designing quantitative research is to choose the objects from which data is collected (Belch and Belch, 2004:89). In this instance, these are the individuals who participate in the study. Since all the graded hotels can be identified from the TGCSA's website, a census was used since the population of interest is identifiable. According to McDaniel and Gates (2001:49) a census involves data obtained from every member of the population that is of interest. Thus all the graded hotels and lodges were included because every element of the target population has a known and equal probability of inclusion in the sample.

1.8.7 Data analysis

This can be defined as the process of gathering and transforming data with the goal of highlighting useful information and suggesting conclusions. Collected data was tabulated for easy interpretation and, where possible, graphs were used to display the collected data. The Statistical Package for Social Sciences (SPSS18) was used for data analysis because of its ability to analyse both qualitative and quantitative data as it incorporates the use of a number of statistical data analysis formulas.

1.8.8 Statistical procedure

In this study, multiple regression analysis was used to identify the relationship between the variables. Multiple regression analysis is a flexible method that may be appropriate whenever a dependent variable is to be examined in relation to any other factors (independent variable). Linear regression analysis and hierarchical regression analysis were used to test the relationship between internet marketing usage and business profitability, and to test the effect of the moderator. Cronbachs alpha was used to measure the reliability of the measurement instrument. Collected data was analysed through the aid of the statistical department of the University.

1.9 <u>ETHICAL CONSIDERATIONS</u>

Ethics are norms or standards of behaviour that guide moral choices about behaviour and relationship with others (Hair, Ortinau and Bush, 2006:45). The main aim of ethics in research is to ensure that no-one is affected or harmed from research activities. This is the reason why a privacy statement needs to be included in any research. A privacy statement is important not only to retain the validity of the research but also to protect the respondents (Van der Merwe, 2003:178). Confidentiality of survey answers is an important aspect of the respondents, right to privacy. The privacy statement of this study is shown on the measuring instrument (see Appendix 1).

1.10 <u>OUTLINE OF THE RESEARCH REPORT</u>

Chapter One: (Introduction and background to the study)

This chapter constitutes the introduction to the study and the background to the topic of internet marketing. This chapter indicates the researcher's point of departure and the direction the researcher will take. It states the research objective, hypotheses, problem statement and significance of the study.

Chapter Two: (Overview of South African Hospitality and Tourism sector)

This chapter discusses the significance of the hospitality and tourism industry to the South African economy. It also discusses the function of the Tourism Grading Council of South Africa and gives an explanation of the star grading system. The characteristics and components of tourism are also explored. Factors influencing performance of the hospitality sector will also be provided. This chapter marks the beginning of literature review.

Chapter Three: (Perspective on the relationship between E-commerce and business performance)

The chapter presents both theoretical and empirical literature regarding the aspect of internet marketing. Thus it presents theories and models for e-commerce and some insight into what has already been studied on the topic of internet marketing. It further

explains the internet and marketing strategies as well as the benefits of internet marketing. Internet adoption and usage trends are also discussed in this chapter.

Chapter Four: (Research methodology)

This chapter explains how the research was carried out, which methods are used to collect data and details regarding the target population.

Chapter Five: (Research findings and data analysis)

This chapter shows the findings of the research and analyses and interprets data. Tables and graphs are used for data presentation.

Chapter Six: (Conclusions and recommendations)

This chapter provides research conclusions, possible recommendations and theoretical implications of the study. It concludes by highlighting areas of further research and limitations of the study.

1.12 <u>SUMMARY</u>

This chapter has considered the introduction and background to this study. The motivation for this study is based on the facts that researchers are presenting contradictory findings on the issue of e-commerce usage and business performance and that there is little published literature regarding the impact of internet marketing on the profitability of the South African hotel and lodging sector. The primary focus of the study is to examine the effect of internet marketing usage on the profitability of hospitality firms in South Africa. The objectives of the study and the research hypotheses were also stated. The significance of the study as well as the delineations and limitations of the research were also explained. This chapter finally highlighted the research methodology used for this study.

The next chapter forms the initial literature review that has been clearly synthesized to provide support for this study. This chapter covers the significance of the hospitality and

tourism sector to the South African economy. Its contribution to South African employment is also highlighted. Factors affecting performance of the hospitality sector are also highlighted and an overview of all towns that were selected for this study is given. A section is provided explaining the aspect of demand and supply in tourism and the characteristics of hospitality services are explained. The chapter concludes by giving an explanation of the function of the Tourism Grading Council of South Africa.

CHAPTER TWO:

AN OVERVIEW OF THE SOUTH AFRICAN HOSPITALITY AND TOURISM SECTOR

2.1 <u>INTRODUCTION</u>

The introduction and background to the study was explained in the previous chapter as well as the objectives of this study. This chapter is mainly concerned with the overview of the South African hospitality and tourism sector. Firstly; the significance of the hospitality and tourism in South Africa is highlighted. This is followed by a section which explains the hospitality and accommodation sector and its contribution to the South African economy. An overview of supply and demand in the context of hospitality and tourism is discussed next. After this, a section which explains the characteristics of the hospitality services/products is provided. Factors affecting the performance of the hospitality and tourism sector are also provided in this chapter. The last section of the chapter considers the functions of the Tourism Grading Council of South Africa (TGCSA). The chapter concludes by giving a summary of the chapter.

2.2 <u>SIGNIFICANCE OF HOSPITALITY AND TOURISM SECTOR IN SOUTH AFRICA</u>

A range of features contribute to making South Africa an attractive tourist destination. South Africa's scenic beauty, magnificent outdoors, sunny climate, cultural diversity and reputation for delivering value for money, have made it one of the world's fastest growing leisure - and business - travel destinations (Tourism Business Council of Southern Africa, 2008).

The country is diverse in terms of its climate, culture, tourist activities and infrastructure, catering for every tourism niche, from business, eco- and cultural tourism through to adventure, sport and paleo-tourism, accessible wildlife, a well developed infrastructure and virtually unlimited opportunities for special interest activities such as whale watching, white water rafting, hiking, bird watching, bush survival as well as hunting and diving (Department of Environmental Affairs and Tourism DEAT, 2007). All these features contribute to making South Africa a more favourable destination than other African countries. The former Minister of Environmental Affairs and Tourism, Mr Mohammed Vali Moosa, mentioned that South Africa is one of the best performing international tourism destinations in the world and it also plays a vital role in the South

African economy and employment creation (Department of Environmental Affairs and Tourism, 2007). The next two sub-sections explain the contribution of hospitality and tourism to the South African economy and employment.

2.2.1 <u>Contribution to the South African economy</u>

The hospitality and tourism sector has a huge potential for job creation and offering an opportunity to develop less favoured regions. It could be used as an activator for related industries due to investments and efforts that have been spent on infrastructure, plants and capital equipment from suppliers (Tourism Sector Technology Developments Trends, 2004). The significance of hospitality and tourism in South Africa is also evident from an economic point of view. Currently, tourism (which cuts across many sectors of the economy) is estimated to have an overall contribution of about 8.4% to the Gross Domestic Product (GDP) of the country with the accommodation sector (hotels and lodges) as the key contributor. The accommodation sector constitutes the largest part of the hospitality industry which implies that the hospitality sector is vital to the South African economy (Tourism Business Council of Southern Africa, 2008).

International travel to South Africa has surged since the end of apartheid. In 1994, the year of South Africa's first democratic elections, only 3.9 million foreign visitors arrived in the country (Ministry of Environment affairs and Tourism and, 2008). By 2004, international arrivals had more than doubled to 6.7-million. In 2007 a total of 9.07-million foreigners visited South Africa - an 8.3% increase over 2006 - as the country broke its annual tourist arrivals record for the third year running (Department of Environment Affairs and Tourism, 2007). Figure 2.1on the next page shows the country's increase in international tourist arrivals since 1997.

Figure 2.1: International Tourist arrival (in millions)
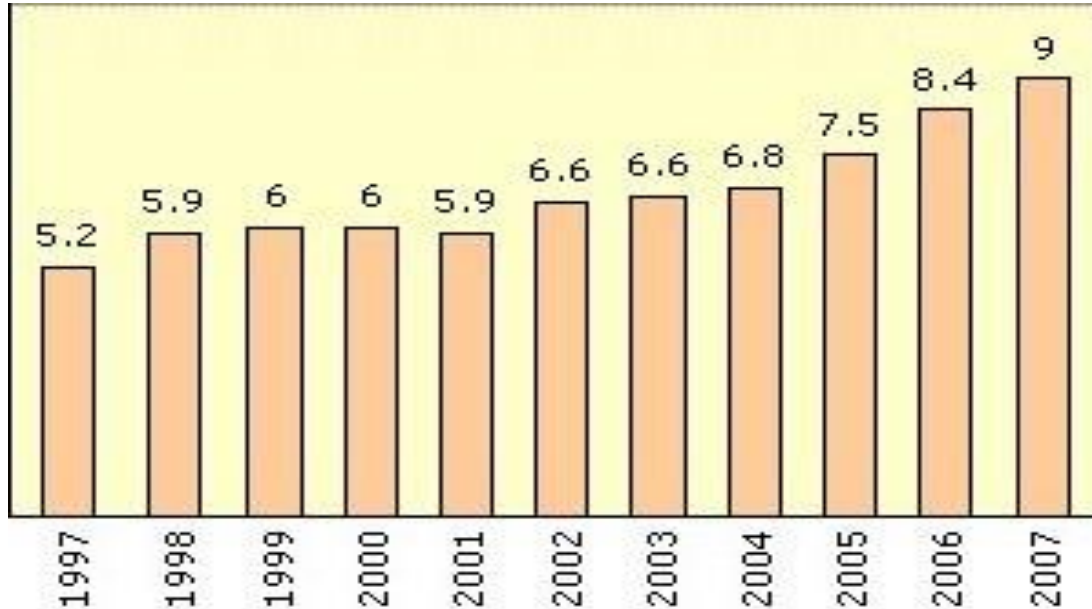
(Data source: <u>Department of Environment Affairs and Tourism</u>: 2007)

South Africa's tourism boom has had a predictable knock-on effect on the performance of the country's hotels. In its latest tourist accommodation survey, Statistics South Africa (Stats SA, 2006) reported a 6.4% increase in occupancy rate at hotels, lodges and other forms of accommodation in 2006 as compared to 2005. Occupancy increased from 17 227 200 to 18 330 900 individual stays. Income gained from accommodation totalled almost R1.3-billion in 2006, according to Stats SA, which signals an increase of 17.7% over 2005. The major contributors to the increase were hotels (10%), other accommodation (4.9%) and guest houses (2.9%) (Department of Environment Affairs and Tourism, 2007).

Tourism and hospitality, along with bio-fuels and business process outsourcing, have been identified as key-high-growth potential areas in the governmental Accelerated and Shared Growth Initiative for South Africa (ASGISA). This initiative seeks to raise the country's economic growth rate to 6% and halve poverty and unemployment by 2014.

In the hospitality and tourism sector the multiplier effect is evident. Thus, tourists who visit an area, spend money to reach their destination, then on accommodation and food.

This causes a ripple effect, because the original money spent is recirculated into the local economy which boosts the overall income. According to the World Tourism Organisation (WTO), the money spent by vacationers is the main source of income for almost 40% of the world's countries (Van der Merwe, 2003:113).

2.2.2 <u>Contribution to the South African employment</u>

In general, statistics on hotels are highly problematic. Hotels report their employment data to South Africa Tourism through the accommodation process, but not all hotels report their employment data (Trade Union Research Project, 2001). This being the case, the Tourism, Hospitality and Sport Education and Training Authority (THETA) uses estimates. Tourism contributes approximately 7% to employment in South Africa (THETA report, 2010), both directly and indirectly. It is characterised by small and medium-sized enterprises which have been identified as catalysts for job creation and generally growing the economy (Elliott and Boshoff, 2008). The World Travel Tourism Council has predicted that the hospitality and tourism industry will continue to grow steadily through the years and continue to contribute to the world's employment.

With the influx of tourists to an area, an increase in local employment (directly and indirectly) and stimulation of local and regional economy can be observed (Van der Merwe, 2003:34). The greater the number of jobs created, the lower the level of unemployment which will ultimately lead to a healthy economy. The higher the number of tourists visits an area, the greater the amount of money spent, which helps to create more jobs and a higher standard of living. The total employment contribution of the tourism and hospitality sector is sometimes difficult to compute since the sector interrelates with a number of sectors. Statistics South Africa provides the distribution of employment within the tourism industry as a whole. Table 2.1 on the next page shows the distribution of employment within the tourism industry.

Table 2.1: Distribution of employment within the tourism sector

Sector	Employment in (%)
Sport recreation services	6%
Food and beverage	13%
Travel agency	2%
Retail trade and tourism connected goods	33%
Transport equipment rental	1%
Accommodation	15%
Passenger transport	30%

Source: Statistics South Africa (2006)

Table 2.1 above shows that the accommodation sector (hotels, lodges, guesthouses, caravan parks and bed and breakfast establishments), contributes 15% towards the total employment in the tourism sector. Although the accommodation sector does not contribute the highest percentage, it holds the third position out of seven sectors that were chosen by Statistic South Africa, to represent the tourism sector. The hospitality and accommodation sector is further explained in detail in the next section.

2.3 THE HOSPITALITY AND ACCOMMODATION SECTOR

Hospitality refers to that sector of the tourism industry which provides food and shelter to the tourist (Keyser, 2002:178). Normally it comprises two parts, accommodation and catering (or food and beverage services). George (2001:18) describes the hospitality sector as those commercial activities which offer consumers accommodation, meals and beverages when they are away from home.

Accommodation refers to the temporary home of a tourist (Keyser, 2002:168). Accommodations may range from hotels of international standards to bed-and-breakfast establishments, self catering apartments and camping grounds (Van der Merwe, 2003:46). Accommodation is also classified as graded or non-graded (Bennet, Jooste and Strydom, 2005:45). Graded accommodation refers to those facilities that are given star ratings by the Tourism Grading Council of South Africa (TGCSA), depending

on the service they offer. They range from hotels, motels, guest houses, lodges, bed-and-breakfast and any other type of accommodation that provides services (Bennet *et al.*, 2005: 46). The significance of the hospitality and tourism sector has been explained above, but there is a need to explain the significance of the hospitality sector individually as this study is centred on the hospitality sector.

2.3.1 <u>Significance of the hospitality sector</u>

In South Africa the hospitality sector generates R179 billion of economic activity and 445 000 jobs through direct employment and a grand total of 1 011 000 jobs, representing 7.6% of total employment (THETA report, 2010). The THETA report also indicates that despite the global economic slowdown, the hotel sector in South Africa continued to record significant growth which is indicated by expansion in hotel rooms and rapid expansion in non-hotel accommodation as well as product proliferation. The Tourism Business Council of Southern Africa (TBCSA) indicated that there are more than 40 430 enterprises in the hospitality sector. Most of these employ fifty or fewer employees.

The hospitality and tourism industry is the lifeblood of less developed nations with no other major industries (Van der Merwe, 2003:34). For this reason, it should be considered a major industry in South Africa, which is classified in the category of developing countries in need of foreign exchange. The growth of the sector is also being recognised by leaders, for instance the current Minister of Tourism, Marthinus Van Schalkwyk said that the South African influx of tourism grew by 3.6% despite of the recession in 2009. He added that South Africa outperformed most international markets in 2009 and believes that it strongly reaffirms the vitality of the hospitality tourism industry (Daily Dispatch, 2010: March 06).

Given the above scenario, it is important to examine the hospitality sector in the Eastern Cape Province, which is one of the provinces with major tourist attractions and accommodation facilities (Joyce, 2003:6) and contributes great deal to the South African Hospitality industry.

2.3.2 Hospitality in the Eastern Cape Province

The Eastern Cape Province, though considered to be one of the poorest provinces in South Africa, offers a wide range of tourist activities. It is regarded as South Africa's "wild" province which features expanses of untouched beaches due to the Indian Ocean which stretches along the borders of the province (see Appendix five) and also has forests that yield a plethora of visitor's activities and attractions. Stretching from the often snow-capped peaks of the southern Drakensburg to the lush forests of the Tsitsikamma and flanked by the Indian Ocean, it is not surprising that the Eastern Cape is described as a province of great extremes (South Africa tourism, 2008). According to South Africa Tourism (2008) the Eastern Cape Province is where one can enjoy the finest beaches, game reserves teeming with wild life, art galleries, museums, clubs, golf clubs, diving and riding schools, restaurants, hotels for various tastes and shopping centres to round off the tourist experience.

In addition, Daimler Chrysler South Africa (DSCA) is located in one of the cities in the Eastern Cape Province (East London), which contributes to the popularity of the area, not only amongst the local community, but even to the international community. For instance, Germans visit this town regularly to explore this company since they hold some shares in the company and it is also known to hold an annual Christmas market where traditional fare is sold (South Africa Tourism, 2008).

A study by Rogerson and Visser (2006) reveals that the Eastern Cape Province is frequently visited by international tourists from Sweden, Germany, the Netherlands, the United Kingdom and Canada. According to the South African Tourism (2005), 34.8 % of the visitors from Sweden visited the Eastern Cape Province in 2005, 33.3 % of the visitors from Germany visited the Eastern Cape, 22.6% visitors from the United Kingdom visited the Eastern Cape in 2005 and 20.4 % of visitors from Canada visited the Eastern Cape Province   in 2005.

The following section gives a brief description of the towns that were selected as the main research sites for this study, as well as a justification for their selection.

- **Port Elizabeth (PE)**

Port Elizabeth Nelson Mandela Bay, a coastal city, has long stretches of white beaches and its historical significance has made the city popular to visitors. PE, as it is fondly known, is a vibrant city, with large shopping areas, flea markets, great restaurants, upscale hotels, museums and a forty-five thousand capacity World Cup stadium. It has always been a family destination, so there are activities for both young and old (South Africa Tourism, 2008). It is the largest city in the Eastern Cape Province, followed by East London. It is situated in one of the most densely populated and wealthy regions in the nation, making it an ideal location for businesses to thrive. According to Statistics South Africa (2006), the city has over one million people residing in it. The amazing beachfront is the venue for the annual Splash festival and world Boardsailing Championships. These activities attract many visitors during scheduled periods. The Nelson Mandela Metropolitan University which is situated in this city, also contributes in attracting visitors as well as the Ironman race which is performed annually, in this city also helps to attract visitors.

This town is characterised by a number of hotels and lodges that are graded. It has a large number of upscale hotels (4-5 stars) in comparison to other towns in the Eastern Cape Province. A number of lodges are found in the surrounding areas of this city which makes it a good research site for this study.

- **East London**

This city is situated on the Indian Ocean coast, between the Buffalo River and the Nahoon River, and is home to the country's only river port (Joyce, 2006:20). East London has a population of two hundred and fifty thousand, with over seventy thousand in the metropolitan area (South Africa Tourism, 2008). East London is the second largest industrial centre in the province with the motor industry being the dominant employer. The Daimler Chrysler company located in this city, makes it extremely popular to both international as well as local people. In terms of transport links, the city has good transport links with the rest of South Africa. Hotels and lodges are found in

this city and in its surrounding areas in order to cater for the accommodation needs of the tourist.

- **Port Alfred**

Port Alfred is a most sought-after holiday destination and is known for its wonderful climate, endless pristine beaches, magnificent deep sea and river fishing and the laid-back lifestyle so beloved by all visitors (Joyce, 2006:120). The town is characterised by a number of hotels and lodges which offer food, beverages and accommodation to tourists.

- **Grahamstown**

Unlike the other towns mentioned above, Grahamstown is not located along the coast line, but does have some hotels and lodges that offer accommodation to tourists visiting the Eastern Cape Province. The town boasts a variety of accommodation to suit all tastes and pockets, ranging from luxurious five-star hotels and lodges to cozy bed and breakfast establishments in its surrounding areas. Rhodes University is also situated in this town, which also makes it a popular town to visitors.

The nature and importance of the hospitality and tourism sector have already been discussed above, receives attention in the following section is the supply and demand in the context of hospitality and tourism.

2.4 UNDERSTANDING SUPPLY AND DEMAND IN THE CONTEXT OF HOSPITALITY AND TOURISM

Demand is the term applied to that portion of a market that is interested in purchasing a product and has the means and desire to do so (Kindampully, 2007:135). The degree of demand for travel to a particular destination is of concern to all players in the tourism industry. The reason for this is that the greater the number of tourists visiting an area, the larger the amount of money that will be spent, thereby stimulating the economy and creating jobs and wealth (Van der Merwe, 2003:32).

Lubbe (2003:8) identifies three main types of demand, namely: actual, suppressed and latent demand. Actual demand refers to demand coming from tourists who are involved in the actual process of tourism. The second type is the so-called suppressed demand created by people who are unable to travel due to circumstances beyond their control. The third type is latent demand. It refers to the spatial and temporal expression of demand at a specific site, for example, demand for tourist accommodation or a tourist service at a specific destination.

Tourism is essentially a demand-and-supply relationship, concerned with satisfying the needs of a tourist by providing a range of facilities and amenities often grouped together in destination areas (Kindampully, 2007:39). Consequently, the hospitality sector (hotels and lodges in this study), facilitates the provision of accommodation, food and beverage services to tourists. This satisfies the supply side of the equation. However, it is imperative for the hospitality sector to stimulate demand in an area. Demand can only be stimulated if the tourism and hospitality sector have a sound knowledge of their markets or potential markets so that they can plan for the right product and select the correct marketing communication channel.

Tourists take a holiday in the hope that these holidays will satisfy, either partially or wholly, various needs and desires (Nothnagel, 2006:42). It is the task of the marketer to transform needs into desires by making the individual aware of the various ways in which his or her needs can be satisfied. Travel motivation happens when the tourist has enough information about a particular destination. Today the internet plays a crucial role in providing enough information, as well as providing graphical presentations of a destination, which allows the viewers to explore the product and service based on their needs and interests (Anton, 2000:21). Thus, this sector can make use of the internet to stimulate demand.

However, there are a number of factors that influence the flow of tourists to various destinations. Factors such as political instability, currency fluctuations and increase in crime rate, can negatively affect a destination, while popular events, historical happenings and outstanding marketing have the potential to heighten the demand for certain destinations (Lubbe, 2003:6).

Supply refers to the quantity of products available on the market. Keyser (2002:167) mentioned that hospitality firms supply a variety of facilities, products and services for the enjoyment, comfort, entertainment, movement and consumption of tourists. In this instance, hotels and lodges have a duty to provide the tourist with the services necessary for their holiday experience.

2.5 <u>CHARACTERISTICS OF HOSPITALITY AND TOURISM SERVICES</u>

Hospitality and tourism is primarily a service-based industry and the principal products provided by businesses in this sector are recreation as well as hospitality. These intangible products are more difficult to market than tangible products (Edward and Gary, 2002:3). In addition, the products have some characteristics which are different from a manufacturing firm's products and this causes the marketing of this industry to differ from that of other industries. Subsequently, tourism possesses certain features that make it an industry suited to the application of e-commerce (Kindampully, 2007:60). The four characteristics of the service industry are shown in Table 2.2 on the next page.

Table 2.2: Characteristics of hospitality services

Characteristic	Explanation
Intangibility	• Services cannot be seen, tasted, felt, heard or smelt before they are purchased. • Buyers look for tangible evidence that will provide information and confidence about the service.
Inseparability	• Customer-contact employees are part of the product. • Customers and employees must understand the service delivery system.
Variability	• Services are highly variable. • Services are produced and consumed at the same time. • Lack of consistency a major source of customer disappointment.
Perishability	• Services cannot be stored.

Source: Kindampully (2007:60)

Because the service is *intangible,* this increases the complexity for potential tourists in acquiring product knowledge in advance of the purchase. The hospitality marketer has a challenge of promoting the intangible benefits of tourism, such as relaxation, entertainment and education as well as aiming to make the intangible aspects seem more tangible (Van der Merwe, 2003:14). Destination images play a significant role in travel motivation. An individual's perception of a holiday destination is conditioned by the information available at the time of decision-making. Since tourism is an intangible product, destination images are of crucial importance, because tourists will use this information to base their decisions about the destination upon. Therefore, the use of the internet can help the hospitality marketer to overcome this challenge.

Unlike manufacturing products, tourism services are produced and consumed simultaneously thus making service and consumption *inseparable*. Thus, in the tourism industry, customers will often be involved in the creation of a service (George, 2001:20). This has implications for the way in which the offering is delivered, because employees

and consumers have to be present when the service is consumed. Gronroos (2006:3) mentioned that the consumer's influence upon the service offering is twofold. The consumer him/herself takes part in the production, process and, consequently, has an impact on what he/she gets in return. On the other hand, the consumer simultaneously buys or consumes a service and influences the service offering. Improper service delivery can affect the marketing efforts of a company as it will affect the entire experience.

Hospitality and tourism services will be different (*variability*) each time they are consumed, because humans produce them (George, 2001:21). The service that one tourist experiences today may be completely different from what another tourist will experience the next day since service providers cannot provide the same level of services every day. It can thus be deduced that, customers may have different needs, perceptions, expectations and emotions causing the service to vary according to the situation. Many hospitality and tourism companies strive to offer consistent standards, but because people are involved, a consistent standard can never truly be realised (Van der Merwe, 2003:14).

There is a finite period during which the sale and consumption of a service can occur (Petkus, 2002:51). If the period has lapsed, the revenue that could have been earned by providing the service is lost. Thus, marketers try by all means to sell the service within the stipulated period to avoid revenue loss. This requires intensive and proper marketing strategies to achieve marketing objectives. Thus, the characteristics of hospitality services/products make the marketing of the industry slightly difficult, compared to that of manufacturing firms. Besides these characteristics, the components of the hospitality sector also cause the marketing of this sector to be more complex than that of the manufacturing sector.

Since the characteristics of the hospitality product have been explained, the components of hospitality and tourism, which also contribute to the complexity of marketing the sector, are explained below.

2.6 COMPONENTS OF HOSPITALITY AND TOURISM

As an industry, hospitality and tourism has many components, comprising the overall "travel experience". Along with transportation, it includes food and beverage services, entertainment, aesthetics and special events (Edward and Gary, 2002:61). Hospitality components consist of attractions, facilities, infrastructure, transportation and hospitality resources (Feng, Alaistar, Joseph and Ismali, 2004:5). It is rare for one business to provide a variety of all activities or facilities tourists need or desire. This adds to the difficulty of marketing, maintaining and controlling the quality of the experience.

For instance a hotel can effectively market the services offered by the establishment, but along the way to the establishment, a customer can have a bad travel experience which will affect the whole marketing campaign. Unlike tangible goods, the item to be purchased is not affected by the travel experience. Each of the above mentioned components can affect marketing efforts in a different way.

Knowles (1998:89) explains in what way the destination can be affected by the components/elements of the tourist experience. According to Knowles (1998: 89), the hospitality and tourism experience includes five elements which are linked as shown below in Figure 2.2.

Figure 2.2: Five elements of the tourism experience

Trip planning and anticipation

↓

Travel to the site

↓

Experience at the site

↓

Travel back home

↓

Recollection
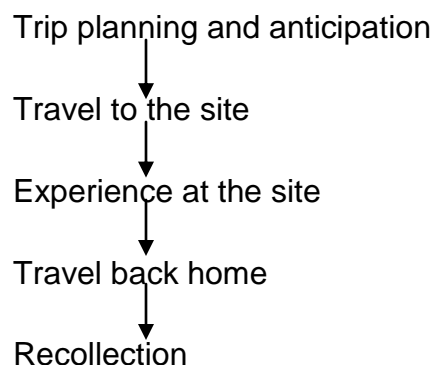
Source: Knowles (2008:89)

Figure 2.2 indicates that, these five elements can affect the marketing efforts of the hospitality sector either positively or negatively (Knowles, 1998:89). Thus, a bad experience at a site can affect the whole travel experience, which in turn affects the marketing efforts of the establishment. Because each stage can be affected by the previous stage, businesses in the hospitality sector should look for ways to enhance the quality of the overall experience in order to achieve marketing objectives effectively. This is where the internet fits in, by providing trip planning packages in the form of web adverts which include maps (to help the tourist during the planning stage), providing information regarding lodging, food quality, souvenirs and mementos (Edward and Gary, 2002: 67).

Service marketing, therefore, is to invite customers to use the service process by making promises about value that can be expected to be captured from the service, and to implement these processes in a way that allows customers to perceive that value is created in the process (Gronroos, 2006:9). Thus, internet marketing can support every step of the customer's journey from the early stages of raising awareness of a brand, through the sale itself and into the sales service stage.

2.7 FACTORS AFFECTING THE PERFORMANCE OF HOSPITALITY AND TOURISM

The performance of the tourism and hospitality sector can be affected by events such as the terrorist attacks on the World Trade Centre on 11 September 2001. Mass travel cancellation by tourists caused panic for the global tourism business (Van der Merwe, 2003:36). The World Tourism Organisation indicated that Americans are the world's largest-spending tourists, followed by Germans and the Japanese. Therefore, if the market that makes the most significant contribution to tourism is affected, great harm could be caused to the global tourism industry (Van der Merwe, 2003:36).

South Africa's constraints that could diminish its tourism growth, can be summarised as lack of skills and knowledge, perceptions of crime and violence, which affects the security and currency volatility (Tourism Sector Technology Developments Trends, 2004:4). Performance is also affected by the fact that marketing spending is fragmented

and insufficient and limited tourism education, training and awareness (Tourism Sector Technology Developments trends, 2004:4). A survey on the South African Hotel Marketing Sentiment (2009) revealed that the Global Economic Crisis and Global oil prices are some of the factors that have affected the performance of hotels in South Africa for the past four years. The survey concluded that the worsening economic crisis has the most harmful impact on hotel performance.

For instance, the outbreak of swine flu has affected the movement of people from one country to another. The xenophobic attacks witnessed in South Africa in May 2008, had a negative impact on the performance of the hospitality sector in general, since tourists were scared to enter the country. It is known that security and hospitality are the two key elements bringing people to a destination. However, there is no documented evidence as to whether these events have really impacted on the performance of the hospitality sector.

Since this study is centred on the South African graded hotels and lodges, the following section discusses the Tourism Grading Council of South Africa and its function.

2.8 <u>FUNCTION OF THE TOURISM GRADING COUNCIL OF SOUTH AFRICA</u>

The Tourism Grading Council of South Africa (TGCSA) was established in September 2000 by the Minister of Environmental Affairs and Tourism, with the main purpose of improving the quality of tourism establishments in the South African tourism industry (Bennet *et al.,* 2005:45). TGCSA is a dynamic organisation that ensures the standard of quality of accommodation and conference venues, (Meetings, Exhibitions and Special Events (MESE) is met throughout South Africa. This is achieved by literally "putting the stars where they belong". TGCSA provides a rigorous framework and process for the grading and implementation of its star grading system. The stars awarded are an important recognition of an establishment's quality (Tourism Grading Council of South Africa, 2008). A definition of star grading is provided below to clarify the meaning of grading.

2.8.1 The essence of star grading

TGCSA defines star grading as an independent assessment of what guests can expect to find at an accommodation establishment or conference venue. It is based on overall quality and takes into account the facilities one would expect to accompany a particular star grading (Tourism Grading Council of South Africa, 2008). Star Grading is denoted by one to five stars, five stars serving as indication of the very best of quality. Grading takes into account the type of accommodation hotel, guest house, country house, bed and breakfast establishment, backpacker and hostelling, camping and caravan park or conference facility, MESE and lodges.

The function of TGCSA and star grading has been explained which means that the next step should be to describe the star grading system. Table. 2.3 on the next page contains a brief description of what each star level used by TGCSA represents for graded accommodation.

Table 2.3: The national star grading system for serviced accommodation properties

Star grading classification	Description
★	Fair to good (acceptable/modest) quality in the overall standard of furnishings, service and guest care. Clean, comfortable and functional accommodation.
★★	Good quality in the overall standard of furnishings, service and guest care.
★★★	Very good quality in the overall standard of furnishings, service and guest care.
★★★★	Superior (excellent) comfort and quality with a high standard of furnishings service and guest care.
★★★★★	Exceptional quality and luxurious accommodation (matching best international standards). Highest standard of furnishings, flawless service and meticulous guest care.

Source: Tourism Grading Council of South Africa (2008)

The main objective of the national grading scheme is to assist in the improvement of the overall quality of accommodation and services in South Africa (Van der Merwe, 2003:49). The aim of this scheme is not to be strict on graded establishments, but to work together with establishments in order to improve quality in the tourism industry.

Initially, only hotels were graded in South Africa, and they were compelled to register as such, but this has since changed. Now, all types of accommodation, including bed-and-breakfast establishments, guest houses, lodges, self catering establishments, caravan and camping sites, as well as country houses, can be graded (Bennett *et al.*, 2005:45).

2.9 **SUMMARY**

This chapter explained the significance of the hospitality and tourism sector to South Africa, by considering its contribution to the economy and employment. The chapter also gives a brief explanation of the towns that were selected as research sites for this study. Factors which affect the performance of the hospitality and tourism sector were also explained in this chapter. The characteristics of the hospitality service were also outlined and the chapter concludes by explaining the functions of the TGCSA.

A literature review on the background information on hospitality and tourism has been provided in this chapter and the next chapter will review literature on theories and models of e-commerce used to support this study. Literature related to empirical studies will be revealed as well as literature on internet and marketing strategies. The chapter also discusses the impact of internet marketing and its significance to current business practices. The internet and its features, which can be utilised for marketing, were also highlighted in this chapter, together with the benefits of internet marketing. Internet growth trends and usage are also highlighted in this chapter. The chapter ends by giving an explanation of how the hypotheses for this study were developed.

CHAPTER THREE:

PERSPECTIVE ON THE RELATIONSHIP BETWEEN E-COMMERCE AND BUSINESS PERFOMANCE

3.1 <u>INTRODUCTION</u>

While the previous chapter has revealed literature on the South African hospitality and tourism sector, the purpose of this chapter is to review literature on the relationship between internet marketing and business performance as well as internet marketing strategies. The relationship between e-commerce or internet applications and business performance is much more complex than previously thought. Empirical studies on the relationship between e-commerce and business performance presents inconclusive findings. Throughout literature, debate has centred on whether the application of e-commerce or internet technologies brings positive benefits to the performance of businesses. Models and theories with different criteria were formulated in order to explain the relationship between e-commerce and business performance.

This chapter is organised as follows: the first part gives a brief explanation of e-commerce and internet marketing, followed by an explanation of the models and theories that were used to support this study. The internet and marketing strategies and how the internet influences the marketing mix are discussed next. A section which explains the internet adoption and usage trends follows. The last section explains how the hypotheses for this study were developed. In short, the chapter provides theoretical, anecdotal and empirical evidence, regarding the issue of internet marketing.

The definition of internet marketing and e-commerce are given below to show how the two terms are related and to justify why e-commerce models are used to support this study.

3.1.1 <u>Definition of e-commerce and internet marketing</u>

Andam (2003:35) describes e-commerce as on-line trading. That is, e-commerce consists of the buying and selling of products or services by making use of electronic systems such as the internet and other computer networks. Rao (2002:53) defines e-commerce as computer-to-computer, individual-to-computer or computer-to-individual business relationships which enable an exchange of information or value. E-commerce is also defined as the buying and selling of products and services by businesses and

consumers over the internet (Salwani *et al.,* 2009:163). Internet marketing is defined as the process of building and maintaining customer relationships through online activities so as to facilitate the exchange of products or services that satisfy the goal of both buyers and sellers (Sheldon, 2004:9). Nothnagel (2006:26) described internet marketing as an umbrella term encompassing the commonly used internet marketing methods which are e-mail marketing, web advertising, on line branding, use of search engines as well as newsletters for marketing hospitality services. In this study, the definition by Nothnagel (2006), which is that internet marketing is an umbrella term encompassing the commonly used internet marketing methods which are e-mail marketing, web advertising, on line branding, use of search engines and newsletters for marketing hospitality services, is used. From the above definitions, internet marketing and e-commerce are not the same, but internet marketing is a sub-set of e-commerce. Thus e-commerce models are explained in the next section.

3.2 <u>MODELS AND THEORIES ON E-COMMERCE</u>

The study of internet marketing as applied to hospitality, requires the study of several bodies of literature. The present study drew upon many works, including those found in marketing, internet, communication, consumer behaviour, hospitality and tourism. Its principal focus is the impact of internet marketing on the profitability of the hospitality sector. The following section explains the models and theories that were proposed by various authors in trying to explain the role and impact of internet marketing on the performance of business. Models on e-commerce are used, since internet marketing is a subset of e-commerce.

E-commerce is an unfolding phenomenon in view of technological advancement (Salwani *et al.,* 2009:160). From a research perspective, an increase in e-commerce usage, especially the advancement in the use of internet features in all sectors of the economy, has led to the development of various theories and models related to the diffusion and use of information technology. However, from the literature, there is no integrated theoretical framework which has led to a fractured research stream with many suggestions and modifications of the existing models (Salwani *et al.,* 2009:163).

Avlonities and Kayarani (2003:3) also indicate that since lack of established criteria for measuring the extent and success of internet use exists, researchers need to develop concepts and standards which provide a mechanism for measuring investment opportunities and business success on the internet. There are a number of models and theories (for example: Balanced Score Card Approach BSCA, Competency Based Model CBM, Technological, Organizational and Environmental model TOE, Resource Based View RBV) that were proposed by various researchers, but this study has concentrated only on those that are closely related to this research. In line with the objectives of this study, the sub-section below discusses some of the more popular models of e-commerce which are: the Resource Based View theory, the Electronic-commerce Domain Matrix and the E-value model and relates them to the current research. Table 3.1 below summarises the three models that were used in this study.

Table 3.1: Models and theories of e-commerce supporting this study

Model/theory	Key issues
Resource Based View theory (Barney and Penrose, 1986)	Indicates that the success of e-commerce is affected by a bundle of resources that a business has.
Electronic-Commerce Domain Matrix (Riggins, 1998)	Indicates the dimensions of e-commerce and the possible benefits of adopting e-commerce.
E-value model (Salwani *et al.,* 2009)	Includes organisational, technological and environmental factors that affect e-commerce usage and introduced a moderator to find the relationship between e-commerce and business performance.

Source: Researcher's own compilation

3.2.1 <u>The Resource Based View theory (RBV)</u>

The RBV of a firm has emerged as an important theoretical perspective to understand the linkage between information technology and firm value. The theory maintains that resources that are valuable, rare and imitable can lead to sustainable competitive advantage (Bharadwaj 2000:170). The RBV is a theory which emphasises the internal capabilities of the organisation in formulating a certain strategy to achieve a sustainable competitive advantage in its markets and industries (Caldeira and Ward, 2003:103). In general, the RBV theory addresses the central issue of how superior performance can be attained, relative to other firms in the same market and posits that superior performance results from acquiring and exploiting unique resources of the firm (Caldeira and Ward, 2003:130). The theory argues that competitive advantage can be generated by the unique bunch of resources and capabilities that a business has. The resources can be thought of as inputs that enable an organisation to carry out its activities which can either be tangible (physical, financial and human resources) or intangible (intellectual resources and reputation). On the other hand, capabilities which are sometimes called "core competencies" are a cluster of attributes that an organisation possesses, which in turn, allows it to achieve a competitive advantage, such as knowledge and special skills (Chen and Zhu, 2004). In relation to e-commerce or internet innovation, the RBV theory is used to demonstrate how firms leverage their investments in internet to create unique internet-enabled capabilities that determines firm's overall-commerce effectiveness. The RBV theory is embraced by several researchers in the e-commerce field (Powell and Dent-Micillef, 1997; Caldera and Ward, 2003; Ozituran and Roney, 2003; Zhu, Derick and Kraemer, 2004; Elliott and Boshoff, 2009).

Despite its wide acceptance by e-commerce researchers, the RBV theory has been criticisised by others (Ozituran and Roney, 2003; Salwani *et al.,* 2009; Hooley, Moller and Broderick, 1998 cited in Elliott and Boshoff 2009; Barney, 2001). These researchers agreed that the RBV is inwardly focused and static, rather than dynamic in nature. Barney (2001:12) added that a firm can be profitable by exploiting its internal resources, but the external factors ought also to be considered as they can affect the activities of a

firm. Salwani *et al.,* (2009) further indicate that a significant gap in literature regarding the application of the RBV of business as a means to understanding e-commerce performance exists.

3.2.2 Electronic Commerce Domain Matrix

This model was proposed by Riggins 1998 as way of classifying possible benefits in the adoption of e-commerce. The four benefits are shown in Table 3.2 below;

Table 3.2: The Electronic Commerce Domain Matrix (Riggins, 1998)

Location of Application Users	Technology enhanced	Technology facilitated
External	Improve Coordination With Existing Trading Partners Cell 3	Market Creation to Reach New Customers Cell 4
Internal	Improve Coordination with Internal Business units Cell 1	Information Exchange to work with New Team Workers Cell 2

Type of Relationship

Source: Riggins (1998:54)

Riggins (1998) developed the Electronic Commerce Domain Matrix (ECDM) to represent the four dimensions of e-commerce as indicated in Table 3.2. The matrix was developed by crossing the application user (external or internal to organisation) with the type of relationship (technology enhanced or technology facilitated). The model is useful as a tool for classification. A limitation of this model however, is that it is mainly representative of a trading relationship. In the context of this study, the matrix suggests possible benefits in adopting e-commerce solutions such as market creation to reach new customers as well as information exchange.

After noting the shortfalls of other e-commerce models and theories, Salwani *et al.,* (2009) developed a modified multi-dimensional theoretical model (E-value model) to

explain the relationship between e-commerce and business performance. The model is shown in figure 3.1 below.

Figure 3.1: E-value model by Salwani et al., (2009)

Mediator

Internal factors

Firm size

Firm scope

Managerial beliefs

Technological competence

Web-technology investment

Environmental

Pressure intensity

Regulatory support

Front-end functionalities

Back-end integration

E-commerce usage

Business performance

E-commerce experience

$H_1{}^a$

$H_2{}^a$

$H_3{}^a$

$H_4{}^a$

$H_5{}^a$

$H_6{}^a$

$H_7{}^a$

$H_8{}^a$

$H_9{}^a$

$H_{10}{}^a$

$H_{11}{}^a$

$H_{12}{}^a$

Moderator
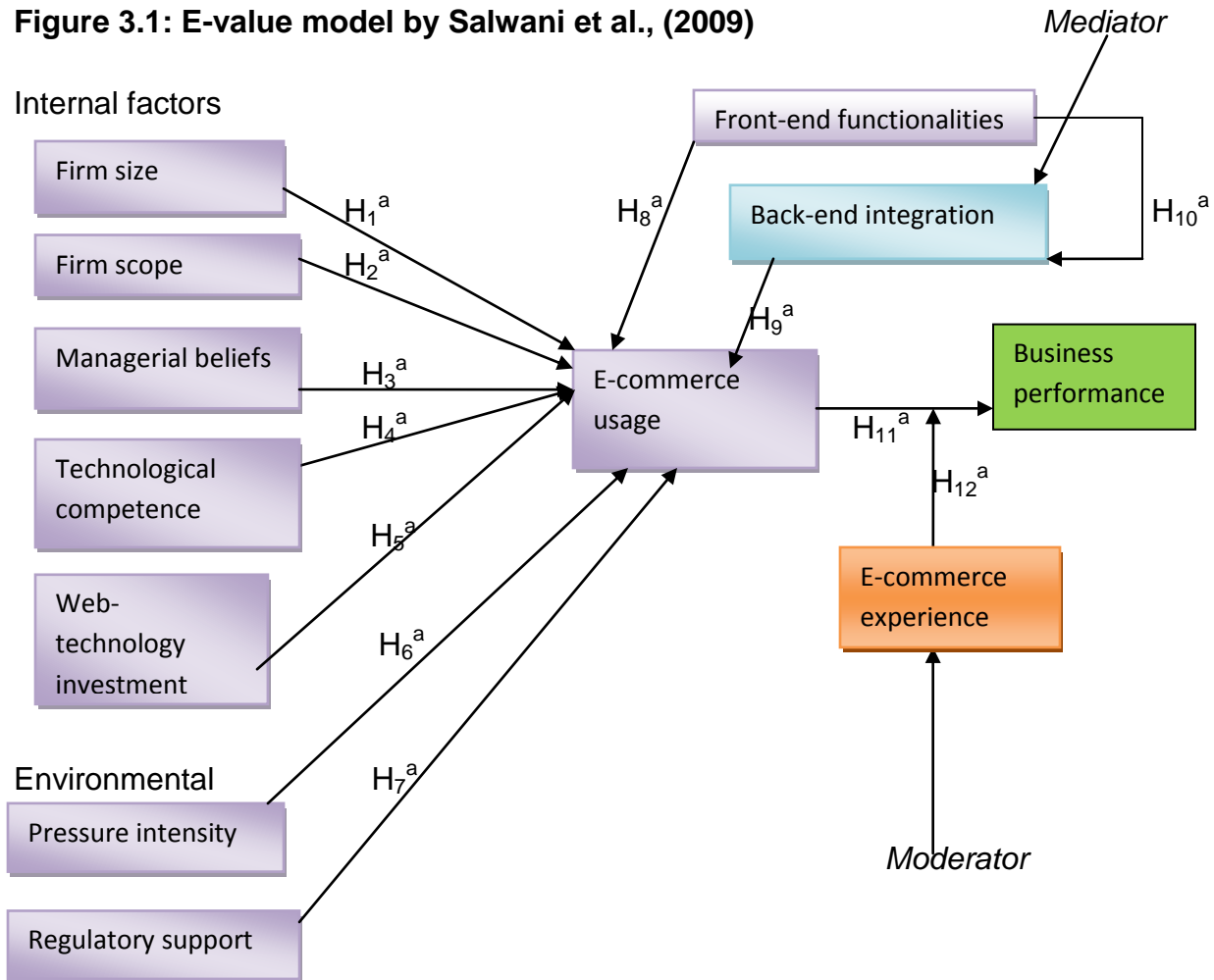
Source: Salwani *et al.,* (2009)

Figure 3.1 above illustrates that the E-value model was formulated by Salwani *et al.,* (2009) in trying to find the relationship between e-commerce usage and company performance. The general assumption regarding this model is that the usage of e-commerce is influenced by multiple factors which range from internal factors to external factors. The model combines the pre-adoption issues and post-adoption issues of e-commerce usage and introduces the effect of a moderating variable (experience) on the relationship between the usage of e-commerce and business performance. It also

introduces the effect of a mediating variable on the relationship between e-commerce usage and business performance. The model then further links e-commerce usage to company performance as illustrated by figure 3.1 above.

This model was pre-tested in the Malaysian tourism sector by Salwani *et al.,* (2009). It was thus found that the main advantage of this model was that it is a multi-dimensional research model which considers the pre-and post-adoption issues of e-commerce usage, its direct and indirect effects and the effect of the moderator and mediating variables. Salwani *et al.*, (2009) argued that experience of implementing e-commerce has a strong contingent effect on the relationship between e-commerce usage and business performance, thus they included e-commerce experience as a moderating variable in the model. They also proposed that the nature of the relationship between e-commerce usage and business performance is clarified by e-business capability such as back-end integration and subsequently included back-end integration as a mediating variable in the model. The model is a combination of RBV theory and Technological, Environmental and Organisational theory (TEO). Salwani *et al.,* (2009) mentioned that the RBV theory on its own is not sufficient to explain the issues of e-commerce usage, neither is the TEO theory. Therefore, Salwani *et al., (*2009) formulated the E-value model to examine the relationship between e-commerce and business performance.

As far as the researcher could determine, no previous literature exists which have criticised this model, since it is a recent model in the field of e-commerce. However, it was found that one limitation of this model is that it is a newly developed model which has never been tried or tested by other researchers than Salwani *et al.,* (2009).

Considering the nature of this study, it was decided to adopt the E-value model to establish the relationship between internet marketing and business financial performance (profitability). Since the study seeks to find the external and internal factors which influence internet marketing usage, as well as the influence of internet marketing usage on business profitability, the RBV theory and E-value model were deemed the most appropriate theories backing this study. The benefit of using the E-value model and the RBV theory is that the latter provides one with a detailed background on the internal resources which can influence internet marketing usage, whilst the E-value

model, which is a multi-dimensional model, provides the overall framework of measuring the value of e-commerce on the performance of businesses. Both the RBV and E-value emphasise that successful utilisation of any e-commerce technology is to a certain extent influenced by the business' internal resources. The ECMD model provides a backdrop to examine an entity to determine if one of the merits will contribute positively to the entity's goals.   In this case, the merits are the four mentioned benefits of e-commerce application shown in Table 3.2 in section 3.2.2. A combination of these models assisted the researcher to have a clear picture of e-commerce usage and its impact on businesses. Thus, the chosen models do not clash but rather augment each other and were therefore considered to be essential models to support this research. The next section covers the aspect of internet and marketing strategies.

3.3 <u>INTERNET AND MARKETING STRATEGIES</u>

Internet marketing is a modern business practice that involves the buying and selling of goods and services through the internet. It has been defined by Anton (2000:87) as "achieving marketing objectives through applying digital technologies". The internet, which is regarded as the most effective communication tool impacts on the way in which businesses perform their marketing activities (Ulhas, 2007:167). Most businesses in all sectors of the economy are inspired to incorporate the internet in their marketing strategies. Various researchers (Khan and Motiwalla, 2002; Liu, Lu and Hu, 2008; Salwani *et al.*, 2009) believe that the extraordinary growth and spread of internet over the last few decades has resulted in its increased use for marketing purposes. At the same time, it is not an easy job to measure the impact of internet on the marketing activities and their outcomes, because changes occur so fast in the modern business world that considering the speed with which developments and changes take place on the internet, it is almost impossible to predict the impact of internet marketing.

The sub-section below explains the internet and its features which can be utilised for marketing purposes. The last part of this section discuses how the internet can be

incorporated in marketing strategies; paying particular attention to the marketing mix, which is the major component of a marketing strategy.

3.3.1 The internet

The internet was first developed in 1969 in the United States of America's Defence Department Networkby the Advanced Research Projects Agency (ARPANET). The computers making use of the internet were at the Stanford research Institute and the University of California. Their use expanded rapidly and in the 1970s and 1980s other networks joined and protocols were developed to transfer files over the internet. In 1991 the World Wide Web (WWW) was developed at the European Laboratory for particle Physics (Homayooni, 2006:45).

When attempting to describe the internet, it is apparent from the literature that a wide range of definitions exist (Kindampully, 2007:12; Belch and Belch, 2001:495; Sterne and Priore, 2000:36; Anton, 2000:120). Belch and Belch (2004:495) describe it as a worldwide means of exchanging information and communicating through a series of interconnected computers. Law, Law and Wai (2002:106), define the internet as a global computer network as a network of networks linking millions of computers in countries all around the world.

The internet facilitates an interactive multimedia communications network. This radically alters the way in which firms can do business with customers and suppliers as opposed to the traditional method which incorporates too many communication tools. Sterne and Priore (2000:38) recognised that the multiple features of the internet enable the transmission and exchange of information through multiple formats, namely one-to-one communication (through e-mail), one-to-many (through web) and many-to-many (web, newsgroup and mailing list). Figure 3.2 on the next page, shows the common features of the internet which can be utilised for marketing.

Figure 3.2: Features of the internet
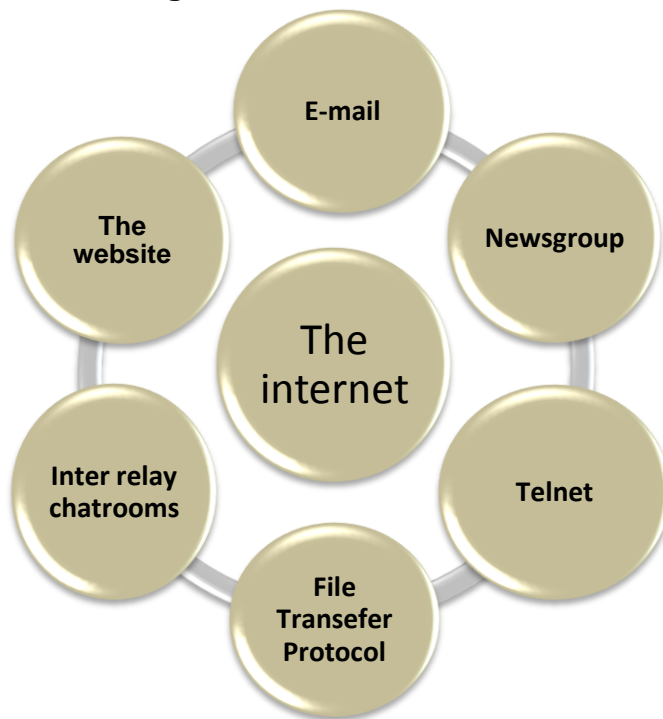
Source: Bothma (2000:34)

3.3.1.1 E-mail

E-mail has emerged as the most commonly used type of computer-mediated communication. It is one of the earliest standard internet protocols allowing people with different computers and operating systems to communicate with one another (Wei, Heif, Thomas, Combrink and Hubet, 2001:235). Through e-mail, individuals exchange messages without the constraints of time or location, which often suits professionals such as hotel managers (Wei *et al.,* 2001:235). E-mail is able to reach one or many people and therefore has great potential as a marketing tool. Reaching out to customers works exceedingly well through e-mail, but it is even more powerful when companies send out periodical messages to a growing list of interested prospects. E-mail marketing can be done using a variety of techniques Duncan (2002:428), namely advertisements and discussion lists. The next section on the following page discusses the website which is another feature of internet which can be used for marketing.

3.3.1.2 The website

Website is defined as: "a collection of related web pages and associated items, such as documents and pictures stored in web server" (Sigala, 2004). Van der Merwe (2003:90) described it as a company's electronic face to the world and a most common manifestation of the capabilities of the internet. Lacovou (2004:14) defined it as the most popular area of the internet which allows the easy exchange and transmission of text, graphics, audio and video. It consists of a number of pages linked together to form one site, but is in the midst of a multitude of other websites found on the internet (O'Connor, 2003:89). The web is essentially a graphic overlay on top of other internet services, providing a multimedia interface that enable users to access a vast pool of interlinked documents. One of the most important characteristics of the website is its global market reach. Putting company information on the website gives unparalleled exposure as it is instantly available to potential customers worldwide for 24 hours a day, 365 days a year (Wymbs, 2000:45).

Websites can be used to transmit electronic brochures which have the capacity to capture interactive data, moving objects and sound, thus conveying the nature of the experience more fully. It has been proven that sound and visual images in combination have a very stimulating effect on the customer (Wymbs, 2000:48). According to Wan (2002:159), websites are primarily designed for introducing and advertising a company's products and services and thus a corporate website is capable of communicating all elements of the marketing mix (March, 2000:12). Web marketing can be done through webcasting as well as E-zines.

- Webcasting*:* On several occasions, there arises a need to provide live pre-recorded audio or video clips to customers and other visitors (Sweeney, Soutar and Mazzarol, 2000:345). The provision of pre-recorded audios or video clips to customers is known as webcasting.
- E-Zines*:* also called online publications are electronic magazines that have an online presence on the website with many travel E-zines which have a fascinating colourful visual appearance with pictures (Zhou, 2004: 67). E-zines are easily accessible on the website either by keyword or specific category. They

can also be easily forwarded from one user or another. These E-zines consist of important press releases and articles related to hotel products or services or even potential sponsorships (Sweeney *et al.*, 2000:344). Newsgroup is the next feature of internet to be discussed.

3.3.1.3 Newsgroups (also known as User net)

Newsgroups can be described as online discussion groups that function on an e-mail-like bulletin-board basis and are dedicated to particular topics (Nothanagel, 2006:39). Zhou (2004:38) defines a newsgroup as several discussion groups and sub-groups that consist of virtual communities of people provided with an opportunity of communication. They can make use of an abundance of topics and can easily be located through a server by simply logging into the master list which is known as the user net and posting messages at the same moment. Zhou (2004:39) added that, in this way, even on-line marketers of a hotel company can reach existing or potential customers' needs, post offers and create a higher reputation once questions are answered in an effective way, which could ultimately lead to more traffic to the hotel website with the minimal cost of an internet connection. Internet relay chat is the other feature of internet which is discussed in the next section.

3.3.1.4 Internet Relay Chat (chat rooms)

This is an interactive real-time chat service where two or more people can "talk" to each other using a text–based messaging service (Bothma, 2000:2). This is referred to as a synchronous service in the sense that, when two persons are chatting to each other, they are physically sitting at their respective computers at that exact time (Nothanagel, 2006:40). Lacovou (2004:14) describes it as an on-line facility for real-time communication between people over the internet, usually achieved through typed conversation and statements that can be seen by the entire group. Telnet is the other feature of internet discussed in this study

3.3.1.5 Telnet

Bothma (2000:2) defines it as a way of connecting a computer through the internet, to a remote computer located somewhere else in the world, so that one's computer becomes a terminal of the remote computer. It allows a computer to connect into other computer systems, in essence, becoming one of their terminals (Kleinndl 2001:26). The last feature of internet which was discussed in this section is file transfer protocol.

3.3.1.6 File Transfer Protocol (FTP)

This is an application for the purpose of transferring files across the internet (Nothnagel, 2006:40). It is an internet standard that permits uploading and down loading with other computers on the internet (Sheldon, 1999:89). FTP is most often used as an attachment with an e-mail.

Since the internet and its features that can be utilised for marketing purposes have been explained, the section below gives a brief understanding of how businesses can incorporate the internet in marketing strategies. The section pays particular attention on how the internet can influence the marketing mix of a business, which is the major and important part of a marketing strategy.

3.3.2 The effect of internet on marketing strategies

Marketing strategies must follow some predefined steps as proposed by Darby, Jones and Mndi (2003:33). They are of the opinion that marketing strategy must consist of five steps, including "market research to understand customer's perceptions and wants; product development along the lines of perceived customer wants; product delivery and customer feedback, market testing". However in the modern era of internet marketing there are some major changes that have occurred in the concept of marketing and the internet seems to be challenging some of the most basic ideas of marketing. While some of these changes have positive implications for marketing anywhere in the world, the effects of others are not so clear. In particular, Internet marketing has challenged product development and the concept of marketing itself. In traditional marketing (before

internet marketing), information was often gathered from customers in order to develop products that satisfy customers. However, the greater information richness that the internet provides for both business and customers means that business managers must tap into this technology to satisfy the ever increasing consumer demands, which should then enable them to compete favourably in the increasingly competitive business front (Darby *et al.*, 2003:33).

The internet, if effectively incorporated in the marketing mix, can produce successful marketing results. The marketing mix represents the organisation's marketing offering and consists of the controllable variables that the organisation puts together to satisfy the needs and desires of the target market (Bennet, 2005:198). Traditionally, the marketing mix has comprised four elements (the four Ps), namely: *product, place, price* and *promotion (*Armstrong and Kotler, 2005:75).

Nowadays these four elements of the traditional marketing mix are criticised for omitting certain marketing activities. Kindampully (2007:39) indicates that this traditional marketing mix is not applicable in the hospitality product or service and then designed an expanded marketing mix for hospitality services existing of seven elements which are explained in the next section.

3.3.3 The effects of the internet on the expanded marketing mix for services

Kindampully (2007:40) explains that although the "four Ps" are essential for the marketing of services they do require some modification when applied to hospitality services. George (2001:68) mentions that services possess certain characteristics that make them different from actual products (intangibility, inseparability, heterogeneity and perishability) all of which were explained in the previous chapter. These characteristics have led hospitality marketers to conclude that they should make use of additional variables of communication in order to be able to satisfy their consumers. Thus, the expanded marketing mix comprises the traditional "four Ps" plus an additional "three Ps" (people, physical evidence and process) to make "seven Ps". Figure 3.3 on the next

page provides an illustration of the expanded marketing mix for hospitality services. An explanation of each element and how it is influenced by the internet is also provided.

Figure 3.3: The expanded marketing mix
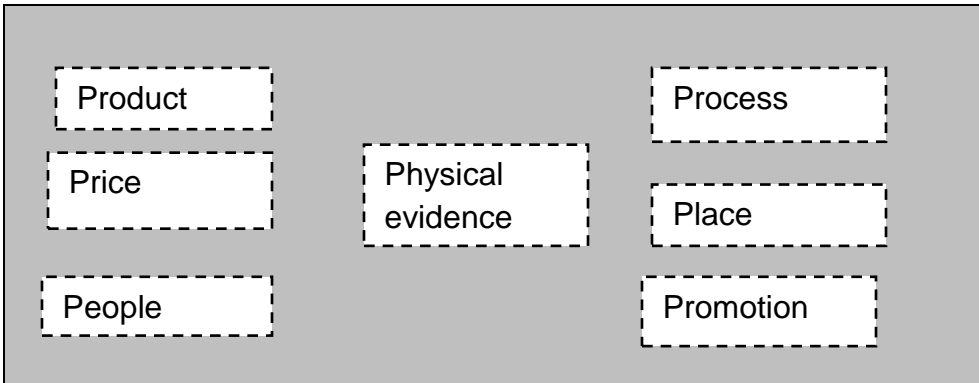
Source: Kindampully (2007:42)

Figure 3.3 above illustrates the seven elements of the marketing mix for hospitality services and below is an explanation of how each element is influenced by the internet in the marketing process. The first element which was discussed in this section is the product.

3.3.3.1 Product

The term "product" refers to the bundle of attributes and features, which consist of both tangible and intangible components, offered by a firm (Bennet, 2005: 85). Tangible elements, for example are product colour, size, shape and packaging. Intangible elements include image, style and brand name. If there were no product (service) there would be nothing to sell (Van der Merwe, 2003:84). A company aims to make its product unique and outstanding in a way that will cause the targeted customers to favour it and even pay a premium price for it (Armstrong and Kotler, 2005: 97). Most hospitality organisations strive to make the brand name popular through communicating with targeted customers.

The implications of the internet for products and services are diverse and considerable. The internet not only enhances or produces a good product, but offers a variety of new products which existence is solely as a result of the internet (Darby *et al.*, 2003:109). Examples of these new products include internet software packages (e.g. Netscape Navigator and Microsoft Internet explorer) that have been developed specifically for the internet. All these are used for online branding. Place is the other element of the marketing mix which is explained in the next section

3.3.3.2 Place

Place refers to all the firm's activities that make the product available to target consumers (Armstrong and Kotler, 2005:57). Place is an important consideration because tourists must travel to the destination to consume the tourist product (Van Der Merwe, 2003:59). The aspect of distribution now comes to the fore because of the ease with which the customer can reach the product and resultantly it then affects the sale of that particular product or service. Products can be sold directly or indirectly. Direct distribution takes place when the manufacturer sells directly to the client. In the case of indirect distribution, the product is distributed through a channel structure that includes one or more sellers (Van der Merwe, 2003:60).

Traditionally, products were sold to a wholesaler, who breaks the bulk, resells them to the retailer, who then finally sells the products to the consumer. The case is different with hospitality services/ products, since production and consumption normally occur at the same time (inseparability), and the distribution process does not follow the same trend as that of manufacturing of products. The distribution process can only follow the same process as that of manufacturing firms when a hospitality organisation uses a travel agency to distribute a package tour (Darby *et al.,* 2003: 110). The internet offers direct distribution and delivery methods for many information, software, entertainment and financial service products through the design and use of websites. Price is another element of the marketing mix which can be influenced by the internet. Thus the next section discusses the influence of internet on the price of services

3.3.3.3 Price

Price is the value that is attached to a product (Bennet, 2000:89). Buyers and sellers attach different meanings to price. To the seller, price means a series of cost components and an expected profit margin. The price charged is based on the relative value of the product and on what the competition in the market place (Van der Merwe, 2003: 57). For the customer, price can sometimes be perceived as the value the customer puts on the available product. It is essential that customers perceive that they are getting value for money in what is being offered, which then may include convenience, efficiency and excellence (Nothanagel, 2006:68).

Use of the internet makes price comparisons for buyers easier and more efficient (Ambler and Kokkinaki, 1999:132). Armstrong and Kotler (2005: 57) maintain that different marketing activities and strategies are taking effects of internet marketing, for example, the pricing policy. The internet enables customers to be more informed about products and prices due to the wealth of choices and pricing information available. It also provides an opportunity to businesses to get immediate and impulsive responses from the consumers through marketing surveys and polls conducted online or via e-mail. Another impact of internet marketing on price, is that due to technology, the cost of several products and services is reduced and to survive in the internet market place, the companies have to develop new and better pricing models. The next section discusses promotion which is the other element of the marketing mix.

3.3.3.4 Promotion

Promotion is intended to send marketing-related messages to a selected target audience which is geared to persuade customers to purchase the product or service (Van der Merwe, 2003:64). It therefore covers all the communication tools that can be used to deliver a message to the target audience (Armstrong and Kotler, 1999: 106). The internet is one of the most powerful tools that can be used to convey messages from hospitality institutions to their customers. Information can be passed to customers through the use of e-mails, chat rooms, newsletters and discussion groups. According to Bennet (2000:89), nowadays promotional activities of businesses are mostly effected

through the use of internet marketing, because by making use of the internet, businesses scan and get the opportunity to convey their message to large scattered audience at low cost. Due to this opportunity, even small-scale businesses can promote their products in the same way as large ones which then serve to create competition in the market place. Promotion is the fifth element of marketing mix discussed in this section.

3.3.3.5 Process

Bennet (2000:104) describes process as the actual procedures, mechanisms and flow of activities through which the service is delivered. There are two components implied by the term process, namely; delivery and outcome. Bennet (2000:228) explained the process of delivery as the way in which the customer is treated or what he/she experiences, whereas outcome refers to the end result of a service (whether the tourist enjoyed the stay at the hotel or not). It is of importance for service providers to tailor-make their service according to the customer's requirements and not revolves around the provider's requirements. The internet enables firms to make their service delivery system flexible, thus adding customer value, which as a result can be exploited to gain a competitive advantage (Ahmad, 2002:26).

The next marketing mix to be discussed is people. People are probably the principal component in the service delivery process because they have to be present for the service to be delivered.

3.3.3.6 People

People comprise all human actors who play a part in service delivery and thus influence the buyer's perception (the firm's personnel, the customer and other customers in the service environment), (Zeithaml and Bitner, 2003:24). According to Bennett, (2000:226), three groups of people make up the marketing process of service products, namely direct customers, employees and other visitors. It can thus be deduced that customers and their needs are the primary focus of marketers, even though marketers seldom come into direct contact with customers, it is the operations people who serve the customers (Van der Merwe, 2003:65).

Service quality in the hospitality industry can be positively or negatively affected by employees. This implies that the sector needs to employ the right people and also train and motivate them. In addition, giving them wages that are satisfactory so that they can provide quality service (Van der Merwe, 2003:66). Continuous training in service management is an indispensible task for hospitality organisations. Marketing efforts can be of no avail if the service provided fails to satisfy customers. The impact of internet marketing in this instance is that no personal interaction between a customer and the provide takes place. Trust, therefore, has to be generated by other means, such as communication messages and brands (Nothnagel, 2006:52). The last element of the marketing mix which is discussed in this part is physical evidence

3.3.3.7 Physical evidence

Physical evidence comprises all aspects of the firm's physical facilities as well as other forms of tangible communication (Zeithaml and Bitner, 2003:90). Since hospitality services are essentially intangible, customers often rely on physical evidence in the service environment to evaluate the quality of the service. The physical environment can influence customers' choices, expectations, behaviour and satisfaction with hospitality organisations (Ahmad, 2002:67).

A firm's website and the way in which it is designed, as well as the information contained therein, may thus contribute to providing a form of physical evidence for online consumers. Lastly, Law *et al.*, (2002:107) indicate that the internet is particularly fitting to made use of in the marketing for hospitality and tourism, because it: a) allows hospitality suppliers to establish a direct link with customers and b) gets rid of barriers for customers and suppliers, thereby facilitating equal competition and decreasing price discrimination.

3.4 <u>IMPACT OF INTERNET MARKETING ON BUSINESSES</u>

Law *et al.,* (2000:109) maintain that, due to rapid expansion and increased internet usage, businesses are diverting their attention towards marketing their products and services via the internet. Businesses across all sectors of the economy are investing in

this new marketing tool. Use of the internet has both positive and negative implications for the field of marketing, although the effect on the individual organisation varies, depending on the manner in which internet marketing is managed. The most important aspects of this medium are the fact that information can be exchanged freely by making use of the internet facilities and this can be done in just a few seconds.

Lacovou (2004:45) indicates some advantages that a firm can obtain as a result of effective internet marketing, for example, the overall marketing cost could be reduced because a firm can use e-mail as a marketing tool at a relatively lower cost than making use of direct mail. Through e-marketing, the firm can also expect immediate response from its target customers through a click on the website. In this way, the message of the company reaches a large number of people in less time and at a lower cost. In return, the firm not only gets an immediate response, but their relationship with the consumers is also enhanced and the overall efficiency and profitability of the business is increased due to the help of internet marketing (Ozitarun and Roney, 2003;Ulhas, 2007). Researchers, Antony, (2000), Wymbs, (2000:90), Kindampully, (2003), O'Connor, (2003:97), Lacovou, (2004) and Zhou, (2004) have identified a number of benefits through making use of this tool for marketing. Some of the benefits or advantages of internet marketing compared to other traditional marketing tools are explained below and they are:

- Web promotion does not suffer from the size or capacity constraints imposed by printing costs or advertising space (O'Connor, 2003:97).
- Unlike other forms of marketing, expenditure on web marketing is not depleted in a single transaction. With, for example, newspaper advertising, your marketing efforts are only available for a day, since after reading the newspaper, the customer will discard it and could forget about the advertisement. A web page, on the other hand, continues to work for you until you decide to remove or change it (Kindampully, 2007:24).
- By hyper-linking pages together in an appropriate fashion, the web marketer can create an ultra-comprehensive personalised multimedia brochure that is instantly available twenty-four hours a day. This allows the customer to take a customised

tour and explore products and services based on his/her individual needs and interests (Anton, 2000:20).

- The two-way dialogue forms an important component of relationship marketing and is an important factor in building customer loyalty. The computer can store individual responses in its memory which makes it possible to customise the message flowing back to the customer to reflect his/her individual likes and preferences. This high level of responsiveness makes the internet unique among media marketing methods (Wymbs, 2000:90).

- One of the most decisive aspects of the internet is that, unlike other communication tools, a hotel company can know how many users attempted to enter the site as well as the number of times until the user made a final booking through an enrolment application called a cookie (Lacovou, 2004:20). It is also possible to measure your Return on Investment (ROI) by tracking sales from specific adverts through to conversion especially on pay-per-click adverts. By so doing, the company or business is able to offer an incentive with a short message targeted to those clients' specific needs.

- One of the most important benefits of internet marketing is its ability to reach global markets without geographical boundaries.

It can thus be deduced that, the internet holds both positive and negative implications in the field of marketing, although the effect on individual organisations varies depending on how internet marketing is managed (Lacovou, 2004:20). Zhou (2004) posited that internet marketing does not draw on positive impacts of the businesses only but it should be kept in mind that the dark side of the picture should also be considered by the businesses personnel before relying to a greater extent on internet marketing. This implies that, despite the widespread positive impacts of the internet as a marketing communication tool, it is not without its weaknesses. The main weaknesses of internet marketing include:

- *Active decision to visit*: A practical limitation of the internet is that the user must actively decide to visit the site. Unlike other tools like the radio and television, the user decides to open the site rather than being surprised by an advert on the

television. It cannot be guaranteed that anyone will visit the site (Belch and Belch, 2004:159).

- *Online competition:* In an internet environment there is intense competition, because a firm's website has to compete with millions of other sites which are also trying to attract and retain visitors (Antony, 2000:47).

- *Download time:* Sometimes it may take a long time to download information from the internet. Since the number of internet users increases rapidly, the download time also increases and some sites may even be inaccessible as a result of too many visitors (Belch and Belch, 2004:505).

- *Initial cost:* The initial installation costs are too expensive and the fact that the features and software of the internet are changing each and every time mean that an organization should move at the same pace with the change in technology. Since the benefits and weakness of using internet for marketing have been explain, the next task is to explain the significance of the internet in hospitality business and marketing practices.

3.5 SIGNIFICANCE OF THE INTERNET IN CURRENT HOSPITALITY BUSINESS AND MARKETING PRACTICES

The use of the internet in the business sector has increased at an alarming rate since its introduction. In the hospitality sector, many companies have created their websites and have used the internet for various purposes, especially as a sales and marketing tool (Wei *et al.*, 2001:1). The explosion in the worldwide growth of internet usage forms the so-called "New Economy" (Nothnagel, 2006:41).

The internet enables consumers and firms to access and share vast amounts of information by making use of just a few mouse clicks (Armstrong and Kotler, 2005: 483). Several sources highlight the importance of the internet in contemporary business and marketing practices (Wei *et al.,* 2001:4; Armstrong and Kotler, 2005:484; Darby *et al.*, 2003:24).

In contemporary businesses, each firm is currently forced to connect to the internet as this new technology has revolutionised the way in which businesses are conducted (Wei

et al., 2001). Having access to the internet is no longer a question of choice to any business but a must. In the hospitality context, the internet is changing the way in which consumers access travel information, plan their trips and purchase hospitality products and services. The hospitality industry is always the first to adopt new technology and innovations. Thus, it is not surprising that the industry is among the top markets in the use of the internet. It is apparent that an increasing number of people are using the internet for travel information, planning, reservations and bookings (Zhou, 2004: 12). For hospitality institutions, the internet can be used as a means for communication, marketing, as well as information distribution and research. Unlike traditional direct marketing techniques, it is the customer who comes to the company for the information not *vice versa*. The marketer is not blindly sending out mailings in the hope that they will reach someone who is interested in their product but it is the customer who is actively searching for information (Wymbs, 2000:89).

3.6 <u>UNDERSTANDING INTERNET MARKETING</u>

Internet marketing can be described as "the process of building and maintaining customer relationships through online activities in order to facilitate the exchange of ideas, products and services that satisfy the goals of both buyers and sellers" (Sheldon, 1999:9). Internet marketing is also referred to as electronic marketing or e-marketing, web marketing as well as cyber marketing (Janal, 2000:13-16; Sterne, 2000:1-5; Darby *et al.,* 2003:110).

Firms can utilize the internet for marketing purposes in three main ways (Nothnagel, 2006:48). Firstly, it can be used to provide information concerning the firm and its offering. Second, the internet allows for the purchasing or reserving of products and /or services with delivery through mail or courier. Thirdly, the internet makes transaction easy and fast as well as providing the physical delivery of products to the consumer.

There are a range of critical issues involved in utilising the internet as an effective marketing tool. Wilson and Abel (2002:85-94) identified five levels of internet use which they categorise as either *business enhancement* or *revenue enhancement* techniques.

Business enhancement techniques include aspects related to communication, market research, as well as brand building (Wilson and Abel, 2002: 85-88).

Since communication is the lifeblood of all businesses, e-mail and chat rooms become important features as they allow for a two way dialogue between business to business (B2B) and business to customer (B2C). The internet provides a vast amount of information, mostly available at no cost. The internet thus provides a means of market research to firms in the form of secondary data because of making use of the internet to find out what their customers want, as well as a way of enquiring what their competitors are doing (Nothanagel, 2006:44). Discussion groups can also be used to conduct primary research as they are an excellent way of identifying the target market and determining the business-like activities of the target market (Wilson and Abel, 2002: 85-88).

Most firms are able to utilise the internet as an enhancement tool in the form of brand building through their web site. This type of internet site is used to present information about the firm and its offering (Nothanagel, 2006:44). In its simplest form, this involves taking the firm's marketing information and posting it to the web site (Wilson and Abel, 2002: 85-88).

Revenue enhancement techniques revolve around e-commerce and e-organisation (Wilson and Abel, 2002:85-88).

E-commerce refers to buying and selling processes supported by electronic means, primarily the internet. Zhou (2004:83) indicates that all the activities that pertain to financial transactions, business data exchange, and communication with customers and suppliers, define modern functioning of e-commerce. Electronic markets (e-markets) are "market spaces", rather than physical marketplaces. Sellers use e-markets to offer their products and services online. Buyers use them to search for information, identify what they want and are able to place orders using credit cards or other means of electronic payment (Amstrong and Kotler, 2005:485). E-commerce can become advantageous

when a hotel initially establishes a clear web presence and provide all the information and sources related to its products and services on such website (Zhou, 2004:85).

It can thus be deduced that, a firm is regarded to be a true e-business when the majority of its revenue is being generated from the internet, all major processes are connected with the online environment, the business is set up to run 24 hours a day and is able to reach global audiences (Wilson and Abel, 2002:85-88).

Today, the most popular forms of internet marketing used by different hospitality institutions include web advertising, e-mail marketing, search engine marketing and online branding to facilitate the exchange of products and services (Wilson and Abel, 2002: 88), all of which are explained below:

- *Web advertising*

This involves the posting of information about a company's products on the website for customers to read. A lot of information on web advertising has already been explained in section 3.4.1 of this chapter, therefore it is not necessary to explain it in detail.

- *Search engines*

It becomes necessary for a hotel to be registered onto a number of possible search engines and directories in order to receive maximum exposure and thus eliminate the possibility of any potential customers not locating the establishment's main website (Lacovou, 2004:9). According to the search engines' spiders called bots, information about a hotel can be found either at the top of a page or even at the bottom of the other page (Sweeney *et al.,* 2000: 351).

- *Online branding*

A brand is the personality that identifies a product, service or company (name, symbol) and how it relates to key constituencies (Hair *et al.,* 2000). Online branding, therefore, explains how internet channels are used to support brands, which in essence, are the sum of the characteristics of a product or service as perceived by the user.

- *E-mail marketing*

E-mail marketing can be done by making use of variety techniques (Duncan, 2002:428), namely, discussion lists and newsletters all of which are explained below:

Discussion lists: hundreds of thousands of people can be included in a discussion list. Every time someone sends an e-mail, advertising messages are added to the foot of each message sent out by persons on the list. It is therefore possible to spread the message to many people at a low cost (Wymbs, 2000:46).

Newsletters: marketers are able to send e-mailings in the form of newsletters on brand related topics. Newsletters are useful because they keep people informed and keep the company name at the "top of the mind". Newsletters also have the potential to generate a sale on a monthly or weekly basis (Sterne and Priore, 2000:6). Customers are able to receive personalised e-mails together with their requested search of specific hotels, attractions and cities in a timely manner when planning their holiday. Internet advertising techniques become more accepted once they are incorporated into e-newsletters (Lacovou, 2004:45). Then as an additional step, e-newsletters can be connected onto any hotel's main website through a hyperlink inserted in the newsletter's document.

However, nowadays some new forms of internet features such as facebook and twitter are emerging. Facebook, which started as a social site, has been annexed by businesses as a marketing method. Twitter again is a social networking site and micro blogging instant messaging or web interface, and is now used for marketing purposes by various organisations. Unfortunately, little published literature on facebook and twitter marketing can be found as they are newly developed features of internet and thus falls outside the scope of this study.

It has been established that, he use of internet marketing on the tourism and hospitality industry has been significant and will continue to grow in importance (George, 2001:206). As the hospitality and tourism industry is an information-rich sector, it has

become one of the natural leading industries on the internet especially for marketing purposes (Zhou, 2004:6). Most hospitality firms have adopted this tool for marketing purposes.

3.7 <u>INTERNET ADOPTION AND GROWTH TRENDS IN TOURISM</u>

According to the Digital Insight Report (2006), internet advertising is changing the face of marketing across all firms concerned with tourism in Europe. The report indicated that since the year 2000, the web has become established as a mainstream consumer media channel, and across the continent marketing budgets are now allocated to internet marketing although the pace and scale varies greatly within each country. The web is playing a consistently growing role in daily life, and this continued growth in engagement guarantees the continued exorbitant growth of internet advertising in all markets. The internet has captured the imagination of people and is becoming more pronounced and established in the commercial arena.

In the South African context, there is no clear picture as to the adoption of the internet in the tourism sector (Maswera *et al.,* 2008). This is due to the fact that there is little published literature on the current trends of internet adoption in South Africa. However, current trends indicate that internet marketing is far more resilient during a challenging economy than other forms of media (Internet Marketing Trends report, 2009:2). The report indicates that in the midst of today's economic turmoil, hospitality marketers allocate more of their marketing budgets toward this medium (internet). Russel Hanly, chairperson of the South African Online Publishers Association (OPA), claims that the South African online marketing industry is now starting to reflect growth trends seen in the United States, Asia and Europe (Business in Africa Online, 2005). According to the Internet Marketing Trends Report (2009:2), the online population in South Africa is steadily growing, thus giving business owners the opportunity to reach a larger audience by making use of the internet. The following sub-section discusses internet usage trends in the world as well as in South Africa.

3.7.1 Internet usage trends

A survey by the International Telecommunications Union (ITU), an agency of the UN, found that nearly a quarter of the world's population uses the internet. The survey further indicated that, by the end of last year (2008), there were an estimated 4.1 billion subscriptions, up from 1 billion in 2002. This represents six out of ten of the world's population, although it is hard to make a precise calculation about how many people actually use mobile phones to access internet (World Wide Worx, 2009).

A study by Lawrie (1997) revealed that the internet was first introduced in South Africa in 1988 by a group of three people who found a way to establish a sustainable e-mail link to the internet. The link was established between Rhodes University which is situated in Grahamstown and Portland in South Africa. The e-mail link was made available to the general campus of Rhodes University in February 1989. It was further linked to a number of universities in South Africa and it spreads in later years to the business community as well.

Research from international cell phone Browser Company Opera Software shows, that growth in the number of internet users in South Africa was relatively stagnant from 2002 to 2007, when it never rose above 7%. However, this rate almost doubled in 2008 and continued accelerating in 2009. There has been a significant increase in the number of mobile internet users in South Africa since the beginning of 2008, with user growth increasing by 92.6% between January and September 2008 (World Wide Worx, 2009). According to an internet World Statistics report (World Wide Worx, 2009) it was indicated that more than two thousand two hundred small and medium enterprises had access to the internet by the end of 2003 and half of them reported e-mail as their primary use of the internet. A further study which was conducted by Goldstuck (2010) in South Africa, reveals that internet users have passed the five–million mark for the first time, finally breaking through the 10% mark in Internet penetration for the country. With the introduction of newly developed internet features such as facebook and twitter, more people are now using the internet for various purposes.

3.8 PREVIOUS RESEARCH RELATING TO INTERNET AND BUSINESS PERFORMANCE

Given the high level of financial stakes involved in adopting and using this technology (internet), the investigation of the impact of internet investment on firms' performance has been, and continues to be, a major research concern for practitioners and researchers. Numerous studies have examined the correlation between internet application and firm performance, with early researchers realising a direct link between these aspects. However, empirical studies from both developed and developing countries, presents contradictory findings. These inconsistent findings have caused many debates among e-commerce researchers over time.

A number of issues have been examined in various studies in the area of hospitality internet marketing. These include: the relationship between tourists' use of the internet in comparison to other information sources; reasons for the slow adoption of online marketing; the effects of internet marketing on upscale hotels; the impact of internet on the global hotel industry; the role of internet in the travel and tourism industry; website features of South African lodging industry; the influence of the owner/manager on the success of internet marketing in the small tourism businesses; the influence of organizational factors in small tourism businesses on the success of internet marketing; as well as e-commerce adoption of travel and tourism organisation in South Africa, Kenya, Zimbabwe and Uganda (Song, 2005:5-176; Ulhas, 2007:4-189; Nothnagel 2006:7-254; Ozitarum and Roney, 2003:1-14; Elliott and Boshoff, 2007:41-50; Elliott and Sewry, 2006:41-50; Maswera *et al.*, 2008). Previous research by named authors provides the necessary background and some in-depth discussion on the various issues of marketing tourism on the internet. However**,** most of their empirical studies were conducted in developed countries rather than in developing countries. The section below highlights some of the studies that were conducted in developed countries.

In trying to map the relationship between IT (internet) investment and firm performance, previous research presented different and contradictory findings. Cron and Sobol (1983), in a study on information system investment and firm performance, conclude that the relationship between the internet and company profitability is not clearly

outlined. They found that some companies that make use of internet marketing in a variety of ways, do not perform up to standard. Kivijarvi and Saarinen (1999), in their study of investing in information technology and financial performance of a firm in the Netherlands, conclude that although there are some considerable benefits of using the internet for marketing, investing in information technologies such as the internet pays back, but only in the long term; probably as a result of the long-term development and learning time required in order to realise its full advantage. Proliferate investment in the internet does not guarantee profitability. In a study on the impact of information technology on hotel performance in Australia, Lo and Darma (2000) conclude that the use of IT, such as the internet, does not necessarily mean that an improvement in the performance of an organisation should take place. However, performance is enhanced if the internet is supported by other resources. Ozituran and Roney (2003) also supported this idea. Singh and Harmon (2003:123) added that investment in information technology, such as the internet, may not lead to profitability, because the benefits may be passed on to the customers, instead of the firm. Supporting this, Teo and Tan (1998:145) concluded that the success of internet marketing is affected by mainly by organisational factors. Thus, it is realised that by using the internet on its own cannot guarantee an improved performance.

Interestingly, some studies in developed countries conclude that a positive relationship between internet usage and business performance can be found. A number of these studies emphasise that proper integration of the internet as a marketing communication tool is able to enhance the performance of the hospitality sector and it was concluded that the internet is one of the most powerful tools in marketing in the hospitality sector, and it should be utilised extensively (Lacovou 2004:5-80; Sunny *et al.,* 2004:1-18; Wei *et al.,* 2001:1-7).

After using regression models to measure the relationship between internet advertising and profitability in Indian firms, Kundu, Kulkarni, and Murthy, (2008), conclude that a significant and positive relationship between advertisement spending and profitability as measured by Profit after Tax can be found. It was observed by Ulhas (2007:56) that one of themain financial benefits of internet marketing is the reduction of annual expenditure

by making most of the process from advertising to purchase automatic. Sunny *et al.,* (2004) in the study of the impact of Information technology such as internet and performance of upscale hotels in Korea, conclude that a positive relationship between information technology usage and firm performance exists. Sunny *et al.,* (2004:14) pointed out that the application of information technologies, such the internet in upscale hotels, has resulted in an increase in performance.

Surveys were also conducted in developed countries to examine how the internet is being used and how the hospitality sector is making use of this new tool. According to World Internet usage Stats (2008), a study undertaken by Merrill Lynch estimated that of all hotel bookings generated in 2008, 40% would be through the internet, compared to around 33% in 2007 and close to 30% in 2006. The research further indicated that at least another one-third of all hotel bookings in 2008 would be influenced by the internet, but conducted offline (call centre, walk-ins, group bookings and others). By the end of 2010, claims the Merrill Lynch study, over 45% of all hotel bookings will have been completed online. Power and Associates, (2008) in the Independent Travel Website Satisfaction Study presents an even brighter outlook for internet marketing. Figures collated by this study show that of the total travel bookings done in the year 2008 globally, close to 70% were made online. Thus, customers are comfortable with using the internet when communicating with the destination of visit. In addition to this, a third benchmark survey by Starkov and Price (2009) on Internet Marketing Budget Planning and Best Practices in Western Europe and the USA indicates that hoteliers strongly believe that the internet is a viable marketing communication tool. Starkov and Price (2009) observe that hoteliers believe that internet marketing produces better results than traditional marketing. They discovered that even in this current economic environment, more hoteliers plan to increase their internet marketing budget in 2009.

In developing countries, particularly in South Africa, the issue of internet marketing has also attracted the attention of researchers. As already mentioned, the issue of internet marketing is however not as thoroughly researched in developing countries as in developed countries. Elliott and Boshoff (2009), in a study of the utilization of the internet for marketing tourism service in South Africa, indicate that information

technologies, such as the internet can only contribute to the competitive advantage of a business if properly integrated with other business resources. They indicate that the use of IT such as the internet does not necessarily mean an improvement in the performance of a business.

On the other hand, Song (2005), in a study of the role and impact of internet in tourism in South Africa, discovered that the catering and accommodation sector (hospitality) is one of the sectors that benefits from internet promotion or marketing. In his study, Song (2005) also indicates that the use of internet marketing in the Gauteng province of South Africa boosted the number of bookings in 2005, when compared to that of 2003. This implies that even in developing countries, the hospitality sector is also experiencing the benefits of internet marketing.

It is realised in South Africa that, firstly, there is very little published information on the impact of internet marketing on performance of hospitality sector. Secondly, researchers are presenting contradictory views regarding the impact of e-commerce or internet usage and firm performance and profitability.

In short, a clear picture of the relationship between internet marketing and the performance of a firm has not yet emerged from previous studies. From the literature under review, it is observed that although the internet is viewed as one of the most powerful marketing communication tools in the hospitality industry, its financial benefits are not yet agreed upon by hospitality researchers (Sunny *et al.,* 2004:67; Singh and Harmon, 2003:2). Different and contradictory findings probably result from different units of analysis, different measures of performance, a limited theory base and reliance on cross-sectional methods (Martinez, 2007:60). Thus, past research on the impact of internet investment on financial performance has been rather inconclusive. Some studies found a positive relationship between the two, while others actually found no relationship at all (Lo and Darma, 2000:33).Subsequently, contradictory findings regarding the financial benefits of internet marketing in the hospitality sector and shortage of published literature on the impact of e-commerce in the South African tourism sector, become the major drive in carrying out this study.

In the light of the above, the following section explains how the hypothetical framework in chapter one (Figure 1.1) of this study was developed giving an explanation of the meaning of each variable.

3.9 <u>HYPOTHESES DEVELOPMENT</u>

Based on the E-value model by Salwani *et al.*, (2009), which was explained earlier in this chapter, the hypothetical framework (Figure 1.1) for this study was developed. In order to suit the objectives of this study, the E-value model was adopted, but with minor adjustments. Table 3.3 on the next page shows the adjustments that were made to the E-value model to arrive at the hypothetical framework in chapter one of this study (see figure.1.1 in Chapter 1). The development of the hypotheses is discussed in line with previous literature in the next page below Table 3.3.

Table 3.3: Proposed adjustment to the E-value model

E-value model by Salwani *et al.,* (2009)	Hypothetical framework for this study
1. Absence of important variables such as perceived benefits and existence of alliances that could have significant influence on the use of e-commerce (internet marketing).	The inclusion of two new variables: perceived benefits, existence of alliances and substitute firm scope with level of star grading.
2. Measure effect of e-commerce on business performance.	Measure the effect of internet marketing on business profitability.
3. Use e-commerce usage as a moderating variable	Use internet marketing experience as moderating variable

Table 3.3 above shows some of the adjustments that were made to the E-value model inorder to arrive at the hypothetical framework of this study. Two new variables

(perceived benefits and existence of alliances) were included in this study's framework. The framework was also adjusted to measure business profitability instead of business performance as indicated in Table 3.3 on the previous page. The next section discusses how the hypotheses for this study were formulated.

Firm size and internet marketing use

Firm size is one of the factors that can influence internet marketing spending as well as the sales of a firm. Large firms are more likely to benefit from the use of e-commerce than smaller ones, in view of the fact that they have more resources than smaller ones (Salwani *et al.*, 2009:167). This can be clearly understood as firm size represents several important aspects of the organisation, such as resource availability and prior technological experience (Zhu, Kraemer, Xu and Derick, 2004:158). Firm size, in the hotel sector, can be measured by a number of aspects such as the number of permanent employees, number of rooms and number of beds. A study by McMaster, Kato and Kan, (2005) used the number of beds to determine the size of the firm, while Ye, Rob and Gu (2008) used the number of rooms and permanent employees to determine the firm size. It is therefore posited in this study that size (as measured by the number of rooms) has a significant influence on the firm's internet marketing usage. According to Ye *et al.* (2008), hotels with 10-79 rooms are regarded as small, hotels with 80-149 rooms are regarded as medium sized and hotels with over 150 rooms are regarded as large. To ascertain whether size has a significant influence on internet marketing usage, $H_1{}^a$ is proposed. $H_1{}^a$. *Business size significantly explains variance in internet marketing usage in the South Africa graded hotels and lodges.*

Level of star grading and internet marketing use

Property star rating is able to influence internet marketing use and even the sales of a hotel (Ye *et al.,* 2008). It is also indicated that hotel star rating has a significant effect on the use of the internet (Wei *et al.,* 2001). Wei *et al.,* (2001) indicated that hotels can be regarded as lowly graded or highly graded, where one to two star hotels are regarded as lowly graded, and three to five star hotels are regarded as highly graded hotels.

Therefore, hotel star grading (as indicated by the number of stars) is also included in this study as a factor which can influence hotel internet marketing usage. Hence $H_2{}^a$ is proposed as follows: *Level of star grading significantly explain the variance internet marketing usage in the South African graded hotels and lodges*.

Top management support and internet marketing use

A number of studies indicate that top management support is the most critical factor in determining the successful use of e-commerce (Del Aguila-Obra, and Padilla-Melendez. 2006:13). Top management commitment is one of a small set of organizational factors which constantly re-appear as significantly related to the successful use of information technologies (Wu, Mahajan and Balasubramaniam, 2003). In this study, managerial support refers to how top management place emphasis on the use of internet marketing, how top management advises on the use of internet marketing and how are they willing to provide the necessary resources. In general, if top managers are committed to the use of internet marketing, it is easy for other subordinates to follow suit. To test whether managerial support can significantly influence internet marketing usage $H_3{}^a$ is proposed as follows: *Managerial support significantly explains the variance in internet marketing usage in the South African graded hotels and lodges.*

Technological competence and internet marketing use

Competence is the acquisition of knowledge, skills and abilities at a level of expertise, sufficient to be able to perform in an appropriate work setting (Cloete, Courtney and Dfintz, 2002:8). Many researchers view technological resources as an important factor for successful internet adoption (Kuan and Chau, 2001; Del Aguila-Obra and Padilla-Melendez, 2006; Salwani *et al.*, 2009), especially as a strong backing of e-commerce usage. In this research, technological competence refers to the IT personnel that enable the development and implementation of internet marketing. If the IT personnel have sufficient training in the ways to use the internet, then implementing internet marketing

could be successful. Realising that previous authors support technological competence as an important factor affecting e-commerce usage, $H_4{}^a$ is developed to test the relationship between technological competence and internet marketing usage in the hospitality sector as follows: *Technological competence significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.*

Perceived benefits and internet marketing use

Del Aguila-Obra and Padilla-Melendez (2006:130) indicate that one of the factors that can affect the adoption and use of the internet is the perceived benefits of using such technology. Cloete *et al.,* (2002:8) also mentioned that adoption of e-commerce is largely based on perceived benefits. Perceived benefits can be direct, such as cost saving, an increase in sales volume and an increase in number of new customers or indirect such as convenience and the building of customer loyalty. In this study, perceived benefits which were considered are: the ability of the internet to reach global markets and increase in sales volume and convenience. To test whether perceived benefits can influence the use of internet marketing, $H_5{}^a$ which states that: *Internet perceived benefits significantly explain the variance in internet marketing usage in the South African graded hotels and lodges* is proposed.

Existence of alliances and internet marketing use

Alliances can take on a number of forms and include personal contact networks, social networks, business networks and marketing networks (McGowan and Durkin, 2002:56). In this study, alliances refer to the extent to which hospitality properties use business associates or contact networks as a resource to plan and implement their internet marketing strategies. Alliances play an important part in small and medium tourism businesses marketing, by reducing uncertainty and facilitating trust, thereby reducing the risk for the parties (Elliott and Boshoff, 2009:40). To test whether there is a relationship between the existence of alliances and internet marketing usage, $H_6{}^a$ is

proposed as follows: *Existence of alliances significantly influence internet marketing usage in the South African graded hotels and lodges.*

Environmental competition and internet marketing use

Research literature supports that the decision to engage in a particular behaviour, depends on what is happening in the environment at that particular moment (Salwani *et al.*, 2009). Competitive pressures and customer pressure make up external drivers that can influence the adoption of internet marketing. In this study, environmental competition was assessed using three antecedents namely; discussion of competitors' strength and weakness on internet marketing, responding to competitors' actions and lastly the value placed on tracking competitors' activities. To identify whether environmental competition can influence internet marketing use, $H_7{}^a$ is proposed as follows: *Environmental pressure significantly explain the variance in internet marketing usage in the South African graded hotels and lodges.*

Internet marketing usage and business profitability

The overall objective of using internet marketing is to maximise profit. Clayton and Crisiscuolo (2002:32) indicate that firms that use e-commerce, are more likely to assess their innovations as having high positive impacts on firm performance than those without e-commerce. However, little research has been done at this stage on the extent to which internet marketing influences business profitability in the South African hospitality sector. Thus, $H_8{}^a$ is proposed as follows: *Internet marketing usage significantly influences business profitability for the South African graded hotels and lodges.* The last hypothesis which is proposed for this study seeks to establish the effect of internet marketing experience on the relationship between internet marketing usage and business profitability*.*

The influence of e-commerce experience on the relationship between e-commerce usage and business profitability

Previous experience with internet marketing is a vital factor in the successful utilization of this technology, thus it is believed by Salwani *et al.*, (2009:56), that experience in the use of e-commerce will have a strong contingent effect on the relationship between e-commerce usage and business financial performance. Khan and Motiwalla, (2002:34) conclude that experience in e-commerce is an important factor which determines usage and business financial performance. Liu, Lu and Hu (2008) used I T capability as a moderating factor between e-commerce investment and business performance based on RBV. This study used internet marketing experience as a moderating factor. The focus of this study is the number of years in which the internet has been used for marketing. To test whether internet marketing experience can significantly moderate the relationship between internet marketing usage and business profitability H_9^a is proposed as follows: *The relationship between internet marketing usage and business profitability is significantly moderated by the internet marketing experience (years).*

3.10 <u>SUMMARY</u>

This chapter was centred on reviewing the literature to various aspects of the research topic. It gives a brief explanation of the models and theories used to support this study. Literature from empirical studies was also reviewed and the major motive of carrying out the study was also indicated in this chapter. Most features of the internet that can be used for marketing in the hospitality sector were explained in detail. The influence of the internet on marketing strategies was also explored in this chapter. In addition, the chapter also explains the aspect of internet marketing, as well as explaining the positive effects of internet marketing over traditional marketing techniques. Internet adoption and usage in the hospitality and tourism sector also received attention. The chapter concludes by giving a literature review on how the hypotheses for this study were formulated.

This chapter marks the end of the literature review for this study and the next chapter forms the methodology section were the procedures that were used to carry out this study are revealed. It provides a detailed analysis of the study population, the sample size as well the questionnaire design. Data collection methods are explained in this chapter and a justification of selecting each method is provided. Pre-testing and data analysis procedures are also explained. The chapter also examines the reliability and validity of the measurement instruments used for this study. The various errors such as response and non-response errors that can affect the validity of the results were also highlighted. A section on limitations from data collection concludes this chapter.

CHAPTER FOUR:

RESEARCH METHODOLOGY

4.1 <u>INTRODUCTION</u>

The previous chapter marks the end of literature review where models and theories used for the study were discussed. This chapter discusses the research methodology used to analyse the impact of internet marketing on the performance of the hospitality sector. The chapter is organised as follows: the focus of the study is to be discussed first. This is followed by a discussion of research methods and research design. Furthermore, an endeavour is made to address the organisation and design of the measuring instrument and methods of data collection and analysis. Since this study utilises the survey research, this method will be discussed in more detail. The types of questions used in this study are explained together with target population. A section is provided to explain research errors and how they were limited in this study. The chapter concludes by explaining the limitations from data collection.

4.2 <u>FOCUS OF THE STUDY</u>

The focus of the study refers to the boundaries and margins which physically and conceptually delineate the location and source of the elements of the study which are supposed to provide the required data (Hair, Ortinau and Bush, 2006). This study is concentrated in the Eastern Cape Province of South Africa in the four selected towns of East London, Port Alfred, Port Elizabeth, Grahamstown and their surrounding areas. These areas were selected due to the fact that they are close to the ocean where tourist activities are prevalent and a number of hotels and lodges are found to cater for tourists' accommodation, food and beverage needs.

Hotels and lodges were selected for this study primarily, because they dominate the hospitality sector. Thus, the researcher deemed that the information obtained from these two accommodation types situated in the four selected towns, could provide satisfactory information about the Eastern Cape hospitality sector.

This study is employee-oriented, with special attention directed towards general managers and marketing managers. These employees were asked to indicate their perception of the impact of internet marketing on profitability from 2006-2009 only. Data

for 2010 was excluded because of World Cup event which can influence profitability levels. Thus, to answer the research problem, information was obtained from the above mentioned employees. Therefore, the data collected for this study reflects the view-points and facts about internet marketing of hospitality employees in the above-mentioned positions.

4.3 RESEARCH METHODS

Research methodology refers to the way in which data are gathered for a research project. It is the blue print for the collection, measurement and analysis of data in order to achieve the objectives of a research project (Krauss, 2005:760). The choice of research method is usually determined by the research objectives and information requirements (Cooper & Schindler, 2003:38). Data collection has been generally classified into two broad categories, namely; quantitative and qualitative research. To clearly differentiate between the two methods, each method is explained below.

4.3.1 Qualitative research

Qualitative research uses selective types of research methods in exploratory research designs where the main objective is to gain a variety of preliminary insights to discover and identify decision problems and opportunities (Hair *et al.,* 2006:660). Qualitative research provides in-depth, non-numeric information and it involves the collection and analyses of data concerned with meanings, attitudes and beliefs (Krauss, 2005:760)

In most cases, qualitative research tends to focus on the collection of detailed amounts of primary data from relatively small samples of subjects by asking questions or observing behaviour (Hair *et al.,* 2006:216). It is often difficult to summarise or quantify the data from qualitative research into meaningful forms or numbers. Van der Merwe (2003:147) indicates that qualitative data can be collected within relatively short periods of time but it is often difficult to summarise data into meaningful forms. Data analysis is usually restricted to subjective content.

The limitation of qualitative research is that it does not necessarily represent the population that is of interest to the researcher. This is because smaller samples are used owing to a lack of interviewers. The researcher's ability to generalise qualitative data into larger segments is extremely limited since the information is non-structured and the sample sizes are small (McDaniel and Gates, 2000:110). The most common forms of data collection for the purpose of qualitative studies are personal interviews and making use of focus groups. A personal interview is a formalised process in which a well trained interviewer asks a number of unstructured questions (Questions without pre-determined answers) in a face-to-face setting (Tustin, Van Aardt, Van Wyk and Lightlem, 2005:89). Focus group on the other hand is a formalized process of bringing together a small group of people for an interactive, spontaneous discussion on one particular topic or concept (Hair *et al.,* 2006:222).

4.3.2 <u>Quantitative research method</u>

The quantitative research method involves data collection that emphasises the use of formalised, standard and structured questioning practices in which the response options have been predetermined by the researcher and administered to significantly large numbers of respondents (Hair *et al.,* 2006:66). Data from the quantitative method results in numerical counts from which statistical inferences can be drawn.

Quantitative research methods are more directly related to descriptive and causal research designs than to exploratory designs (McDaniel and Gates, 2001:106). The main aim of quantitative research is to provide specific facts that decision makers can use to make accurate predictions and gain meaningful insights or verify and validate existing relationships (Tustin et al., 2005:89). When dealing with quantitative research it is wise for the researcher to have the ability to translate numerical data into meaningful narrative information (Van der Merwe, 2003:149).

This study made use of the quantitative research design which Hair *et al.,* (2006) describe as studies whose findings are mainly the product of statistical summary and analysis. The main feature of quantitative research is the heavy reliance on data

analysis to arrive at findings or conclusions. Numbers are assigned to the properties in the phenomena to represent their qualities.

The use of quantitative research assists the researcher to establish statistical attestation on the strengths of the relationship between certain constructs. In spite of the fact that quantitative research design is inadequate in generating theory and in providing strong in-depth explanations of qualitative enquiry, it is still useful in hypothesis verification and validity test (Shammout, 2007:90). Therefore it has been decided to use the quantitative research method.

There are basically two sources of data that a researcher can make use of, namely: secondary and primary data sources, which are explained below.

4.3.3 Primary research

Primary data is normally collected if the information needed is not readily available or the information is not already available in published form (Shammout, 2007:90). It involves obtaining original data about the product and market and is designed to answer specific questions of interest to the researcher (Van der Merwe, 2003:177). The source of primary data is the output of conducting a research project using certain techniques (in this study a survey) to collect the required data (McDaniel and Gates, 2001:90).

To collect primary data, the researcher carried out field research. The primary source utilised for the research study is "statistical survey" that is "a quantitative method, requiring standardised information from and/or about the subjects being studied. The subjects studied might be individuals, groups, organisations or communities; they also might be projects, applications, or systems. It is further explained by McDaniel and Gates (2001:9) that a statistical survey is an efficient way of collecting information from a large number of respondents. The information can be used to study attitudes, concepts, values beliefs and behaviours.

The use of primary data provides up-to-date information and the questions are specific to the purpose, hence there is no need to critically analyse the validity of the data. However, primary data can be difficult to collect and/or a take long time to collect.

Hair *et al.,* (2006) identify three primary data collection methods namely observation, experiment and survey. These methods are explained below as follows:

- **Observation**

McDaniel and Gates (2001:28) describe observation as a process through which primary data is obtained by observers (humans or machines) about the behavioural pattern of people, objects and occurrences. Observation is an effective method when: specific behaviours can be observed, the behaviour is repetitive, predictable and frequent and the behaviour is relatively short-lived. Observation was inapplicable in this study because the researcher wanted to obtain critical information from respondents and not observe behaviour.

- **Experiment**

McDaniel and Gates (2001:28) point out that through the experimental method of data collection, the researcher manipulates an independent variable and then measures the effect. The experimental setting can be in a laboratory or in the field. In a laboratory, experiments are conducted in an artificial or laboratory setting. The research is therefore isolated from the natural setting or routine of respondents. Laboratory experiments allow the researcher to have direct control over most of the crucial factors that may have an effect on the experiment. Field research is done in the natural setting of respondents. This study was however not about manipulation of variables. Therefore the experiment was not used as a method of data collection. This study used the survey as the research method because other methods of data collection such as observation and experiment were not applicable for collecting data to investigate the research problems. Therefore the survey research method was explained in detail below.

- **Survey research**

Survey research involves interacting with respondents in order to obtain facts, opinions and attitudes (McDaniel and Gates, 2001:30). In most surveys, a measuring instrument is the main tool used in data collection. According to McDaniel and Gates (2001:30), survey research methods are procedures for collecting large amounts of raw data using

the question-and-answer format. Survey methods are associated with descriptive research situations, and allow one to collect a large amount of data from a population in an economical manner (Van der Merwe, 2003:151). In this study, the measuring instrument was administered to 80 graded hotels and lodges in the Eastern Cape Province. The researcher targeted general managers and marketing managers with the assumption that they are able to tell changes in performance of properties after the introduction of internet marketing. The 80 graded hotels and lodges that were given the measuring instrument would give a true reflection of the population since all the members of interest are included in the sample. This study used the survey method for the following reasons:

- surveys are a relatively inexpensive way of obtaining information (Hair *et al.,* 2000:89) because a number of questions can be asked;
- data can be corrected on the basis of current facts and opinion as mentioned by David (2003:60), and the data from surveys can also provide basic information regarding existing or changing market patterns;
- answers to survey questions can be represented in numerical form and subjected to various kinds of analyses;
- the use of standardised questions makes measurement more precise by enforcing uniform definitions upon the participants;
- surveys are useful in describing the characteristics of a large population. No other method of data collection can provide this general capability; and
- surveys are also considered as flexible research method because they are standardized, easy to administer and free from various errors (McDaniel and Gates, 2001:30).

Along with these advantages, there are also shortcomings associated with survey research. Data collected by means of a survey is quantitative and may not be as widely ranging as that which is collected through qualitative methods (Van der Merwe, 2003:151). In addition, there is also a limit to the number of questions a questionnaire can contain because, if too many questions are asked, the respondents may be

discouraged from answering the questionnaire. Surveys can be done in different ways, which leads to an explanation of the various survey types, as follows.

4.3.3.1 Types of surveys

Surveys come in a wide range of forms and can be distributed using a variety of media. Listed below are the forms that surveys take, which are:

  i.   Written surveys

Written surveys can be conducted in one of three ways, which is the drop-off method, the mailing method and group administered questionnaires (Hair *et al.,* 2006:45). This study utilises the drop-off method in which the researcher drops off the questionnaires at the respondents and picks them up when the respondents have completed them. Alternatively, the researcher e-mails the questionnaire to the respondents.

  ii.   Oral surveys

Oral surveys are considered more personal forms of surveys than the written or electronic methods. An oral survey is generally used to get thorough opinions and impression from respondents. An oral survey can be administered in several ways. For instance, in a group interview, as opposed to a group administered written survey, where each respondent is not given an instrument (Hair *et al.,* 2006:91).

  iii. Electronic surveys

With the growth of the internet and, in particular the World Wide Web and expanded use of e-mail for business communication, the electronic survey is becoming a more widely used survey method (Hair *et al.*, 2006:255). Electronic surveys can be distributed as e-mail messages sent to potential respondents or can be posted on forms on the internet.

This study utilised the written survey method through the use of the drop-off method, together with the electronic method through the use of e-mails. The drop-off survey method was chosen because the researcher was assured that the research instrument was delivered to the respondent. The electronic survey was used as an additional way because there were some areas which were far from the researcher, such that sending

the research instrument through e-mail was the only convenient way. E-mail surveys offer a higher rate of prevalence, as compared to other survey techniques.

4.3.4 <u>Secondary research</u>

Secondary data is historical information that was previously collected and assembled for a research problem or opportunity other than the current situation (Hair *et al.,* 2000:39). Secondary research (also known as desk research) involves the summary, collation and/ or synthesis of existing research rather than conducting primary research, where data is collected from research subjects or experiments (David, 2003:89). In short, secondary data is information which already exists in some form, should be collected for a different purpose, and might be useful in solving the current problem. Secondary research includes collecting information from third-party sources such as company websites, sales and accounting records, magazine articles, journals and marketing research reports. In this study, secondary research was used to compile the literature or theoretical section of this study.

Although secondary research has some significant benefits to the researcher, it is always necessary to conduct primary research in order to acquire new information and ideas. Thus, both primary and secondary research was conducted for compilation of this study.

4.4 <u>RESEARCH DESIGN</u>

Research design is a blueprint or the plan used to realise the research objectives and answer the research questions (Chisnal, 2005:18). It is a structure in which a specific problem is to be solved (Hair *et al.,* 2000:36). Selecting a design may be complicated due to the availability of a variety of methods, procedures and sampling plans (Van der Merwe, 2003: 174). Determining the appropriate research design is a function of the research objectives and the specific information requirements. Research objectives can be achieved by using one of three types of research designs: exploratory, descriptive or causal research designs (Krauss, 2005:761). The three research designs are explained below.

4.4.1 <u>Exploratory research design</u>

The exploratory design focuses on collecting either secondary or primary data by using unstructured formal or informal procedures (Hair *et al.,* 2006:37). It is often used simply to classify problems or opportunities, and is not intended to provide conclusive information from which a particular course of action can be determined (Zhou, 2004:67).

4.4.2 <u>Descriptive research design</u>

The descriptive research design uses a set of scientific methods and procedures to collect raw data and create data structures that describe the existing characteristics of a defined target population or market structure (Hair *et al.,* 2006:38). Descriptive studies generally allow decision makers to draw inferences about their customers, target markets or environmental factors (Van der Merwe, 2003:175).

4.4.3 <u>Causal research design</u>

Causal research is designed to collect raw data and create data structures and information that will allow the researcher to model cause-and-effect relationships between two or more variables (Hair *et al.,* 2006:38). Causal research is most appropriate when the research objectives include the need to understand the reasons why certain market phenomena happen as they do (McDaniel and Gates, 2001:29). Krauss, (2005:760) points out that causal research examines whether one variable causes or determines the value of another variable. A variable is a symbol or concept that can assume any one of a set of values. Causal research reveals a cause-and-effect relationship between dependent and independent variables. A dependent variable is a symbol or concept that is expected to be caused by an independent variable. An independent variable is a symbol or concept over which the researcher has some control. The research objectives of this study are to examine the relationship between internet marketing usage and business profitability and to examine the internal and external factors that can affect internet marketing usage. This is a cause-and-effect relationship. Thus, the causal research through the use of regression analysis was of used for this study.

4.5 SCOPE OF THE SURVEY

This section covers the survey population as well as the survey area used for this study. Thus the survey area together with the targeted population is explained in the next sections.

4.5.1 Survey Population

McDaniel and Gates (2001:12) define a survey population as a list of elements from which the sample will be drawn. The survey population for this study was graded hotels and lodges in the four selected towns of the Eastern Cape Province of South Africa which are mentioned earlier in this study.

4.5.2 Census

A census involves data obtained from or about every member of the population that is of interest (McDaniel and Gates 2001:328). It is a feasible method to use when the population of interest is identifiable and information can be obtained from the entire population. Thus in the case of this study, the number of graded hotels and lodges in Eastern Cape Province is identifiable. There are eighty graded hotels and lodges which are graded in the four selected towns used in this study according to the information on the database of Tourism Grading Council of South Africa. Thus, all graded hotels and hotels were chosen to complete the measuring instrument, this study can be classified as a census.

4.6 ORGANISATION OF THE SURVEY

In this section, the researcher explains how the measuring instrument for this study was designed. A motivation for choosing a questionnaire as a measuring instrument was also given. The importance of a good questionnaire design, the choice of questions and the motivation for pre-testing the measuring instrument are also given attention.

4.6.1 Design of the measuring instrument

A measuring instrument is a set of questions designed to generate the data necessary for accomplishing the objective of a research project (McDaniel and Gates, 2001:289).

A measuring instrument was chosen for this study because it is one of the easiest ways of collecting data under survey research. A measuring instrument should be skilfully and systematically designed (Hair *et al.,* 2006) in order to get the actual data required for the research. A well-designed measuring instrument motivates respondents and minimises errors associated with data gathering, which eventually improves the quality of the research findings. The layout of the measuring instrument in this study was kept simple in order to encourage the participation of respondents.

Based on previous research in related areas, for example, (Merhertens, Cragy and Mills 2001; Salwani *et al.,* 2009; Chieochan*,* Lindley and Dunn*,* 2000; Wang, Lay and Zhao, 2008; Martinez, 2007; Wu *et al.,* 2003), a measuring instrument, a questionnaire, was constructed to measure the perceptions of managers on each of the variables (see Table 6.1 in section 6.2.

The questionnaire was divided into six sections. The first section covers the demographic information of respondents (Section A); the second section covers information about the property (Section B), while the third section consists of information concerning internet marketing activities (Section C). The forth part consist of questions related to factors affecting internet marketing usage (section D). The fifth part consists of information regarding influence of internet marketing usage on profitability (section E). The last part covers information regarding the benefits of internet marketing usage (section F).

The types of questions that were used in the questionnaire include:

- dichotomous questions;
- multiple choice questions;
- open-ended questions (unstructured questions); and
- likert type questions.

A dichotomous question is a question which offers two alternative answers to choose from. This includes questions with answers like Yes/No, Female/Male and Agree/Disagree. A multiple choice question contains more than two alternative answers.

Multiple choice questions were used because the pre-testing revealed that these questions were easy to answer and provided the ease of coding.

Open-ended questions are normally used when the researcher is unsure of the response he/she will receive (Martins, Loubser and Van Wy., 1999:229). The answers need to be analysed prior to coding to find out whether there are any common elements so that they can be grouped together and given an identical code. The use of open-ended questions makes coding difficult and should therefore be kept to a minimum. In this study, the research only included one open-ended question in order to extract more data on the views of the managers regarding the issue of internet marketing. The researcher kept open-ended questions to a minimum because they are difficult to code and analyse.

Close-ended question format allows respondents to choose answers from a pre-determined set of responses (Hair *et al.,* 2006:441). Close-ended questions require simple answers and can easily be coded. Measuring instruments work best with close-ended questions, because they are interpreted in the same way by all respondents. This study used more close-ended questions than open-ended questions. This was done for easy coding of data as well as eliminating the chances of getting vague responses that will be difficult to interpret.

Five-point Likert type scale questions were also used under the survey method and the scales used were adopted from Chieochan *et al.,* (2000) ranging from strongly disagree to strongly agree as follows:

1. = strongly disagree
2. = disagree
3. = neutral
4. = agree
5. = strongly agree

Unfortunately, any the questionnaire has the disadvantage that respondents might ignore it and not complete it at all and in certain cases there will be questions not completed. Thus the response rate to a questionnaire is estimated to be between 70%

and 80% (Cant, Gerber-Nel, Nel, and Kortze, 2005). The next section explains pre-testing as it is one of the most important aspects in the design of the measuring instrument.

4.5.4 Pilot test/ Pre-test

Hair *et al.,* (2006: 660) defined pre-testing as the process of conducting a simulated administration of a design questionnaire to a small representative group of respondents. It is an important step in the development of a questionnaire because it sheds light on possible improvement of the questionnaire's wording, structure and format. To test the reliability of the questionnaire, a pre-test survey was conducted amongst 15 hotels and lodges. It was then sent to these hotels and lodges via e-mail so as to gain some initial feedback and gauge the effectiveness of the wording in the questions. For accuracy, the measuring instruments were distributed equally according to the star of the hotels. From the pre-test survey it was noted that some respondents were not familiar with the new terms of internet marketing and the measuring instrument was redrafted by rephrasing such terms. It was also observed that most of the respondents were not willing to divulge information concerning financial performance, but preferred to give their views. The questionnaire was redrafted so as to ask the respondents to give their perceptions about financial performance. The measuring instrument was finally distributed to all 80 graded hotels and lodges comprising the population census.

4.7 DATA ANALYSIS

This can be defined as the process of gathering and transforming data with the goal of highlighting useful information and suggesting conclusions. Collected data was tabulated for easy interpretation and, where possible, graphs were used to display the collected data. Data coding and entry are an integral part of the data analysis (McDaniel and Gates, 2001:56). Coding of data was done through the aid of the Statistical Department of Fort Hare University.

4.7.1 Data editing

Responses from each item of the questionnaire were edited. Hair *et al.,* (2006:45) indicate that editing involves a thorough and critical examination of the completed measurement instrument, in terms of compliance with the criteria for collecting meaningful data, and in order to deal with measuring instruments not duly completed. This helps to reflect errors and omissions, and corrects them where possible. Thus, the major purpose of editing is to ensure that data are accurate, and consistent with the intent of the questions which are uniformly entered. McDaniel and Gates (2001: 56) emphasise that the first stage of data preparation is to check for the acceptability of the questionnaire. Thus, data editing should be done as soon as the questionnaires are returned from the respondents.

4.7.2 Data coding

Coding involves assigning numbers or other symbols to answers so that responses can be grouped into a limited number of classes and categories (McDaniel and Gates, 2001:56). The coding process of a structured questionnaire is regarded as anticipatory (Hair *et al.,* 2000). It is important to understand the statistics to be applied in the research when coding the responses to the questions in the questionnaire. Thus, at this stage it essential to design a coding manual, which acts as a guiding instrument, by providing instructions and necessary information about variables in the questionnaire. Coding assists the researcher in reducing a large number of replies into a few categories containing only the critical information required for analysis.

In this research, each response pertaining to factors affecting internet marketing as guided by the constructs identified in this research, namely: business size, level of star rating, managerial beliefs, alliances, environmental pressure, technological competence, and internet marketing experience, was attached to each construct. Thus, if a response to a question was affecting the use of internet marketing positively, it was allocated the highest code and if a response was indicating a negative effect, it was allocated the lowest code. The same was done to all four measures of profitability. This was done for the data to be analysed using regression analysis.

4.7.3 <u>Data entry</u>

Data entry refers to the process of transforming data obtained from the questionnaire into a computerised or electronic format. The process can be done through a variety of ways, *inter alia,* optical scanning, direct punching into statistical software packages such as SPSS or spread sheet software (McDaniel and Gates, 2001: 67). Data entry for this study was conducted through Microsoft Excel spreadsheets (MS Excel 2007) as it is one of the most common tools for entering and manipulating data. MS Excel (2007) was mainly used for data coding and the data was then transferred to SPSS version 18 software for analysis.

4.7.4 <u>Reliability of the constructs</u>

Reliability is concerned with the consistency of measures. The level of an instrument's reliability depends on its ability to produce the same results when used repeatedly (Cant, Gerbenel-nel, Nel and Kortze 2005:67). This study used the Cronbachs Alpha coefficient as a measure of reliability. Cronbachs alpha is a test for the survey's internal consistency. It is a measure of how well each individual item on a scale correlates with the remaining items. To measure the reliability for a set of two or more constructs, Cronbachs Alpha is a commonly used method were the alpha coefficient value ranges between 0 and 1 with higher values indicating higher reliability amongst indicators. Cant *et al.,* (2005:68) has indicated 0.7 to be the accepted reliability coefficient, but lower thresholds are sometimes used in literature. The cut-off point is generally known as 0.6 (Hair *et al.,* 2000:89). Thus, this study used 0.6 to be the minimum coefficient. Reliability was further enhanced by:

- conducting a pilot test;
- using a panel of experts to review the measuring instrument for question phrasing and sequencing; and
- keeping open-ended questions to a minimum.

4.7.5 <u>Validity of the research constructs</u>

Validity refers to whether an instrument actually measures what it is supposed to measure, given the context in which it is applied. Validity can be defined as the extent to which differences in observed scale scores reflect true differences between objects on the characteristics being measured, rather than systematic or random errors (Cant, *et al.,* 2005:235). According to Hair *et al.,* (2006:100) there are six procedures of ascertaining validity which are:

- face validity which refers to the fact that the concept being measured is done so appropriately;
- criterion-related validity which predict future outcomes in relation to specific criteria;
- content validity which refers to the use of measures that incorporate all of the meanings associated with a specific concept;
- construct validity which is associated with a measure encapsulating indicators that are theoretically sound;
- internal validity which refers to whether the cause, as contained in the hypothesis, produces the given effect in the research; and
- external validity which refers to the extent to which the results of the research can be generalised.

Validity assessment was followed in this study in an attempt to eliminate or neutralise systematic random errors that are prominent in surveys. According to Rao (2002:152) the three major procedures are content validity, criterion validity and construct validity. Of the three procedures of ascertaining validity mentioned by Rao (2002:152), the researcher used content and construct validity and these two receive further exposure in Table 4.1 on the next page.

Table 4.1: Types of validity

Types of validity	Definition	Assessment strategy
Content or face validity	The degree to which the instrument investigate the intended concept (Rao, 2002:152)	- Literature review - Pretesting questionnaire - Feedback from experts
Construct validity	The degree to which a construct achieves empirical and theoretical meaning (Shammout, 2007:135)	Pretesting the questionnaire among subject experts as well as other fields such as social sciences

4.7.6 Research constructs

Wu *et al.,* (2003), indicate that there are very few reliable scales to measure most aspects of e-commerce. In the absence of objective measures, subjective assessments (managers' perceptions in this case), can be used as satisfactory proxies for business-economic performance measures (Elliott and Boshoff, 2009:6). The variables used to measure each construct of this study were derived from previously published studies. Table 4.2 on the next page summarises all the variables and measurements used for this study.

Table 4.2: Variables used in the study

Independent variable	measurements	Sources
Internal factors		
Property size	Number of rooms	Salwani *et al.,* (2009)
Managerial support	Provide resources necessary for internet marketing, keep track with latest developments in internet features, emphasise in adapting to internet related market trends	Chiochen *et al.,* (2000), Wu *et al.,* (2003)
Tech-competency	Trained personnel, skilled personnel	Salwani *et al.* (2009)
Level of star grading	Star grading is divided into two levels: lowly graded and highly graded	Wei *et al.*, (2003)
Perceived benefits	Reduction in advertising cost, ability to increase sales volume, improvement in marketing communication, convenience and ability to reach global markets	Chiochen *et al.,* (2000),
External factors		
Competition	Responding to competitors action on internet marketing Use of competitors' information to maintain competitive advantage Aware of competitors' strength and weakness on internet marketing.	Wu *et al., (*2003) Del Aguila-Obra and Padilla-Malendez (2006), Zhu *et al., (*2005)
Alliances	Provide information on internet marketing Influence how business markets over internet Improve proficiency at obtaining information on how to market over the internet	Elliott and Boshoff (2009)
Dependent variable		
Profitability	Return on equity, Sales volume, Profit margin, Operating cost	Wu *et al., (*2003),
Internet marketing usage	E-mail marketing, online branding web advertisement, use of newsletters use of search engines	Nothnagel (2006)
Moderating variable		
Internet marketing experience	Number of years using internet marketing	Salwani *et al.,* (2009)

4.7.7 <u>Statistical analysis</u>

The Statistical Package for Social Sciences (SPSS), version 18, was used to analyse data because of its ability to analyse both qualitative and quantitative data and it incorporates the use of a number of statistical data analysis formulas. The main aim of the study was to see whether a significant relationship exists between company performance (profitability) and the use of internet marketing. The study was also aimed to identify the key factors that can influence internet marketing usage, which in, turn affect company profitability. The rest of the data was analysed, using multiple regression analysis.

4.7.8 <u>Regression analysis</u>

Regression analysis is a statistical tool for the investigation of influence of one or more variables (independent) on another variable (dependent variable) as defined by Field (2008). Since the study seeks to find the relationship between more independent variables and a single variable, internet marketing usage, multiple linear regression analysis was used. Multiple regression analysis is a technique that allows additional factors to enter the analysis separately so that the effect of each can be estimated. It is valuable for quantifying the impact of various simultaneous influences upon a single dependent variable. To establish the relationship between internet marketing usage and organisational and environmental factors, the following function was defined:

Internet marketing intensity = f (Property size, star grading, technological competence, managerial support, perceived benefits, environmental competition and alliances).

From the above function, the following equation was formulated following the multiple regression equation below:

$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \ldots\ldots + Error$

Thus, the equation for this model is:

Internet marketing usage = $\alpha + \beta_1$ property size + β_2 star grading + β_3 competence + β_4 support + β_5 benefits + β_6 competition + β_7 alliances + Error

Where: Alpha (α) stands for the value of the dependent variable (internet marketing usage) when the values of the independent variables are zero and β represents the slope or coefficient values (Hair *et al.,* 2006:103). The coefficient values of the parameter estimates can be positive or negative. When using SPSS, the coefficient value can be positive or negative. A construct can have a negative value but pass the significant test; it implies that the construct has little significant effect on the dependent variable. Internet marketing usage is the dependent variable and the other seven factors are independent variables. Hair *et al.,* (2006:103) defines an independent variable as the mathematical expression whose values determine the dependent variable.

The equation was then tested using multiple linear regression analysis. Internet marketing usage was obtained by considering the number of internet marketing ways that a property uses.

In order to investigate the relationship between internet marketing usage and business profitability, simple regression analysis was used. Since profitability was measured using different measurement instruments (ROE, operating cost, sales volume, profit margin), four different regression equations were formulated to establish the relationship between internet marketing intensity and each profitability measure. The following regression model was crafted to show the regression equation:

$Y = α + β1X1 + Error$

Where: Y will be represented by each profitability measure and α stands for the value of the dependent variable when the values of independent variables are zero. Beta (β) stands for the slope or the coefficient values and X represents internet marketing usage.

4.7.9 Analysis of the moderating variable

Hierarchical regression analysis was performed to verify the effect of a moderating variable (internet marketing experience). Hierarchical regression involves adding a new term to the equation model, in stages. Thus, when a new term is added to the model, there will be a change in the value of R square (Field, 2008:10). R square is a useful way to assess the unique contribution of new predictors. Liu *et al.,* (2008:332) indicated

that when the change in R square value is greater than 3%, then the added term will be considered as significantly moderating the relationship between the two terms. This was done, using the method which was proposed by Wen *et al.,* (2005:138) by using hierarchical regression analysis of the regression model with the products:

Y=aX + bM + *e.*

That is: Return on Equity = a (internet marketing usage) + b (internet marketing experience) = error term.

Where: Y is a dependent variable (profitability measures) and X the independent variable (internet marketing usage) and M is the moderator (internet marketing experience). This was done for all four profitability measures and the R square value for each model was compared with the R square value before the moderator was introduced.

In short, the model of this study was assessed by using the regression analysis. This was done using SPSS version 18 and Microsoft office Excel 2007. The assessment of the model was however preceded by an assessment of the reliability of the instruments, using Cronbachs alpha test as mentioned above.

4.8 <u>RELIABILITY ERRORS</u>

According to Cant, *et al.,* (2005:235) errors, especially the response and non-response errors can also pose a serious threat to the reliability of data and must be minimised by the researcher.

- **Response error**

Response errors are the estimated inaccuracies that could be introduced by the researcher, the interviewer or the respondent. Response errors can occur in two basic forms (Hair *et al.,* 2000:662), namely deliberately or mistakenly, providing false answers to the aspects of the survey which they feel is sensitive. Deliberate falsification or unconscious misrepresentations are also causes of response errors. Response errors were minimised in this study by structuring the measuring instrument in such a way that

the questions were asked in a straight-forward manner so that respondents were not able to distort their views. Pre-testing and the use of a self-administered questionnaire also assisted in reducing the response error, because unclear questions were clarified by the researcher.

- **Non- Response error**

Non-response errors occur when the portion of the defined target population not represented or underrepresented in the response pool is systematically and significantly different from those that respond (Hair *et al.,* 2000:659). Non-response errors occur because people who participated in the survey may not have the same characteristics as those who did not. Non-response errors also occur when a person cannot be reached at a particular time (unavailable but willing), or when potential respondent is reached but refuses to participate at that time (Van der Merwe, 2006:162). In this research, process non-response errors were reduced by using self-administered questionnaires, which involved a direct meeting between the researcher and the respondents and by sending e-mail reminders. Thus, the researcher managed to get 68 completed questionnaires out of the initial 80 questionnaires.

- **Response rate**

 From 80 questionnaires that were distributed, 68 of them were returned, giving a response rate of 85% which is above the expected response rate from a self-administered survey. McDaniel and Gates (2001) state that, the response rate from a self-administered survey is usually between 70 and 80%. In any academic work limitation are inherent. Thus, the following section explains some of the limitations of this study.

4.9 <u>LIMITATIONS FROM DATA COLLECTION</u>

There are some limitations which arise in data collection. For instance, some of the managers were reluctant to answer the questionnaires and some were not familiar with the internet terms. The area of the study which includes East London, Grahamstown, Port Elizabeth and Port Alfred were far from the university and resulted in the

researcher incurring a lot of travelling and subsistence expenses. This forced the researcher to pay repeated visits to some of the respondents who had initially failed to complete the questionnaires. The researcher relied on telephone calls to remind some of the respondents. Despite these efforts, some of the respondents failed to answer the questions.

4.10 <u>SUMMARY</u>

This chapter provided a detailed explanation of the procedure through which the research was conducted. It outlined the research method that was used in the study, the research design that was followed, as well as examining the data gathering technique which was used for the research study, especially the reason behind choosing the self-administered questionnaire and the way in which the questionnaire was designed. It further specifies the statistical procedures used for analysing data and the measurement instruments that were employed. The result from pilot testing was also included and the way that the questionnaire was restructured. The chapter discusses the errors especially the non-response errors and response errors; the response rate for this study was also highlighted. Lastly the chapter highlighted the limitations from data collection.

The next chapter discusses the research results. The chapter concentrates on the answers of the respondents to the questionnaire. Tables, pie charts and graphs are used to display the results and all the statistical procedures are indicated. Results obtained in each question in the questionnaire are compared with empirical studies to confirm their consistency or inconsistency.

CHAPTER FIVE:

DATA ANALYSIS AND RESEARCH FINDINGS

5.1 <u>INTRODUCTION</u>

The previous chapter explained the methodology which was followed by the study to collect and analyse data. The purpose of this chapter is to present the empirical findings of the current study. The interpretation of data is explained. Each section of the measuring instrument is discussed. The first two sections provide descriptive data in terms of demographic information and business information. The other following sections focuses on internet marketing activities, factors influencing internet marketing usage, influence of internet marketing on business profitability and benefits of internet marketing respectively. The last section gives the results of the analysis of the hypotheses using a multiple regression analysis and hierarchical regression analysis. Findings are provided for each of the research questions, research objectives and hypotheses examined by this study.

5.2 <u>RESULTS AND DISCUSSIONS</u>

This section deals with the analysis and interpretation of data obtained from the respondents via the self-administered questionnaire. The answers obtained are supported by either a table or a figure. Interpretation to responses will then be effected. Finally, the results obtained from each question are compared to previous studies to confirm, where possible, if they are consistent or inconsistent with previous literature, related to the questions.

5.2.1 <u>Section A: Demographic information</u>

This section identifies and discusses the demographic information of the respondents. Information such as the age of the respondents, status of the respondents and the number of years in which the respondents have been employed by the property are discussed in this section. McDaniel and Gates (2001:158) are of the opinion that demographic data are needed to obtain basic information about the respondents. Table 5.1 on the page next shows information about the age of the respondents.

Table: 5.1: Age of respondents

Age	Frequency	Valid percentage	Cumulative percentage
21-30	2	2.9	2.9
31-40	27	39.8	42.7
41-50	36	52.9	95.6
Above 50	3	4.4	100.0
Total	**68**	**100**	

As indicated in Table 5.1, two out of sixty-eighty respondents (2.9%) fall into the 51-60 age bracket, twenty-seven out of sixty-eighty (39.8%) fall into the 41-50 age bracket, thirty-six out of sixty-eighty (52.9%), which is the majority, fall into the 31-40 age bracket and three out of sixty–eight (4.4%) fall into the 21-30 age bracket.

This finding is consistent with the findings of Ozituran and Roney (2003), who discovered that the majority of respondents in their study fall into the 30-49 age bracket. Similarly, Sunny *et al.,* (2004), in their study on the effect of information technology on the performance of upscale hotels, discovered that the majority of the respondents from the hotels fall into 30-39 age bracket. Interestingly, Krebs (2004) indicates that the majority of respondents in the Canadian tourism sector were also in the 31-39 age bracket. The next demographic information discussed, is status of the respondents. Table 5.2 below shows information about the status of the respondents.

Table 5.2: Status of the respondents

Status	Frequency	Valid percentage	Cumulative percentage
Marketing manager	6	8.8	8.8
Accounting personnel	4	5.9	14.7
Owner/general manager	58	85.3	100.0
Total	**68**	**100**	

As indicated in Table 5.2 on the previous page, six out of sixty-eight (8.8%) respondents are marketing managers, four out of sixty-eighty (5.9%) are accounting personnel and the majority, fifty-eight out of sixty-eighty (85.3) are overall/ general managers.

Wei *et al.,* (2001) in their study of the uses of the internet in the global hotel industry also observed that the majority of respondents were general managers of hotels. Ozitarun and Roney (2003), in a study of internet usage among travel agencies in Turkey, also discovered that the majority of their respondents were top managers. Song (2005) in a study of the role of internet in tourism also discovered that the majority of the respondents in tourism firms were general managers.

The last demographic information relevant to this study is number of years for which respondents have been employed by their current employer. Table 5.3 below shows information pertaining to this issue.

Table 5.3: Years employed by current employer

	Frequency	**Valid percentage**	**Cumulative percentage**
1-3 years	4	5.9	5.9
4-6 years	40	58.8	64.7
7-10 years	18	26.5	91.2
Above 10 years	6	8.8	100.0
Total	**68**	**100**	

Respondents were asked to indicate the number of years which they have been under the employment of their current employer. This question was asked, because the number of years in which one is employed determines his/her ability to tell whether internet marketing impacted on the financial performance of the business. As indicated in Table 5.3 above, 5.9% of respondents indicate that they were employed by the property between one and three years, the majority of the respondents (58.8%) fall in the four to six years range, whilst 26.5% fall in the range of seven to ten years and 8.8% have been employed by the property for ten years and longer. The results indicate that

the majority of the respondents have been employed in the organization for 4 to 6 years followed by 7 to 10, years which implies that the majority of the respondents are able to provide information about the performance of the business.

This finding is contrary to the findings of Sunny *et al.,* (2004) because they discovered that the majority of the respondents in the upscale hotels of Korea have been employed by the organisation for 7 years and longer. The reason behind this may be that Sunny *et al.,* (2004) concentrated only on 4 and 5 star hotels, whilst this study included all star graded hotels.

5.2.2 Section B: Businesses information

This section discusses information pertaining to the number of rooms of each business, the location of the business and the star grading level of the business. This information is necessary as it help in the testing of some of the hypotheses in this study.

- **Number of rooms**

Respondents were asked to state the number of rooms that their properties have, in order to determine the size of the property. The literature indicates that size of a property normally influences e-commerce usage (Zhu *et al.,* 2005). The information concerning number of rooms is shown on Table 5.4 below;

Table 5.4: Responses to the number of rooms

Number of rooms	Frequency	Valid percentage	Cumulative percentage
10 to 59	5	7.4	7.4
60 to 99	8	11.8	19.1
100 to139	22	32.4	51.5
140 to 179	12	17.6	69.1
180 to 209	12	17.6	86.8
210 and above	9	13.2	100.0
Total	**68**	**100.0**	

Table 5.4 on the previous page indicates that five out of sixty-eighty properties (7.4%) fall into the range of 10-59 rooms, eight out of sixty-eight properties (11.8%) fall into the range of 60-99 rooms, while the majority of the properties fall into the range of 100-139 rooms; these comprise 32.4%, which is twenty-two out of sixty-eight. Twelve out of sixty-eighty properties (17.6%) fall into the range of 140-179 rooms, twelve out of sixty-eighty properties (17.6%) fall into the range of 180-209 rooms and only nine properties out of sixty-eighty (13.2%) have 210 rooms or more. According to Wei *et al.,* (2001) a hotel with 150 rooms and above is regarded as a large hotel, a hotel with 80-149 rooms is regarded as medium sized and a hotel with 10-79 rooms is regarded as small hotel. It implies that the majority of the hotels and lodges in this study are regarded as medium- sized businesses.

- **Business location**

Information on the location of the business is shown in Table 5.5 below;

Table 5.5: Responses on the location of business

Location	Frequency	Valid percentage	Cumulative percentage
East London	18	26.5	26.5
Port Elizabeth	34	50	76.5
Port Alfred	11	16.1	92.6
Grahamstown	5	7.4	100.0
total	**68**	**100.0**	

The findings in Table 5.5 above show that most of the businesses, which comprise thirty-four out of sixty-eight (50%), are located in Port Elizabeth and its surrounding areas. Eighteen out sixty-eighty properties (26.5%) are located in East London; eleven out of sixty-eighty properties are located in Port Alfred and surrounding areas while only five graded properties (7.4%) were located in Grahamstown. Grahamstown is the only

town among those selected for this study that is not located along the coast, so it is characterised by fewer graded properties.

It was also noted that most of the 5 star graded properties, were found in Port Elizabeth in comparison to the other towns. The reason for this may be that Port Elizabeth is larger than the other towns that were included in the survey.

- **Star grading**

This information enables the researcher to whether a relationship between level of star grading and internet marketing usage exist. In this study 1-2 star graded properties are regarded as lowly graded properties while 3-5 star graded was regarded as highly graded in line with classification by Wei *et al.* (2001).

Figure 5.1 below shows information on the star grading of the hotels and lodges used in this study.

Figure 5.1: Number of businesses in each star grading category
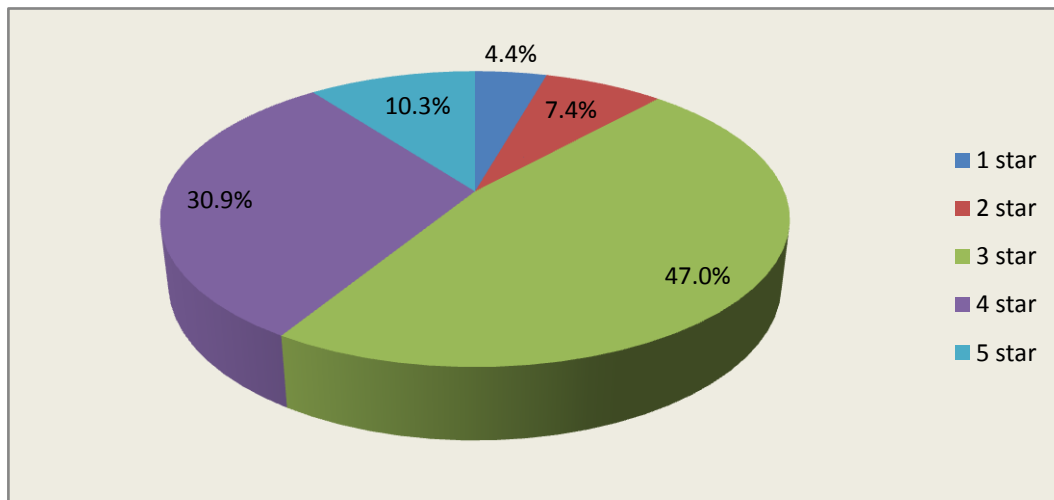
From Figure 5.1 above, it is observed that there were very few 1 and 2 star businesses, and there are three out of sixty-eighty properties (4.4%) being 1 star graded, and five out of sixty-eighty (7.4%) were 2 star graded. Most of the properties were 3 star

properties, which accounted for 47.0% of the total properties (32 out of sixty–eighty), and four out of sixty-eighty were 4 star properties. Seven out sixty-eighty properties were 5 star properties. It implies that the majority of the properties under the survey were regarded as highly graded properties.

This finding is similar to the findings of Nothnagel (2006) which indicates that the majority of graded lodgings in South Africa were 3 star graded lodges, followed by 4 star graded properties. Wei *et al.,* (2001), in a study of the uses of the internet in the global hotel industry, also observed that the majority of the hotels in their sample were 3 star graded, followed by 4 star graded.

5.2.3 Section C: Internet marketing activities

This section deals with the internet marketing activities undertaken by hospitality businesses which include: number of years in which the businesses have been using internet marketing, the main objective of using internet marketing, ways of internet marketing use, marketing strategies were the internet is incorporated, recent booking channels and usage of the internet in comparison to other marketing communication channels. This information gives an insight into internet marketing usage by each property.

- **Number of years using internet marketing**

This information was vital as it provides the number of years in which the business has used internet marketing, which will in turn, help to establish the effect of experience on the relationship between internet marketing usage and business profitability. Table 5.6 on the next page shows information on the years of internet marketing usage.

Table 5.6: Years for which the business has used internet marketing

Years	Frequency	Valid percentage	Cumulative percentage
1	0	0	0
2	0	0	0
3	2	2.9	2.9
4	36	52.9	55.9
5	18	26.6	82.4
6 and above	12	17.6	100.0
Total	**68**	**100.0**	

As shown in Table 5.6 above, only two respondents, which comprise 2.9% of the properties, indicate that they have used internet marketing for three years, thirty-six respondents (majority) which is the equivalent of 52.9%, indicate that they have been using internet marketing for four years, eighteen respondents, which is equivalent to 26.6% indicate that they have been using internet marketing for 5 years, whilst twelve, which is equivalent to 17.6% indicate that they have been using internet marketing for six years and above. It implies that all the respondents are using internet marketing and the majority have used internet marketing for four years.

- **Types of internet marketing frequently used by properties**

Respondents were asked to state the types of internet marketing they normally use to market their services. Respondents were given a list of the commonly used types of internet marketing ways. This information contained in the questionnaire helps the researcher determine the type of internet marketing usage by each business. Table 5.7 on the next page shows responses regarding the different features of the internet which are used by different properties.

Table 5.7: Internet marketing usage by different businesses

Features	Frequency	Valid percentage	Cumulative percentage
E-mail marketing only	3	4	10
Web advertisement only	4	6	10
Newsletter only	0	0	10
Online branding only	0	0	57
E-mail and web advertisement	32	47	60
Search engines only	2	3	85
E-mail, web advertisement and online branding	17	25	100
All of the above	10	15	
Total	**68**	**100**	

Table 5.7 above shows that three out of sixty-eight respondents (4%) indicate that their businesses only use e-mail for marketing, while four out of sixty-eight (6%) indicate that their properties use web-advertisements when marketing their business, with thirty-two out of sixty eight respondents (47.1%), the majority, indicating that their properties use both e-mail and web advertising when marketing their business. Two out sixty-eighty (3%) indicate that they use search engines only. Seventeen out of sixty-eight respondents (25%) indicate that their properties use e-mail marketing, web advertisements and online branding. Finally, only ten out of sixty-eight respondents (15%) indicated that they use all the marketing types available to them.

It was also noted that highly graded properties, 5 star and very few 4 star graded properties, tend to utilise more types of internet marketing methods than less star graded businesses. From this information it is noted that graded properties are not fully utilising the internet for marketing purposes.

This finding is consistent with a previous study by Asku and Tarcan (2002) which focuses on internet use in hotels in Turkey. They observe that the majority of the firms use e-mail marketing and web advertisements to market their services.

As a continuation of the above aspect of types of internet marketing, respondents were further asked to indicate whether their businesses incorporate the internet in the following marketing strategies which are:

    I.   Market research;
   II.   Product development;
  III.   Product pricing;
  IV.   Track customer feedback;
   V.   Product delivery; and
  VI.   All of the above.

Subsequently, Table 5.8 below shows the information obtained from respondents pertaining to the incorporation of the internet in the above marketing strategies.

Table 5.8: Incorporation of the internet in marketing strategies

	frequency	Valid percentage	Cumulative percentage
Yes	38	56	56
No	30	44	100
Total	**68**	**100**	

The majority of the respondents (56%) indicated that they incorporate the internet in all their marketing strategies and 44% of the respondents indicate that they do not incorporate the internet in all the marketing strategies mentioned in the survey instrument. The results confirmed that despite the well-documented benefits of using the internet for marketing purposes, there are some properties that are not fully utilising it. Nothnagel (2006), in the study of content analysis of websites of graded lodges,

concluded that not all graded properties were effectively utilising their websites for marketing purposes.

- **Objective of using internet marketing**

Information on the objective of using internet marketing is important as it gives an insight on the reason hospitality properties decide to adopt the internet as a marketing communication tool. Figure 5.2 below shows some of the objectives why hospitality properties adopted the internet for marketing purposes.

Figure 5.2: Main objective of using internet marketing
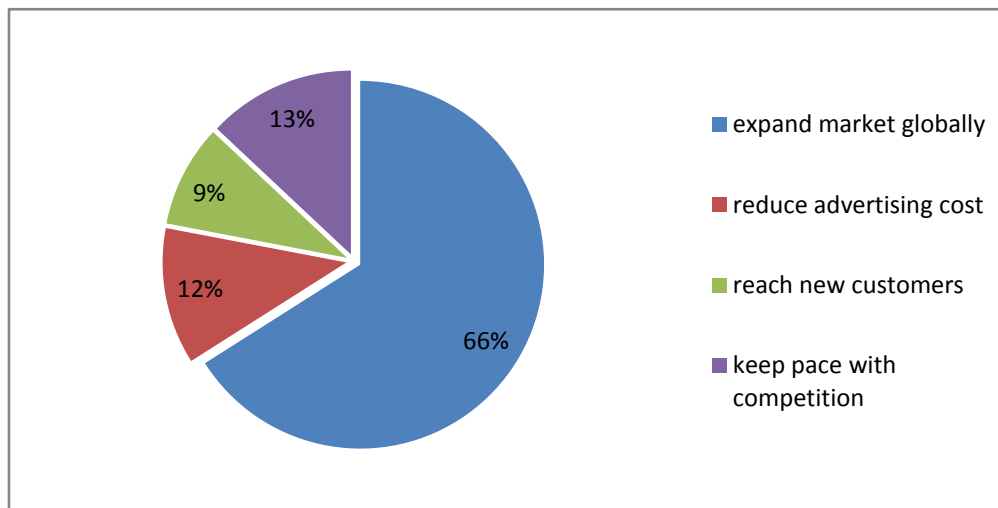
From Figure 5.2 above, most of respondents (66%), which is forty-five out of sixty-eighty, indicated that, the property's main objective for using internet marketing is to expand the market globally. This is so, because with the internet one can reach global markets without any problems. Eight out of sixty-eight respondents (12%) indicated that they adopted internet marketing as a way of reducing their advertising costs, whilst six out of sixty-eight respondents (9%) indicated that they adopted internet marketing in order to reach new customers and nine out of sixty-eighty respondents (13%) indicated that their property adopted internet marketing in order to be competitive in the marketing environment.

This finding is consistent with the finding of Ozituran and Roney (2003), in their study of internet use in travel agencies in Turkey, which determined that very few properties use the internet in order to reach new customers.

- **Current booking channels**

Respondents were asked to indicate on behalf of the property which channel was used most for their current bookings. This question was necessary as it enables the researcher to have insight into the booking channels which are commonly used amongst hotels and lodges in South Africa. This will give the researcher a clear idea of what is happening in the hospitality sector in terms of internet usage. Figure 5.3 below shows information on the booking channels used by hospitality properties.

Figure 5.3: Booking channels used by customers
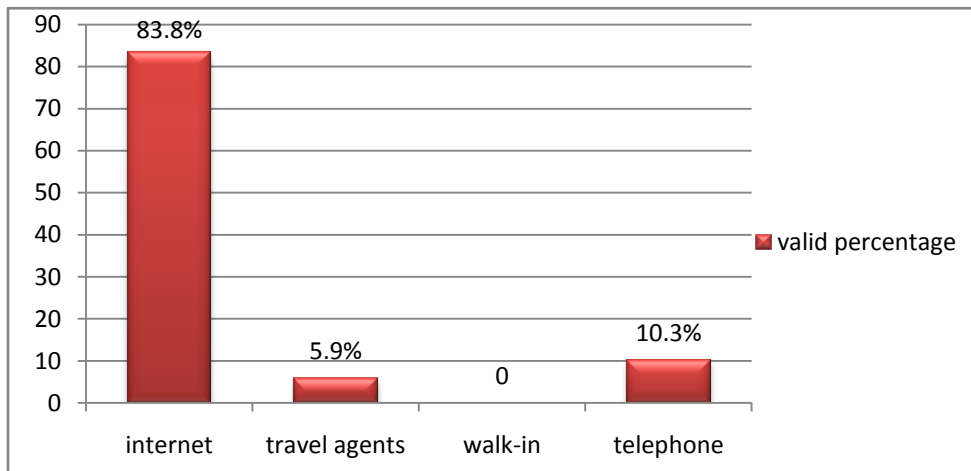
It is shown in Figure 5.3 above that most of the respondents (83.8%), equivalent to fifty-seven out of sixty-eight respondents, indicated that they receive most of their bookings via the internet, four out of sixty-eight (5.9%) indicated that most of their bookings are received via travel agencies and seven out of sixty-eight (10.3%) indicated that most of their current bookings are received by telephone. There were no respondents who indicated that most of their current bookings are walk-ins.

This finding is consistent with previous studies. Song (2005), in a study of the role of the internet in the South African tourism industry, discovered that most tourists were making bookings over the internet as well as the telephone. Yang, Flynn and Anderson, (2003) also indicated that online booking in the hospitality sector of Georgia is increasing to such an extent that most of the bookings are received via the internet. This is to be expected as the number of people who have access to the internet is increasing.

- **Use of internet in comparison to other marketing communication tool**

The researcher wanted to know whether hotels and lodges rely on internet marketing or whether they use other marketing communication tools when marketing their property. This will in turn help the researcher to see whether hospitality properties in South Africa are utilising internet marketing extensively or whether they are still using other traditional tools. This information is shown on table 5.9 below.

Table 5.9: Use of internet marketing in comparison to other communication tools

	Frequency	Valid percentage	Cumulative percentage
Strongly agree	3	4.4	4.4
Agree	37	54.4	58.8
Neutral	0	0	58.8
Disagree	20	29.4	88.2
Strongly disagree	8	11.8	100.0
Total	**68**	**100.0**	

Table 5.9 illustrated that, when respondents were asked to state their perceptions on the use of the internet as compared to other marketing communication tools, three out of sixty-eight respondents (4.4%) indicated that they strongly agree that they utilise the internet more than other traditional marketing communication tools. Thirty-seven out of sixty-eighty (54.4%) indicated that they utilise the internet more than other marketing communication tools, whilst twenty out of sixty-eight (29.4%) indicated that they

disagree that they utilise the internet more than any other marketing communication tool, and only eight out of sixty-eight (11.8%) indicated that they strongly disagree that their properties utilise internet marketing more than other marketing communication tools. Some respondents even indicated that they still rely on brochures and catalogues when marketing their properties and the internet is used as an additional marketing communication tool.

5.2.4 <u>Section D: Factors influencing internet marketing usage</u>

The following section presents the key research findings following some of the hypotheses formulated earlier in this study. It deals with the perception of respondents regarding the factors which influences internet marketing usage. Factors such as the perceived benefits of internet marketing, environmental competition, the influence of alliances, managerial support and technological competence were considered in this section starting with training.

- **Training**

Respondents were asked to state whether the person who performs internet marketing activities, attained any form of training on how to use the internet for marketing purposes. This question assisted in modelling the relationship between internet marketing usage and technological competence. Table 5.10 below shows information on training.

Table 5.10: Information on internet marketing training

Training	Frequency	Valid percentage	Cumulative percentage
Yes	42	61.8	61.8
No	26	38.2	100.0
total	**68**	**100.0**	

As indicated on Table 5.10 above, most of the respondents (61.8%), indicated that the person who performs internet marketing activities has completed training on how to use the internet for marketing and twenty-six out of sixty-eighty (38.2%) indicated that the person who performs internet marketing activities did not obtain any form of training on how to use the internet. It implies that some hospitality businesses are still using untrained personnel to market their services on the internet.

- **Competition**

The aspect of competition was examined using three antecedents namely, top management regularly discuss their competitor's strengths and weaknesses on internet marketing, the property responds rapidly to competitor actions on internet usage and the property believes that responding to a competitor's actions is crucial to maintain competitive advantage. Respondents were asked to give their perceptions regarding the above antecedents. The information obtained from respondents is shown in Table 5.11 below.

Table 5.11: Responses to influence of competition

1 Our top management regularly discusses competitor's strength and weaknesses on internet marketing use				
Strongly agree	Agree	Neutral	Disagree	Strongly disagree
6%	29%	0	44%	18%
2 Our property respond rapidly to competitor's action on internet marketing use				
Strongly agree	Agree	Neutral	Disagree	Strongly disagree
11%	29%	6%	35%	19%
3 Responding to competitors actions is crucial to maintain competitive advantage on internet market use				
Strongly agree	Agree	Neutral	Disagree	Strongly disagree
12%	40%	10%	28%	10%

Table 5.11 above indicates that to the first statement, 6% of the respondents strongly agree that top management regularly discusses competitors' strength and weaknesses regarding internet marketing usage while 29% of the respondents indicate that they agree with the notion. Most of the respondents (44%), disagreed that top management regularly discuss competitors' strength and weaknesses regarding internet marketing use and lastly 19% of the respondents strongly disagreed that top management regularly discuss competitors, strength and weakness regarding internet marketing use. This implies that the majority of the respondents disagree with the statement.

To the second statement, it is also indicated in Table 5.11 that 11% of the respondents strongly agree that their property respond rapidly to competitors' action regarding internet marketing use, while 29% of the respondents agree with the notion, while 6% of the respondents remained neutral on the matter. On the other hand, 35% of the respondents disagreed that they rapidly respond to competitors' action regarding internet marketing use and lastly 19% of the respondents strongly disagreed with the notion. This again shows that the majority of the respondents do not support the second statement.

Table 5.11 indicates that to the third statement, 12% of the respondents strongly agree that responding to competitors' action is crucial to maintain their competitive advantage, while 40% of the respondents agreed with the notion, while 10% of the respondents remained neutral about this matter. On the other hand, 28% of the respondents disagreed with the notion that responding to competitors' actions is crucial to maintain competitive advantage and 10% of the respondents strongly disagreed with the matter. The conclusion was reached that, the majority of the respondents support that responding competitors' action is crucial to maintain competitive advantage.

- **Perceived benefits**

In this section, the influence of perceived benefits was examined, using direct and indirect benefits that can be realised after using internet marketing. Thus, direct benefits such as the ability to reach global markets, reduced advertising cost, increased property sales, improvement in marketing communication and its convenience, were used.

Respondents were asked to indicate whether they agree or not with the fact the above mentioned benefits have influenced their property to use internet marketing. The information obtained is shown in Table 5.12 below.

Table 5.12: Responses on influence of perceived benefits

	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		**Total**
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	
Reach global markets	4	6%	20	29%	5	7%	31	46%	8	12%	**68**
Convenience	2	3%	15	22%	10	15%	30	44%	11	16%	**68**
Increase sales volume	2	3%	12	59%	2	3%	40	18%	12	18%	**68**
Reduced advertising cost	10	15%	30	44%	4	6%	12	18%	10	15%	**68**
Improve marketing-communication	8	12%	20	29%	2	3%	20	29%	18	27%	**68**

Responses are discussed under various heading which are:

- *Ability to reach global markets*

As indicated in Table 5.12 above, 6% of the respondents strongly agreed that they use internet marketing because they perceive that they will be able to reach global markets without any geographical boundaries. It is indicated that 29% agreed with the notion while 7% of the respondents were neutral on that matter. On other hand, 46% indicated that they disagree that the ability of the internet to reach global markets has influenced them to use internet marketing. Lastly 12% of the respondents strongly disagreed with the notion.

- *Convenience*

It is noted that 3% indicate that they strongly agree that they use internet marketing, because they perceive it to be a convenient way of doing marketing, while 44% of the respondents agreed with this notion. It noted that 10% of the respondents decided to be

neutral on the subject matter. On the other hand, 22% of the respondents disagreed with the notion that they use internet marketing, because they perceived it to be a convenient way of marketing. Lastly 16% of the respondents strongly disagreed with the notion. It implies that the majority of the respondents support the notion.

- *Increase in sales volume*

It is also indicated in Table 5.12 that 3% of the respondents strongly agreed that the fact that internet marketing usage can result in an increase in sales volume, while 59% of the respondents agreed that the ability of internet marketing to increase sales volume has triggered their property to use internet marketing, while 3% of the respondents were neutral on the matter. The majority of the respondents (18%) disagreed that, the fact that internet marketing usage can result in increased sales volume has triggered them to use internet for marketing and lastly 18% of the respondents strongly disagreed with the notion.

- *Reduced advertising cost*

On the matter of reduction in advertising cost, the majority of the respondents (44%) agreed that the fact that the use of internet marketing can result in reduction in advertising costs has triggered them to use it for marketing purposes, while 15% of the respondents agreed with the notion. Only 6% of the respondents remained neutral on the matter. However, 18% of the respondents disagreed with the notion that the fact that internet marketing usage can result in a reduction in advertising cost has triggered them to use internet marketing. Lastly, 15% of the respondents strongly disagreed with the notion.

- *Improve marketing communication*

It is also indicated that 12% of the respondents strongly agreed that the use of internet marketing can improve marketing communications, while 29% of the respondents agreed with this notion. Only 3% of the respondents remained neutral on the subject matter. On the other hand, 29% of the respondents disagreed that the use of internet marketing can improve marketing communications. Lastly 27% of the respondents

strongly disagreed with the notion. From the responses above, it shows that respondents have mixed feelings on the real benefits of using internet marketing.

- **Business alliances**

Most businesses rely on alliances (business associates) when using internet marketing, because such alliances serve to provide some advice on how to market their business. Thus, this question provides the researcher an insight on whether graded properties make use of these alliances. Figure 5.4 below shows information on alliances.

Figure 5.4: Existence of business alliances
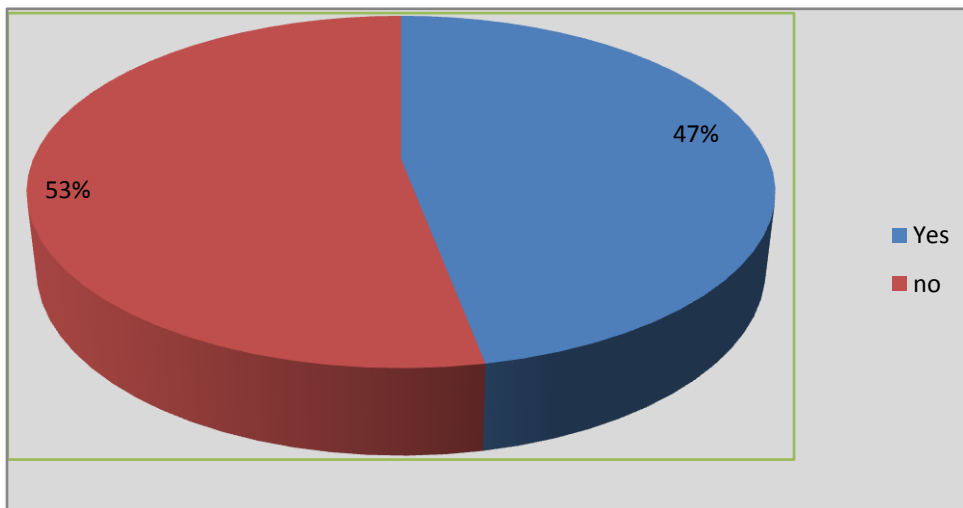
From Figure 5.4 above, 47% of the respondents indicated that they do have business alliances (the use of contact networks) which could assist them and provide advice on how to use internet marketing and 53% indicated that they do not have alliances /business associates who help them to conduct internet marketing. Thus, the majority of highly graded hotels and lodges indicate that they do not rely on alliances.

- **Influence of business alliances**

Those properties which indicated above that they have alliances, were further requested to provide information on the influence of their alliances on internet marketing usage. Under the aspect of influence of alliances three antecedents were considered for this

study namely, alliances are a source of information on internet marketing, alliances' advice exerts an influence over the way business markets over the internet and alliances improve proficiency at obtaining information on how to market over the internet. Table 5.13 below shows the perception of respondents regarding the issue of influence of alliances.

Table 5.13: Responses on the influence of alliances

1. Alliances are a source of information on internet marketing				
Strongly agree	Agree	Neutral	Disagree	Strongly disagree
6%	16%	0	56%	22%
2. Alliances' advice exerts an influence over the way business markets over the internet				
strongly agree	Agree	Neutral	Disagree	Strongly disagree
20%	40%	0	30%	10%
3. Alliances improve our proficiency at obtaining information on how to market over internet				
strongly agree	Agree	Neutral	Disagree	Strongly disagree
16%	46%	0	22%	16%

Table 5.13 above indicates that to the first statement, 6% of the respondents strongly agreed that alliances are a source of information on internet marketing while 16% agree with the notion. It was also noted that 56% disagreed with the notion that alliances are a source of information on internet marketing and 22% of the respondents strongly disagreed with the notion.

To the second statement, it is also shown on Table 5.13 that, 20% of the respondents strongly agreed that alliances' advice exerts an influence over the way their business markets over the internet, while 40% of the respondents agreed with the notion. On the other hand, 30% of the respondents disagreed with the notion that alliances' advice exerts an influence over the way their business market over the internet. It is also indicated that 10% of the respondents strongly disagreed with the notion.

To the third statement, it is also indicated that 16% of the respondents strongly agreed that their alliances improve their proficiency at obtaining information on how to use internet for marketing and 22% agreed with the notion, while 46% disagreed that their alliances improve their proficiency at obtaining information on how to use internet for marketing. Five out of thirty-two respondents (16%) strongly disagreed with the notion. From research findings the majority of the respondents seem to agree that alliances can influence the way they market their properties.

- **Managerial support**

In this section, managerial support was assessed using four dimensions, namely management supports the use of internet marketing, management's willingness to provide resources necessary for internet marketing usage, management provide with advice on how to effectively use internet for marketing and management encourages the business to adapt to internet-related market trends. Del Oguila-Obra and Padilla-Malendez (2006:13) suggest that top management support is one of the most critical factors which affect the success of e-commerce usage in any organisation. Table 5.14 below shows information regarding managerial support.

Table 5.14: Responses to the degree to which top management supports internet marketing use

	Very little		Little		Neutral		Much		So much		Total
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**	
Support	1	2%	3	4%	0	0	42	62%	22	32%	**68**
Willingness	5	7%	8	12%	2	3%	30	44%	23	34%	**68**
Provide advice	10	15%	12	18%	0	0	26	38%	20	29%	**68**
Adapt to internet related-trends	3	4%	5	7%	1	2%	40	59%	19	28%	**68**

The responses are discussed under the following headings:

- *Management support the use of internet for marketing.*

As indicated on Table 5.14 on the previous page, only one out of sixty-eight respondents (2%) indicated that top management offers very little support for the use of internet marketing, three out of sixty-eight respondents (4%) indicated that top management offers little support to the use of internet marketing, whilst the majority to the respondents (62%) indicated that there is much support from top management for the use of internet marketing. Twenty-two out of sixty-eight respondents (32%) went so far as to indicate that there is a great deal of support from top management on the utilisation of internet marketing.

- *Management is willing to provide resources necessary for internet marketing.*

Five out of sixty-eight respondents (7%) indicated that top management's willingness to provide resources for internet marketing is very little, eight out of sixty-eight (12%) indicate that top management's willingness to provide necessary resources is minimal, two out of sixty-eight (3%) were neutral on the matter, whilst the majority, thirty out of sixty-eight (44%), indicated that there is much willingness from top management. Twenty-three out of sixty-eight respondents (34%) indicated that there is so much willingness from top management to provide the necessary resources to implement internet marketing.

- *Management provides advice on how to market on the internet.*

Ten out of sixty-eight (15%) indicated that the degree to which top management provides advice on using internet marketing is extremely minimal, twelve out of sixty-eight (18%) indicated that the degree to which top management provides advice on internet marketing is little, twenty-six out sixty-eight (38%) indicated that the degree to which top management provide advice on how to use internet marketing is sufficient and twenty out of sixty-eight (29%) indicated that the degree to which top management provides with advice can be seen as a positive factor.

Management encourages the business to adapt to internet-related market trends.

Three out of sixty-eight respondents (4%) indicated that the degree to which top management emphasises the property to adapt to the internet-related market trends is very little while five (7%) indicated that there is little emphasis from top management regarding the matter. One out of sixty-eight respondents remained neutral on the subject matter. However, the majority of the respondents (59%) indicated that there is moderate support from top management regarding the matter of adapting to the internet-related market trends and nineteen out of sixty-eight respondents (28%) indicated that there is very much support from top management regarding the matter.

Similarly, in the research of Del Oguila-Obra and Padilla-Malendez (2006) it was discovered that top management support has a strong influence on the way in which new technology such as the internet is adopted and used.

5.2.5 Section E: Influence of internet marketing on profitability

The following section deals with the perception of respondents in relation to the impact of internet marketing usage on the profitability of hospitality properties. It provides research findings related to the perception of respondents on the financial benefits of internet marketing. Profitability was measured by Return on Equity, average sale volume, profit margin and operating costs. This information was necessary as it enables the researcher to tell whether internet marketing usage can influence any of the four mentioned profitability measures.

 The information obtained from respondents regarding their perception on the influence of internet marketing usage on business profitability is shown in Table 5.15 on the next page.

Table 5.15: Responses on the influence of internet marketing usage on profitability

	Strongly agree		Agree	Neutral	Disagree	Strongly disagree	Total
	Freq	**%**	**Freq %**	**Freq %**	**Freq %**	**Freq %**	
1 Return on Equity	12	17.6	27 39.8	3 4.4	24 35.3	2 2.9	68
2 Operating cost	5	7.4	17 25.1	4 5.9	30 44.0	12 17.6	68
3 Sales volume	12	17.6	38 56.0	2 2.9	12 17.6	4 5.9	68
4 Profit margin	11	16.0	26 38.1	1 1.5	20 29.6	10 14.8	68

When respondents were asked to give their perceptions about the influence of internet marketing usage on four of the profitability measures mentioned above, the responses are discussed as follows:

1. *Return on Equity*

On the matter of Return on Equity, twelve out of sixty-eight respondents (17.6%) indicated that they strongly agree that internet marketing usage had a significant influence. Twenty-seven out of sixty-eight (39.8%) agreed that internet marketing usage significantly influenced their property's Return on Equity, three out of sixty-eight (4.4%) indicated that they would remain neutral, since they cannot tell whether it had a positive influence or not, while twenty-four out of sixty-eight (35.3%) disagree that internet marketing usage significantly influences their property's ROE and only two out of sixty-eight (2.9%) indicated that they strongly disagree with this statement.

2. *operating cost*

On the matter of operating cost: five out of sixty-eight respondents (7.4%) indicated that they strongly agree that internet marketing usage significantly influenced their operating costs, seventeen out of sixty-eight (25.1%) indicated that they do agree that internet marketing usage has positively influenced their property's operating cost, four out of sixty-eight (5.9%) indicated that they were neutral on this statement since they cannot

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judge whether usage of internet marketing can or cannot influence their operating cost. Twenty seven out of sixty-eight respondents (44%) indicated that they disagree that internet marketing usage positively influenced their business operating costs and twelve out of sixty-eight (17.6%) indicated that they strongly disagree that the use of internet marketing significantly influences operating costs. Thus, most of the respondents disagreed that the use of internet marketing can positively influence business operating costs, mainly because it is expensive to update their websites and constantly send e-mails to their customers.

3. *sales volume*

On sales volume, twelve out of sixty-eight respondents (17.6%) strongly agreed that internet marketing usage significantly influenced their business's average sales volume in terms of bookings and room sales (occupancy), thirty-eight out of sixty-eighty, which is the majority (56%), indicated that they agree with the statement, and only two out of sixty-eight (2.9%) were neutral on this aspect as they indicated that they cannot tell whether the statement is true or not. Twelve out of sixty-eight respondents (17.6%) indicated that they disagree with the notion that internet marketing usage positively influenced the sales volume of their business and only four out of sixty-eight (5.9%) indicated that they strongly disagree that internet marketing usage positively influenced business sales volume.

4. *profit margin*

On the subject of profit margin: eleven out of sixty-eight respondents (16%) strongly agree that the use of internet marketing positively influenced their business's profit margin, twenty-six out of sixty-eight (38.1%) agreed that the use of internet marketing positively influenced their business's profit margin, and only one respondent (1.5%) was neutral as the individual felt unable to give a conclusion. Twenty out of sixty-eight respondents (29.6%) indicated that they disagree that the use of internet marketing significantly influenced their business' profit margin and ten out of sixty-eight (14.8%) strongly disagreed with the notion.

It was observed that most of the respondents agree that the use of internet marketing has resulted in increased sales volume, Return on Equity and profit margin. On the other hand, the majority disagrees that the use of internet marketing has influenced their business operating costs.

This is consistent with prior studies such the work of Asku and Tarcan (2002) which showed that the use of internet in hotels can lead to an increase in return on sales. Wang *et al.,* (2008) concluded that the application of information technology such as the internet, results in an increase in sales volume. Wu *et al.,* (2003) also indicated that a positive relationship can be found between e-business application and sales volume. Similarly, Garces et al*.,* (2003), mentions that hospitality stake holders do not value the internet as a means to reducing operating costs, but they consider it as a mechanism to expand their traditional markets, as well as to facilitate customer access to hospitality services.

5.2.6 <u>Section F: Benefits of internet marketing</u>

This section deals with the perception of respondents on benefits of internet marketing in relation to other marketing communication tools. Although this section does not cover the variables measured in this study, it gives an insight on whether the perceptions of respondents in this study conform to what is found in the empirical literature especially on the ability of internet to access international markets.

- **Ability of internet to access international markets**

This question was necessary as it gives an insight in the perception of respondents on the contribution of internet marketing in accessing international markets. Elliott and Boshoff (2009) indicate that the internet with its unique capabilities can help tourism firms to access international markets. Information in Figure 5.5 below differs from Figure 5.2 in its quest to explore the perception of respondents on the degree to which internet marketing contributes in accessing international markets, while the previous section (Figure 5.2) concentrates on the objectives of using internet marketing. Figure 5.5 on the next page shows views of respondents on the contribution of internet marketing in accessing international markets.

Figure 5.5: Responses to the contribution of internet marketing in accessing international markets
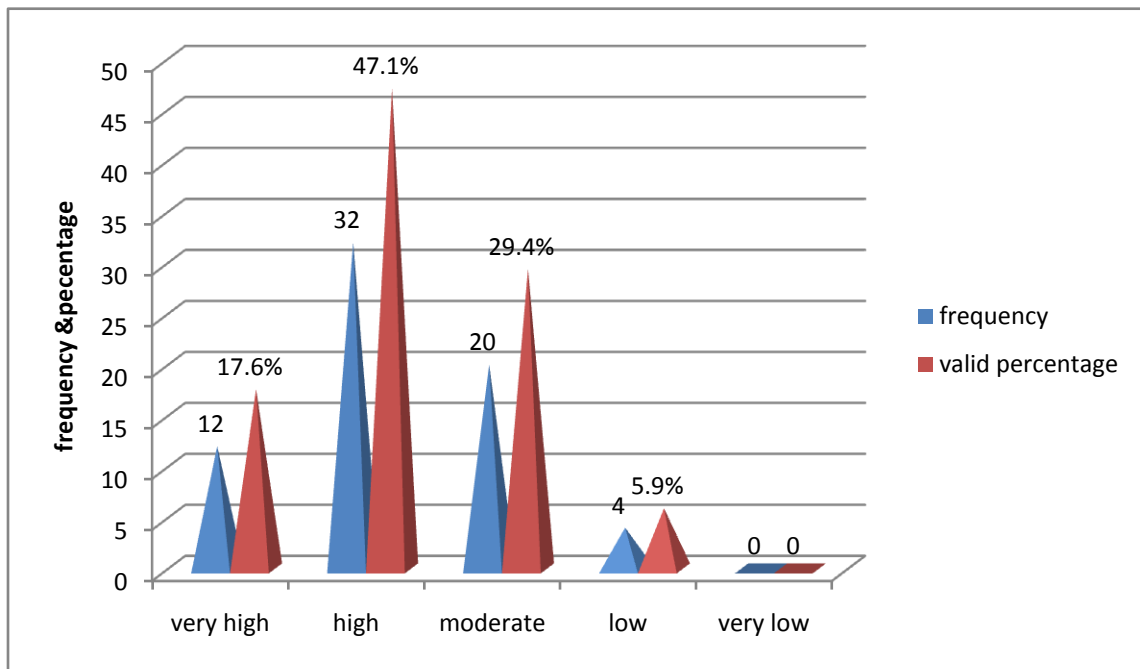
As indicated in figure 5.5 above, twelve out of sixty-eight respondents (17.6%) indicated that the degree to which internet marketing enables them to access markets is very high, thirty-two out of sixty-eight (47.1%) indicated that the degree is high, twenty out of sixty-eight (29.4%) indicated that the degree is moderate. Four out of sixty-eight respondents (5.9%) indicated that the degree is low. It is clear that hospitality properties realise the importance of internet marketing in accessing international markets. Thus, they do appreciate that the internet, unlike any other tool, is capable of reaching all customers and potential customers without geographical boundaries.

- **Value of internet on marketing**

This section shows the perception of respondents on the value of internet on marketing hospitality services. The usage of a certain marketing communication tool is dependent on the value which is attached to it. This section gives an insight on whether hospitality properties appreciate the value of the internet when marketing their services. Figure 5.6 on the next page shows information on the value of internet marketing.

Figure 5.6: Responses on the value of the internet on business marketing
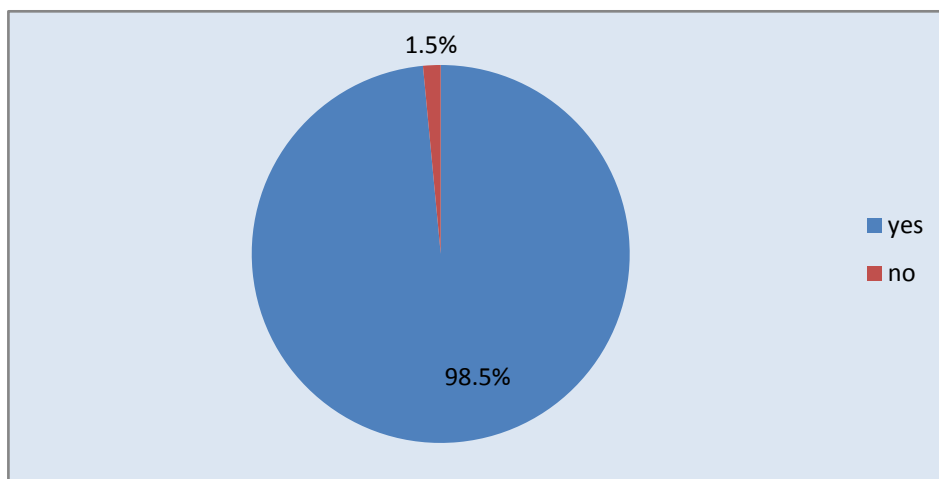
As indicated in Figure 5.6 above, the majority of respondents, which are sixty-seven out of sixty-eight (98.5%), believed that the internet can add value to the marketing of their business and only one out of sixty-eight (1.5%) disagreed that the internet can add value to the marketing of their business. This shows that hospitality properties in South Africa appreciate that the internet can add value to the marketing of their services, despite the fact that some properties are not fully utilising it for marketing.

- **Financial benefits of using internet marketing**

 The last question in the measuring instrument was an open-ended question where respondents were asked to state their opinion about some the financial benefits of using the internet for marketing. This question differs from the question on the impact of internet marketing on profitability on the issue that, respondents were not provided with an answer ,but rather asked to state what they think.

 The most common financial benefit which was highlighted by the majority of the respondents (70%) was the ability to cut advertising costs, (50%) of the respondents also highlighted that the use of internet marketing helps to increase sales volume in terms of bookings, since you could reach a number of customers easily and (20%) indicated that the use of internet marketing both increases sales volume and reduces

advertising costs. The findings shows that graded hospitality properties do recognise the financial benefits of internet marketing in their businesses.

5.3 ANALYSIS OF DATA USING INFERENTIAL STATISTICS

This section presents the research findings from several statistical techniques which were conducted to reach reliable conclusions on the information gathered. Reliability, correlations and hypotheses testing through multiple linear regression, simple regression and hierarchical regression were applied. Cronbachs alpha was used to make inferences about the consistency of the items measuring the instruments.

The decision to reject or accept the hypotheses was reached after using the standardised coefficient and f-test probability. Thus a hypothesis was accepted at $P \leq 0.01$, $P \leq 0.05$ and $P \leq 0.1$. When the value of p is greater than 0.1(1%) the hypothesis was automatically rejected.

5.3.1 Construct reliability

In this study, Cronbachs alpha coefficients were performed on each construct to measure the internal consistency reliability for the overall measures. As shown in Table 5.16 on the next page, all variables scored above 0.60 which is the cut-off value suggested for this study and therefore are considered to be reliable in all aspects.

Table 5.16: Cronbachs alpha coefficient for each variable

Variable	Measurement	Alpha coefficient
Managerial support	Provide resources necessary for internet marketing, keep track with latest developments in internet features, emphasise in adapting to internet related market trends	0.715
Tech-competency	Trained personnel, skilled personnel	0.671
Level of star grading	Star grading is divided into two levels: lowly graded and highly graded	0.811
Perceived benefits	Reduction in advertising cost, ability to increase sales volume, improvement in marketing communication, convenience and ability to reach global markets	0.615

Variable	Measurement	Alpha coefficient
Competition	Responding to competitors' action on internet marketing Use of competitors' information to maintain competitive advantage Aware of competitors' strength and weakness on internet marketing.	0.723
Business alliances	Provide information on internet marketing Influence how business markets over internet Improve proficiency at obtaining information on how to market over the internet	0.837

Variable	Measurement	Alpha coefficient
Profitability	Return on equity, Sales volume, Profit margin, Operating cost	0.690
Internet marketing usage	E-mail marketing, online branding web advertisement, use of newsletters use of search engines	0.734

As indicated before, this study used 0.6 as the minimum alpha coefficient for each variable. Hair *et al.*, (2006) have indicated 0.6 to be the accepted reliability coefficient, but lower thresholds are sometimes used in the literature. It implies that all the constructs in Table 5.16 scored above 0.60, therefore they were all considered to be reliable. Business size was not included because it was measured using only one variable (number of rooms). The variables were defined in this study using the measurements explained in Table 5.16 on the previous page.

5.3.2 Testing model fitness

In order to analyse what influence the explanatory factors may have on internet marketing usage, the study uses regression analysis with eight independent variables. Table 5.17 below shows the results for the model fitness as measured by Durbin-Watson, adjusted R^2 and F change value (refer to Appendix 2) for the complete regression results and model fitness results.

Table 5.17: Model summary

Model	*R*	*R* square	Adjusted R^2	F Change	Sigf change	Durbin-Watson
1	0.813	0.661	0.622	16.748	0.000	2.224

Durbin-Watson statistic, adjusted R^2 and F change was used to test the model fitness. Lin and Zhilin (2008:71) indicated that the regression model needs to meet the assumption that there is no serial correlation problem among residuals. Thus, Durbin-Watson is a measure to test whether residuals are serial correlated. Its value is between zero and four, if it is close to zero, it means a positive serial correlation, if it is close to two it means no serial correlation problem (Field, 2008). Thus, in this model the Durbin-Watson value is 2.224 (see Table 5.17) which is between the two critical values 1.5<d<2.5 implies that there is no serial correlation among the residuals.

Secondly, the results of the significant test of regression model F value of 16.748 and sig f is 0.000 which indicates that the model has a significant statistic meaning and or it

indicates the "goodness" of fit of the model. According to Field (2008), for the model to have significant statistic meaning, the F change value should be greater than 10. The coefficient of determination R^2 and adjusted R^2 are 0.661 and 0.622 respectively meaning that 66% of the variation of internet marketing usage was explained by the seven independent variables showing the regression model's good explanation ability and fitting effect is significant. R^2 value ranges from zero and one, the closer the value is to one, the better "fit" the model is.

Table 5.18: Results of multiple linear regression analysis

Model 1	Standardised coefficients	Sig.
(Constant)		0.077
Tech competent	0.152	0.050*
Level of star grading	0.862	0.000***
Business size	-0.113	0.163
Competition	0.063	0.123
Perceived benefits	-0.067	0.391
Alliances	0.089	0.001**
Managerial support	0.502	0.012**

***Significant at 1%,   dependent variable: internet marketing usage

**Significant at 5%

*Significant at 10%

The first section analyses the hypotheses that were tested using multiple linear regression. In other words, it analyses those hypotheses that were formulated to test the relationship between multiple independent variables and the dependent variable (internet marketing usage) with the following model:

Internet marketing usage = f (property size, level of star grading, technological competence, managerial support, alliances, perceived benefits, environmental competition).

5.3.3 Hypotheses analysis on internal factors which influence internet marketing usage

H1[a]: *business size significantly explains the variance in internet marketing usage*

The standardised coefficient of business size is -0.113 and concomitant probability sig is 0.163. It seems that property size and internet marketing intensity are not significantly correlated. The reason why the relationship between property size and internet marketing intensity is not significant, may be that some properties are small in terms of number of rooms but highly graded and tend to utilise internet marketing more than larger properties. The empirical results in Table 5.18 do not support the alternative hypothesis (H1[a]) and is thus rejected. Hence the null hypothesis (H1[0]) which states that business size does not significantly explains the variance in internet marketing usage is accepted.

This finding is consistent with the results of prior studies (Wei *et al.,* 2001; Del Aguila-Obra and Padilla Melendez, 2006; Salwani *et al.,* 2009). This is, however, in contrast with the findings of Zhu *et al.,* (2005) which concluded that the size of a company does affect e-commerce usage. The reasons for this may be that size is measured using different variables such as number of rooms, number of beds, and number of permanent employees, as well as turnover. Thus, the type of variable that is used may, in turn, affect the results.

H2[a]: *The level of star grading significantly explains the variances in internet marketing usage*

The standardised coefficient of level of star grading is 0.862 and concomitant sig is 0.000. This means that the level of star grading and internet marketing usage are positively correlated under significance level (1%) at $p < 0.01$ and indicates that internet marketing usage has a close relationship with the property's level of star rating. The

empirical results in Table 5.18 support the alternative hypothesis (H2[a]) that level of star grading significantly influences internet marketing usage. Hence, H2[a] is accepted. Therefore the null hypothesis (H2[0]) which states that the level of star grading does not significantly explain the variance in internet marketing usage, is rejected. It implies that internet marketing usage varies with the level of star grading. This is not difficult to comprehend as highly graded properties tend to maximise the use of internet marketing on order to compete in the global market.

This finding is consistent with the findings of Wei *et al.,* (2001*)* in their study of the use of the internet in the global hotel industry. Their study concludes that hotel star rating has a significant effect on the usage of the internet, although they were not specifically focusing on internet marketing.

 H3[a]: *Managerial support significantly explains the variance in internet marketing usage*

The standardised coefficient of managerial support is 0.502 and the concomitant probability is 0.012. This shows that managerial support and internet marketing usage are positively correlated under the significance level of 5% or at p>0.05. It implies that if top managers are committed and positively support the use of internet marketing, the usage of internet marketing in the hospitality sector will then increase. This means that the empirical findings in Table 5.18 support the alternative hypothesis H3[a] and thus it can be accepted. This automatically implies that the null hypothesis H3[0], which states that managerial support does not significantly explain the variance in internet marketing usage, is rejected.

 This finding is also consistent with empirical studies (Del Aguila-Obra and Padilla-Malendez, 2006; Wu *et al.,* 2003). These empirical studies concur that managerial support strongly affects the adoption and usage of e-commerce.

H4[a]: *Technological competence significantly explains the variance in internet marketing usage*

In Table 5.18, the standardised regression coefficient of technological competence is 0.152 and concomitant probability at f-test sig is 0.050. It shows that technological

competence and internet marketing usage are positively correlated under the significance level of 10% at $p < 0.1$ and indicates that internet marketing usage has a significant relationship with technological competence. Thus the empirical results on Table 5.18 support the hypothesis (H4) that technological competence significantly explains the internet marketing usage and, therefore, H4[a] is accepted and the null hypothesis H4[0] is rejected.

This finding is consistent with the results of prior studies (Salwani *et al.,* 2009; Zhu *et al.*, 2005; Chieochan *et al.,* 2000). These studies conclude that the adoption and usage of information technologies such as the internet are affected by the technological competence or information technology knowledge of the personnel.

H5[a]: *Perceived benefits significantly explains the variance in internet marketing usage*

The standardised coefficient of perceived benefits is -0.067 and concomitant probability sig is 0.391. This means that perceived benefits and internet marketing are not positively correlated. The findings in Table 5.18 do not support H5[a] that perceived benefits significantly influence internet marketing usage. Thus, the alternative hypothesis H5[a] is rejected and the null hypothesis H5[0] is accepted.

This finding is contrary to prior studies (Merhertens *et al.,* 2001; Grandson and Pearson, 2004) which indicate that the use of any technology is positively affected by its perceived benefits.

5.3.4 Hypotheses analysis on external factors which influence internet marketing usage

H$_6$[a]: *There is a significant relationship between the existence of alliances and internet marketing usage*

The standardised coefficient of the existence of alliances is 0.089 and the concurrent probability sig 0.001. It implies that the existence of alliance/business associates and internet marketing usage are positively correlated under the significance level of 5%. The empirical results in Table 5.18 support the hypothesis (H6[a]) that the existence of alliances positively influences internet marketing usage. Hence the null hypothesis H6[0]

is not supported and the alternative hypothesis H6[a] is accepted. This implies that alliances can influence internet marketing usage.

This finding is similar to the finding of Elliott and Boshoff (2009) in a study of utilisation of the internet for marketing small tourism businesses in South Africa. Elliott and Boshoff (2009) concluded that, there is a significant positive relationship between alliances and the success of internet marketing.

$H_7{}^a$: *Environmental competition significantly influence variance in internet marketing usage*

The standardised coefficient of environmental competition is 0.063 and the concomitant probability sig is 0.123. This implies that environmental competition and internet marketing usage are not positively correlated. The reason why environmental pressure and internet marketing usage are not correlated, may be that the firm compares the cost of implementing technology and its benefits, before maximising on the usage of such technology. This therefore, implies that if the cost is higher than the benefits, a firm might decide not to fully utilise that technology. This implies that the alternative hypothesis H7[a] is not supported and thus the null hypothesis $H7^0$ is accepted.

5.3.5 <u>Hypotheses analysis on influence of internet marketing usage on business profitability</u>

The section below explains the hypotheses that were formulated to determine the effect of internet marketing usage and business profitability. Business profitability contains four financial measures which are: Return on Equity, operating cost, sales volume and profit margin. Proposition 8 (H8[a]) "*Internet marketing usage positively influences business profitability*" was analysed using the four above mentioned measures of profitability. Thus the rejection or acceptance of this hypothesis is based on the results of the four preceding hypotheses tests:

H8[a]: *Internet marketing usage positively influence a business' Return on Equity*

H8[b]: *Internet marketing usage positively influence business operating cost*

H8[c]: *Internet marketing usage positively influence business sales volume*

H8[d]: *Internet marketing usage positively influence business operating cost*

The section below gives the regression results of the effects of internet marketing intensity without the influence of a moderator.

Tables 5.19 and 5.20 below, show regression extracts and model fitness results of H8[a], respectively (refer to Appendix 3) for the complete regression analysis for each measure.

Table 5.19: Regression extracts of hypothesis 8[a]

Model 1	Standardised coefficient	Sig.
(Constant)		0.000
Internet marketing usage	0.066	0.001*

Dependent variable: Return on Equity

Table 5.20: Model fitness

Model 1	R	R^2	Adjusted R^2	F Change	Sig f	Durbin-Watson
	0.638	0.541	0.512	13.175	0.000	2.256

Dependent variable: Return on Equity

In Table 5.20 above, the Durbin-Watson value of 2.256 which is between the two critical values 1.5 and 2.5, shows that the model satisfies the assumption that there should be no serial correlation problems among the residuals. The f change value of 13.175 and sig f of 0.000 implies that the model has significant statistical meaning.

In Table 5.19 above, the standardised coefficient for internet marketing usage is 0.066 and the concomitant probability is 0.001 which means that internet marketing usage and business profitability are significantly correlated under the significant level $p < 0.05$ (5% significant level. The empirical results on Table 5.23 support the hypothesis (H8[a]) that

internet marketing usage positively influences business Return on Equity. Thus, H8[a] is accepted.

Tables 5.21 and 5.22 below, shows regression extracts and model fitness results of H8[b], respectively.

Table 5.21: Regression extracts of hypothesis 8[b]

Model 1	Standardised coefficient	Sig.
(Constant)		0.000
Internet marketing usage	-0.115	0.363

Dependent variable: operating cost

Table 5.22: Model fitness

Model1	R	R square	Adjusted $R2$	F change	Sig f	Durbin-Watson
	0.638	0.407	0.362	13.153	0.000	2.134

Dependent variable: operating cost

Table 5.22 shows that the value of Durbin-Watson is 2.134 which means that there is no serial correlation problem between the residuals. The f change value of 13.153 and sig f of .000 indicates that the model is statistically significant.

Table 5.21 shows that the standardised coefficient of internet marketing usage is- 0.115 and the concomitant f test probability is 0.363. This implies that internet marketing usage and business operating cost are not significantly correlated. Thus, the empirical results in Table 5.25 do not support hypothesis (H8[b]) which states that internet marketing usage positively influence business operating costs. Therefore, H8[b] is rejected.

This finding is also supported by prior studies. Garces *et al.,* (2003), in a study of implications of the internet in the Aragonese hospitality sector, concluded that hospitality

players do not support that the use of the internet can help reduce operating costs but facilitate the access of hospitality services to customers.

Tables 5.23 and 5.24 below shows regression extracts and model fitness results of H8c, respectively.

Table 5.23: Regression extracts of hypothesis 8^c

Model 1	Standardised coefficient	sig
(Constant)		0.000
Internet marketing usage	0.477	0.000***

Dependent variable: sales volume

Table 5.24: Model fitness

Model 1	*R*	*R* square	Adjusted *R²*	F change	Sig f	Durbin-Watson
	0.645	0.421	0.395	12.456	0.000	1.956

Dependent variable: sales volume

In Table 5.24, above it is shown that the Durbin-Watson value still falls in the accepted region between the two critical values 1.5 and 2.5 which implies that there is no serial correlation problem between the residuals. The f change value of 12.456 is above 10 and a sig f of 0.000 indicates that the model is statistically significant.

In Table 5.23 it is clear that the standardised coefficient of internet marketing intensity is 0.477 and the concomitant probability at f test is 0.000, meaning that a strong relationship between internet marketing usage and business sales volume exists. This implies that internet marketing usage and business sales volume are significantly correlated under the significance level $p < 0.01$ (1% significance level). Thus, the empirical results on Table 5.27 support the hypothesis (H8^c) that internet marketing usage positively influences business sales volume .Thus, H8^c is accepted. The reason for this may be that when a business utilises a number of internet features for marketing

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the probability is high that it would attract a great number of clients and eventually increase bookings which will result in an increase in sales. Wu *et al.,* (2003) also concluded that the intensity of e-business adoption positively influences sales volume.

Tables 5.25 and 5.36, below, show the regression extracts and models fitness results for H8[d].

Table 5.25: Regression extracts of hypothesis 8[d]

Model1	Standardised coefficient	sig
(Constant)		.000
Internet marketing usage	.119	.000*

Dependent variable: profit margin

Table 5.26: Model fitness

Model 1	*R*	*R* square	Adjusted *R*^{2}	F change	Sig f	Durbin-Watson
	.623	.444	.369	11.243	.001	2.023

In Table 5.26 it is shown that the Durbin-Watson value is 2.023. This shows that there is no serial correlation problem between the residuals. An f change value of 11.243 and significant f test of 0.001 implies that the model is statistically significant.

Table 5.25 shows that the standardised coefficient of internet marketing usage is 0.119, and the concomitant probability at f test is 0.000. This implies that internet marketing usage and the business profit margin are significantly correlated under the significant level $p < 0.01$(1% significant level). It means that variance in internet marketing usage does not significantly influence business profit margin. Thus, the empirical findings in Table 5.29 support hypothesis 8[d] that internet marketing usage positively influences business profit margin. Thus, hypothesis 8[d] is accepted.

This implies that proposition 8 (H8[a]) which states, *that internet marketing usage positively influences business profitability,* is accepted, based on the regression results of the preceding hypotheses. Thus, the null hypothesis (H8[0]) is rejected. On the basis of these results it can convincingly be argued that internet marketing usage positively influence business profitability. Since three of the hypotheses were accepted, then the eighth hypothesis is also accepted as it depends on the outcome of the other hypotheses. Only one hypothesis (8[d]) which states that internet marketing usage positively influences business operating cost was rejected.

5.9.6 Analysis of the moderating variable

The next task was to verify the moderating effect of the internet marketing experience between internet marketing usage and business profitability in order to test the ninth hypothesis H9[a] "*the relationship between internet marketing usage and business profitability is moderated by internet marketing experience*". This was done using the method proposed by Wen *et al.,* (2005), of using the hierarchical regression analysis of the regression model with the products:

$Y=aX + bM + e$. The method follows the following steps:

1. Multiple- variable regression of $Y=aX+bM+e$, yielding coefficients of determination $R_2{}^2$, with Y as a dependent variable and X the independent variable and M as the moderator. Thus $R_2{}^2$ is obtained after introducing the moderating variable.

2. If $R_2{}^2$ is significantly greater than $R_1{}^2$, then the moderating effect of M is significant.

$R_1{}^2$ in this case is represented by the value of R^2 obtained when running regression analysis for the relationship between internet marketing and profitability before the moderator was introduced. Since, to find the relationship between internet marketing usage and business profitability four measures were used (return on equity, sales volume, operating cost and profit margin), it implies that the moderating variable was introduced to each of the regression models formulated for each measure in section 5.3.5 above and the change in R^2 value was noted. According to Wen *et al.,* (2005), the moderating effect is significant when the difference between $R_2{}^2$ and $R_1{}^2$ is above 3%.

Table 5.27: Results of the regression model relating internet marketing usage to return on equity and internet marketing experience

Model1	R	$R_2{}^2$	adjusted $R_2{}^2$	F change	sig f	Durbin-Watson
	0.689	0.572	0.530	13.175	0.000	2.256

Moderator: Internet marketing experience, dependent variable: return on equity

In Table 5.27, the $R^2{}_2$ value after the moderator was introduced is 0.572, and in Table the 5.19 $R^2{}_1$ value before the moderator was introduced is 0.541, and the difference between $R^2{}_2$ and $R^2{}_1$ is 4% above the recommended value (3%) for the moderating value to be considered significant. The implication, therefore, is that the moderating effect of internet marketing experience is significant. Thus, the relationship between internet marketing usage and business return on equity is moderated by experience (number of years in which a property has used internet for marketing).

Table 5.28: Results of regression model relating to internet marketing usage to operating cost and internet marketing experience

Model	R	$R^2{}_2$	Adjusted $R^2{}_2$	F change	Sig.	Durbin-Watson
	0.641	0.409	0.365	13.153	0.000	2.135

Moderator: internet marketing usage, dependent variable: operating cost

Table 5.28 indicates that the value of $R^2{}_2$ after introducing the moderator is 0.409 and Table 5.21 indicates that the value of $R^2{}_1$ before introducing the moderator is 0.407 meaning that there is a difference of 2% which is below the recommended value for the moderating factor to be considered significant. Thus, the relationship between internet marketing usage and business operating costs is not moderated by internet marketing experience based on the findings of this study.

Table 5.29: results of the regression model relating internet marketing experience to internet marketing usage and business sales volume

Model 1	R	R^2_2	Adjusted R^2_2	F change	sig	Durbin-Watson
	0.658	0.467	0.397	12.459	0.000	1.959

Moderating variable; internet marketing experience, dependent variable: sales volume

Table 5.29 above shows that the R^2 value after introducing the moderator is 0.467 and Table 5.23 shows that R^2 value before introducing the moderator is 0.421, meaning that the difference between R^2_2 and R^2_1 is greater than 3%. This implies that the relationship between Internet marketing usage and business sales volume can be significantly moderated by experience (the number of years in which the property has used internet for marketing).

Table 5.30: Results of the regression model relating internet marketing experience to internet marketing usage and business profit margin

Model1	*R*	R_2^2	Adjusted R_2^2	F change	sig	Durbin-Watson
	0.643	0.489	0.372	11.246	0.001	2.032

Moderating variable: internet marketing experience; dependent variable: profit margin

Table 5.30 shows that the value of R^2_2 after introducing the moderator is 0.489 and Table 5.25 shows that the value of R^2_1 before introducing the moderator is 0.444. The difference between the two R^2 values 4.5% which is above the recommended value of 3%. This implies that the relationship between internet marketing usage and the business profit margin is moderated by internet marketing experience.

Based on the findings of this study, the researcher can conclude that internet marketing experience moderates the relationship between internet marketing usage and business profitability. Internet marketing experience only fails to moderate the relationship between internet marketing and business operating costs. The researcher is able to argue that the relationship between internet marketing usage and business profitability

is moderated by internet marketing experience. This implies that hypothesis 9(H9[a]) which state that the relationship between internet marketing usage and business profitability is moderated by internet marketing experience, is supported.

5.4 <u>SUMMARY</u>

The results of the data gathered from the questionnaire have assisted the researcher in reaching certain conclusions on the formulated hypotheses. Through these results, the researcher discovered that the level of star grading; managerial support, technological competence and alliances significantly explain the variance in internet marketing usage. The researcher also discovered that internet marketing usage positively influences business profitability and that the relationship between internet marketing usage and business profitability is moderated by internet marketing experience. The results of this study support the hypothesis that internet marketing usage positively influences business profitability.

The following chapter provides a comprehensive discussion of conclusions drawn from these findings. Furthermore, recommendations and managerial implications on aspects of internet marketing and factors affecting are discussed. Lastly, the chapter ends by highlighting limitations of this study as well as suggesting areas of further research concerning internet marketing in the hospitality sector.

CHAPTER SIX:

CONCLUSIONS AND RECOMMENDATIONS

6.1 <u>INTRODUCTION</u>

This chapter focuses on the research conclusions pertaining to the hypotheses and objectives formulated for this study. The first part of this chapter gives a brief summary of the study, which is followed by concluding statements on all the hypotheses and objectives formulated. The conclusions are also compared with previous research to ascertain the consistency or inconsistency of the results. Theoretical implication, recommendations and limitations of this study are also addressed in this chapter. The chapter concludes by highlighting areas for future research.

6.2 <u>SUMMARY AND CONCLUSIONS TO THE STUDY</u>

As was mentioned in chapter one, this research focused on determining the impact of internet marketing on business profitability, as well as the internal and external factors which influence internet marketing usage. The study was intended to identify factors which influence internet marketing usage and examines the relationship between internet marketing usage and business profitability as well as examine the effect of a moderating variable on the relationship between internet marketing usage and business profitability.

According to Lo and Darma (2000:5), the application of e-commerce in business processes has attracted attention from both researchers and practitioners in the e-commerce field. Since the introduction of e-commerce, especially the use of the internet for various business purposes, businesses across all sectors of the economy have made use of this tool mainly for marketing and sales purposes. The hospitality sector, especially hotels, has invested in web crafting, primarily for sales and marketing purposes. The South African hospitality sector has not been left behind in adopting e-commerce, as it is evident from numerous hospitality properties that have established their presence on the internet. Despite this, there is still very little published information regarding the impact of internet marketing usage in the South African hospitality sector.

Empirical studies show that the impact of internet application on business performance especially profitability, is one of the most controversial aspects in the e-commerce field.

Some studies (Sunny *et al,* 2004; Ulhas, 2007; Salwani *et al.,* 2009) found a positive relationship between e-commerce application and business performance whilst other studies (Cron and Sobol, 1983; Powell and Dent-Micallef, 1997; Kirvijarvi and Saarinen, 1999; Lo and Darma, 2000; Singh and Harmony, 2003; Ozituran and Roney, 2003; Shin, 2006) found no relationship at all. It was also found that, despite the fact that different methodologies have been used and different data set, there seems to be no general consensus on whether the use of e-commerce can positively influence business performance.

To achieve the objectives of this study, multiple linear regression analysis and hierarchical regression analysis was performed through the use of SPSS version 18.

The section below aims to discuss final conclusions on the objectives and hypotheses of the study at hand. The decision to reject or accept a hypothesis was based on the results of the regression analysis. Nine hypotheses were tested in order to achieve conclusions on the objectives that were formulated for this study. Table 6.1 on the next page shows a summary of the hypotheses testing. Abbreviations used in Table 6.1 are the following:

- IME = Internet marketing experience
- MS = Managerial support
- PB = Perceived benefits
- TC = Technological competence
- BA = Business alliance
- BP = Business profitability
- EC = Environmental competition
- IMU = Internet marketing usage
- LSG= Level of star grading
- BS = Business size

Table 6.1: Summary of hypotheses testing

Constructs	Decision	Studies supporting	not supporting
H^1: BS ⟶ IMU	Rejected	Salwani *et al.* (2006) Wei *et al.* (2001)	
H^2: LSG ⟶ IMU	Accepted	Wei *et al.* (2001)	
H^3 MS ⟶ IMU	Accepted	Del Aguila-Obra and Padilla-Malendez (2006) Wu *et al.* (2003)	Salwani *et al.* (2009)
H^4 TC ⟶ IMU	Accepted	Salwani *et al.* (2009) Chieochan (2000) Zhu *et al.* (2005)	
H^5: PB ⟶ IMU	Rejected		Merhrtens *et al.* (2000
H^6: B A ⟶ IMU	Accepted	Elliott and Boshoff (2009)	
H^7: EC ⟶ IMU	Rejected	Salwani *et al.* (2009)	
H^8: IMU ⟶ BP	Accepted	Shin (2001), Wang *et al.* (2008)	
H^9: IME on IMU ⟶ BP	Accepted	Salwani *et al.* (2009)	

This study supports the findings of previous literature which indicate that there is a positive relationship between e-commerce usage or internet marketing usage and business performance (Shin, 2001; Wu *et al.,* 2003; Sanchez and Guirado, 2006; Wang *et al.,* 2008; Salwani *et al.*, 2009). Wang *et al.,* (*2008*) concluded that e-commerce utilisation enhances business performance not only in the hospitality sector, but across all sectors of the economy.

However, it was found that the conclusion reached by this study is contrary to some other studies conducted by Cron and Sobol (1983), Powell and Dent-Micallef (1997), Kirvijarvi and Saarinen (1999), Lo and Darma (2000); Ozituran and Roney (2003), Singh

and Harmony (2003) and Shin (2006). These studies concluded that there is no direct relationship between e-commerce usage and business performance. Lo and Darma (2000) also conclude that investing in more IT, especially the internet, does not necessarily lead to an increase in hotel performance. Singh and Harmony (2003), commented that using internet as a marketing tool does not necessarily lead to business profitability because the benefits of using internet may be passed on to the customers, not the business.

6.2.1 <u>Achievement of the research objectives</u>

The primary objective of this study was:

- To establish the impact of internet marketing usage on the profitability of the hospitality sector.

The secondary objectives were:

- To examine the effects of moderating variables (i.e. internet marketing experience) on the relationship between internet usage and business profitability.
- To provide internal and external factors which influence internet marketing usage.

The primary objective of this study was to establish the impact of internet marketing usage on the profitability of the hospitality sector. Empirical evidence from chapter 5 and the results of the regression analysis show that internet marketing usage positively influences business profitability. Thus, from the findings of this study it is concluded that the use of internet marketing can significantly influence the profitability of the hospitality businesses.

As mentioned above, the secondary objectives of this study were to provide internal and external factors which influence internet marketing usage and to examine the effects of moderating variables (i.e. internet marketing experience) on the relationship between internet usage and business profitability. It was observed that factors such as managerial support, technological competency, level of star grading and alliances significantly influence internet marketing usage. This conclusion is consistent with the

conclusion of Salwani *et al.,* (2009), Wei *et al.*, (2001), Del Aguila-Obra and Padilla-Malendez (2006), Wu *et al.,* (2003), Zhu *et al., (*2005) and Chieochan (2000). It was also concluded that internet marketing experience does moderate the relationship between internet marketing usage and business profitability as it is indicated by a large increase in the R^2 value on the three profitability measures. The objectives of this study were achieved by establishing the internal and external factors which can influence the level of internet marketing usage as well establishing the relationship between internet marketing and business profitability.

6.3 <u>THEORETICAL CONTRIBUTION</u>

The contribution of this research is twofold. Firstly, it provides empirical evidence for the impact of internet marketing usage on business profitability by focusing on the moderating effect of internet marketing experience. This is a subject that the researcher discovered has received little attention in prior hospitality research; especially in developing countries like South Africa. By considering internet marketing experience as a moderating variable, the researcher demonstrated that the effect of internet marketing usage on business financial performance is not the same for all properties but may depend on the experience or the number of years in which the property has been using this tool for marketing purposes.

Secondly, the research also sheds light on factors that can influence variance in internet marketing usage by using a combination of the E-value model and the Resources Based View theory; which is a new dimension in the hospitality literature, especially in developing countries. Apart from Salwani *et al.,* (2009), the researcher is unaware of any study in the hospitality sector which has used RBV theory together with the E-value model to explain the relationship between e-commerce and business performance and profitability. The study considered the pre-and-post adoption issues of internet marketing, which helps in explaining why some businesses are not fully utilising internet marketing and why the impact of internet marketing on business profitability varies from business to business. The RBV theory has been applied and has been accepted in a number of management disciplines, and is a useful of appreciating internet marketing

success. This implies that internet marketing can only contribute to the performance of a business if properly integrated with other complementary business resources. The results of this study also support the concept of the RBV theory that, the contribution of Information Technology to the firm's competitive advantage is dependent on other internal resources that a business has. It was noted in this study that managerial commitment/support and technological competence can influence successful implementation and utilisation of internet marketing. The conclusion of this study also supports the concept of the E-value model by Salwani *et al.*, (2009), which states that e-commerce improves business performance and variation in e-commerce usage is explained by both internal and external factors.

6.4 <u>RECOMMENDATIONS</u>

The results of this study revealed that there is a positive relationship between internet marketing usage and business profitability. It was also concluded that factors such as managerial support, technological competence and level of star grading significantly influence internet marketing usage. From these discoveries, the following recommendations are given to hospitality marketers and other stakeholders working in this sector.

6.4.1 <u>Recommendations to hospitality marketing managers</u>

From the results obtained from this study, together with the review of literature, the following recommendations are suggested:

- **Incorporate internet usage in marketing strategies**

From the research findings and empirical literature, it was noted that there are several benefits obtained from incorporating the internet in marketing strategies. These benefits include the ability to reach global markets, reduction in advertising costs, increase in sales volume and general profitability. Unfortunately it was discovered that not all graded properties utilise most of the common internet features for marketing. It was also noted from the study that not all graded properties incorporate the internet for the

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majority of their business marketing strategies. The study reveals that those properties which utilise more internet features for marketing, tend to realise an increase in business profitability. Therefore, it is also advised that hospitality properties should utilise more internet marketing methods and try to incorporate the internet in all their marketing strategies in order to fully enjoy the benefits of internet marketing. Since internet coverage is increasing through the introduction of mobile internet, marketing on the internet becomes a critical factor concerning profitability.

6.4.2 <u>Recommendations to owners/managers</u>

- **Training**

From the research findings, it was observed that not all employees who perform marketing, have obtained formal training on how to use the internet for marketing purposes. This probably makes it difficult for some employees to effectively utilise all the features of the internet for marketing purposes as it was observed that some of the respondents were not even familiar with some of the features of the internet. This study reveals that those properties that have trained personnel tend to use more of internet marketing methods as well as incorporating the internet in most of their marketing strategies, as compared to those without trained personnel. The internet has a number of features that can be exploited for marketing purposes, but some can only be used if personnel have the technical knowledge of using them. This might be the reason why some properties do not utilise most internet features for marketing. It is therefore recommended that hospitality properties must invest in training activities so that their personnel are be able to keep pace with the changes in internet features which can be exploited for marketing as well as equipping them with the necessary skills needed for internet marketing. Hospitality properties are also recommended to hire IT personnel with appropriate knowledge and skills of using internet were possible. Zhu *et al.,* (2006) indicate that knowledgeable IT personnel determine the success of the firms' e-commerce initiatives and usage.

- **Managerial support**

The research established that internet marketing usage depends on the support and commitment of top management. In this regard, the research discovered that internet marketing usage is influenced through top management support. It was also noted that those properties which agree that their managers give advice on how to use internet marketing, tend to utilise internet marketing more than other marketing tools. Again these properties perceived that internet marketing has positively influenced their business profitability. Hence, the most probable reason for some properties not fully utilising the internet for marketing, is a lack of support and advice from top management. Consequently, it becomes obvious that if top management or owners are committed to or strongly support the use of internet marketing, the whole property is likely to make use of this tool. In this regard, it is recommended that for a property to fully realise the benefits of internet marketing, top management should support the use of this tool through giving advice as well as providing the necessary resources required for implementing internet marketing. It is envisaged that a well supported project is likely to yield good results. Thus, the success of internet marketing is also influenced by top managements' support and commitment.

- **Making use of alliances/business associates**

It was noted in the research that some of the hospitality properties do not make use of alliances or business associates to access knowledge on how to market over the internet. It is therefore recommended that hospitality properties, especially lowly graded properties should make use of services from alliances in order to effectively understand internet marketing and to fully utilise it. Information from alliances is also likely to be more judicious and better able to identify the critical success factors for Internet marketing in a specific context than the generic (and probably inappropriate) learning obtained from most commercial education providers (Elliott and Boshoff 2009).

6.5 <u>LIMITATIONS OF THE STUDY</u>

This study's primary limitation emanates from the sole use of graded hotels and lodges, without using other types of accommodation that might be using internet marketing. This has a negative repercussion of failure in the quest to generalise the findings of the research to the entire hospitality sector. However, most graded properties tend to utilise the internet more than smaller ungraded properties, in order to attract a wider market. Thus it was considered appropriate to concentrate on establishments that are graded.

The other limitation is that some of the managers were not familiar with the terms of internet marketing, due to the fact that they tended to provide answers without really knowing the actual meaning of the term. Thus, some respondents might have incorrectly misrepresented facts and this might have compromised the reliability of some of the responses.

The last limitation was that limited published literature on the adoption and impact of internet marketing on the South African hospitality sector is to be found and resultantly most of the literature used in this study emanated from studies effected in other countries, especially developed countries.

However, despite these limitations, the researcher has managed to reach useful conclusions and the usefulness and significance of conducting the research still transcends the drawbacks posed by this setting. In many instances the research found support from previous studies across different countries and, therefore generalisability is not much of a concern.

6.6 <u>AREAS FOR FUTURE RESEARCH</u>

Further research leads to some observations that might be of interest to future researchers, as they represent the seed from which future research can be developed. It was noted from the research experience, that the issue of e-commerce and business performance is still debatable. E-commerce researchers are still attempting to

implement different methods of measuring the impact of e-commerce on business performance and hence contradictory findings are common.

From the researcher's experience on the study, it is suggested that future research could replicate this study and examine the impact of internet marketing usage and business performance in both graded and non-graded South African properties. Comparisons can then be made to determine whether differences exist regarding the impact of internet marketing usage in graded and non-graded properties.

This study was based on perceptions only and there was no concrete financial data used. It is therefore suggested that a similar study be conducted using other profitability measures such as profit after tax, return on investment and sales volume; all of which use actual financial figures if available, rather than perceptions.

Although an extensive literature review was conducted on the aspect of internet marketing, this study used five specific internet marketing ways which are commonly used for marketing. It is therefore suggested that a similar study could also be conducted to determine whether hospitality properties in South Africa are incorporating newly developed internet features such as twitter and facebook in their marketing strategies. These features were not included in this study because during the period in which data for this study was collected, these methods were not being used for marketing purposes. A comparison can then be made to see how South African hospitality properties advance with developments in technology.

6.7 <u>SUMMARY</u>

This chapter examined the conclusions, recommendations, achievement of objectives, limitations and areas for further study in respect of a study titled: The impact of internet marketing on the profitability of the hospitality sector in Eastern Cape Province of South Africa. It was observed that most hospitality properties in South Africa do appreciate the impact of internet marketing on the performance of their business. Managerial support, technological competence and level of star grading significantly influence variance in internet marketing usage in the South African hospitality properties. From the research

literature, it was noted that there is limited published literature on the adoption and the impact of internet marketing in the South African hotel and lodging sector. The conclusions also support the eighth hypothesis which states that internet marketing usage positively influences business profitability.

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APPENDIX ONE: QUESTIONNAIRE

University of Fort Hare
Together in Excellence

A Master's student in the Department of Business Management at Fort Hare University is conducting a study to assess the impact of internet marketing on the profitability of the hospitality sector in the Eastern Cape Province. Only graded hotels and lodges are included in the study. In short the aims of this study are:

- To assess the contribution of internet marketing on the profitability of the hospitality sector.
- To identify the key factors affecting the use of internet marketing

The study will benefit the academic sector in paving a way for future studies. It will also help players in the hospitality sector to appreciate the importance of internet in marketing their businesses.

Would you please complete the following questionnaire as honestly and constructively as possible? The information received in this research will be used for academic purposes only. Your responses will be kept with strict confidentiality.

Thank you for your contribution to this research. Your cooperation is greatly appreciated.

Kind regards

Rosemary Matikiti   **contacts**: matikiti@gmail.com : cell 072 3945772

Section A: Demographics / General details

1: Age of the respondent

51- 60	
41- 50	
31- 40	
21-30	
20and below	

2: Status of the respondent

Marketing manager	
Accounting personnel	
Owner/overall manager	
Other	

3: How long have you been employed by your organisation

1-3 years	**4-6years**	**7-10 years**	**10 years and above**

Section B: Information about the property

May you please answer the following questions regarding your property? Indicate your answer by putting an (x)

4: How many rooms does your hotel/ lodge have?

10-59	60-99	100-139	140-179	180-209	210 and over

5: Where are you located?

a) East London

b) Port Elizabeth

c) Port Alfred

d) Grahamstown

6: Your business is a……..hotel/ lodge

one star	two star	three star	four star	Five star

Section C: Internet marketing activities

May you please answer the following question regarding internet marketing activities carried by your property? Indicate by putting a tick

7: How long have you been using the internet for marketing?

- 1 - 3 years
- 4 – 6 years
- 7– 9 years
- 10 years and above

8: Which internet ways/methods do you use when marketing your business?

a) E-mail marketing only

b) Website advertisement only

c) Newsletter

d) Online branding only

e) Search engines

f) E-mail and web advertisement

g) E-mail, web advertisement and online branding

h) All of the above

9: Does your property incorporate the internet in all the following marketing strategies?

    a) Market research

    b) Product development

    c) Product pricing

    d) Product delivery

    e) Tracking customer feedback

   a) Yes ☐   **b) No** ☐

10: What are the main objectives of using internet?

      a) To expand the market globally   ☐

      b) Reduce advertising cost   ☐

      c) To reach new customers   ☐

      d) To keep pace with competition   ☐

11: Most of our current bookings are coming over the:

Internet	
Travel agency	
Walk- in	
Telephone	

12: Does the person who performs internet marketing activities attain any form of training on how to use the internet? **Yes ( )   No ( )**

13: Does your property have a person with special skills on how to use the internet for marketing? **Yes ( )   No ( )**

14: To what extent do you agree or disagree with the following statement?

Our business utilises the internet more than other marketing communication tools

Strongly agree	Agree	Neutral	Disagree	Strongly disagree

Section D: Information of factors which influence internet marketing usage

15: To what extent do you agree or disagree with the following statements. Please put a tick on the appropriate part

a) Our top management regularly discusses competitor's strength and weakness on internet marketing use				
Strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
b) Our property respond rapidly to competitor's action on internet marketing use				
Strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
c) Responding to competitors actions is crucial to maintain competitive advantage on internet market use				
Strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**

16: Indicate the extent to which you agree or disagree with the following aspects

Our property was triggered to use internet marketing because of the following perceived benefits:

Meaning of number

5 strongly agree **4** agree   **3** neutral   **2** disagree   **1** strongly disagree

	1	2	3	4	5
a) can reach global markets easily					
b) convenience					
c) reduces advertising costs					
d) ability to increase sales volume					
e) improvement in marketing communications					

17: Do you have alliances/ associates who assist you in your internet marketing? If your answer is **no** please skip question **18**

a) Yes ( )   b) no ( )

18: To what extent do you agree or disagree with the following statements? Indicate by putting a tick

a) Our alliances are a source of information on internet marketing				
Strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**

b) Our alliances' advice exerts an influence over the way business markets over the internet				
strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**

c) Alliances improve our proficiency at obtaining information on how to market over internet				
strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**

19: Indicate the degree to which top management:

Very little **1**   Little **2**   Neutral **3**   Much **4**   Very much **5**

	1	**2**	**3**	**4**	**5**
a) supports the use of internet marketing					
b) willing to provide resources necessary for implementing internet marketing					
c) advice employees to keep track with latest development in internet features					
d) emphasize that the property must adapt to the internet-related market trends					

Section E: Impact of internet marketing on profitability

20: Please indicate the extent to which you are agree or disagree with each of the following statements by putting a tick on the appropriate number

The meaning of number

Strongly disagree **1** isagree **2**   Neutral **3**   Agree **4** Strongly agree **5**

The use of internet marketing for the past four years **(2006-2009**) has resulted in:

Statement	1	2	3	4	5
a) Increase in Return on Equity					
b) Reduction in operating costs					
c) Increase in average sale volume					
d) General increase in profit margin					

Section F: Benefits of internet marketing

21: To what degree does the use of internet marketing enables you to access international markets?

Very high 1	High 2	Moderate 3	Low 4	Very low 5

22: Do you believe that the internet can add value to the marketing of your business? Indicate by putting an **x**   **Yes** ( )   b) **No** ( )

23: What in your opinion are some of the financial benefits of using internet for marketing?…………………………………………………………………………………… …………………………………..**THANK YOU**

APPENDIX TWO: MULTIPLE LINEAR REGRESSION RESULTS

Multiple linear Regression results of factors affecting internet marketing usage

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.462	.257		1.799	.077					
	compet	-.120	.061	.152	-1.955	.050	-.047	-.245	-.147	.929	1.076
	leveSg	1.020	.099	.862	10.293	.000	.789	.799	.773	.805	1.242
	size	-.094	.067	-.113	-1.413	.163	.125	-.180	-.106	.890	1.124
	Competi	.052	.065	.063	.798	.428	-.155	.102	.060	.892	1.122
	benefits	-.108	.125	-.067	-.865	.391	-.116	-.111	-.065	.953	1.049
	Aliances	.015	.058	.089	.265	.001	.000	.034	.020	.970	1.031
	support	.978	.081	.502	1.279	.012	.591	.163	.496	.893	1.128

ANOVAb

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.537	7	.934	16.748	.000
	Residual	3.346	60	.056		
	Total	9.882	67			

Model Summaryb

Model		R	R Square	Adjusted R Square	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
	1	.813	.661	.622	.661	16.748	7	60	.000	2.224

APPENDIX THREE: LINEAR REGRESSION RESULTS

Linear Regression results of internet marketing intensity usage vs profitability

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.638	.541	.512	.462	.541	13.175	2	65	.001	2.256

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	2.300	.401		5.730	.000					
	usage	.210	.150	.066	1.402	.001	.231	.171	.157	.963	1.039

Dependent variabe return on equity

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.638	.407	.362	.420	.407	13.153	2	65	.000	2.134

operating cost

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.210	.365		3.313	.002					
	usage	.125	.136	.115	.916	.363	.126	.113	.113	.963	1.039

operating cost

Model Summary^b

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
						R Square Change	F Change	df1	df2	Sig. F Change	
1		.645	.421	.395	.383	.421	12.456	2	65	.000	1.956

sales volume

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.534	.333		1.607	.113					
	usage	.531	.124	.477	4.278	.000	.471	.469	.468	.963	1.039

sales volume

Model Summary^b

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
						R Square Change	F Change	df1	df2	Sig. F Change	
1		.623	.444	.369	.435	.444	11.234	2	65	.001	2.023

profit margin

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.283	.378		3.397	.001					
	usage	.457	.141	.119	3.242	.000	.403	.373	.361	.963	1.039

profit margin

Regression results after introducing the moderator

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
					Change Statistics					
1	.689	.572	.530	.462	.542	13.175	2	65	.001	2.256

moderator: internet expe: on return on equity

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	2.300	.401		5.730	.000					
	usage	.210	.150	.066	1.402	.001	.231	.171	.157	.963	1.039
	experien	.228	.071	.369	1.233	.002	.400	.372	.362	.963	1.039

return on eqity

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
					Change Statistics					
1	.641	.409	.365	.420	.409	13.153	2	65	.000	2.134

Moderator internet   Dependent operatin
marketing exper   cost

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.210	.365		3.313	.002					
	usage	.125	.136	.115	.916	.363	.126	.113	.113	.963	1.039
	experien	-.030	.064	-.058	-.461	.646	-.080	-.057	-.057	.963	1.039

Operating

Model Summaryb

Model					Change Statistics					
	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.658	.467	.397	.427	.421	12.456	2	65	.000	1.956

Sales volume

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients			Correlations			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.534	.333		1.607	.113					
	usage	.531	.124	.477	4.278	.000	.471	.469	.468	.963	1.039
	experien	.017	.058	.032	.285	.012	.061	.035	.031	.963	1.039

sales volume

Model Summaryb

Model					Change Statistics					
	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.643	.489	.372	.435	.445	11.234	2	65	.001	2.023

moderato: internet marketing expe on profit margin

Model		Unstandardized Coefficients		Standardized Coefficients			Correlations			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.283	.378		3.397	.001					
	usage	.457	.141	.119	3.242	.000	.403	.373	.361	.963	1.039
	experien	.105	.066	.180	2.583	.001	.251	.193	.176	.963	1.039

Profit margin

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APPENDIX FOUR: RESULTS FOR RELIABILITY ANALYSIS

Results for reliability analysis for factors affecting internet marketing usage

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha	N of Items
compet	5.9000	7.373	.791	.880	2
leveSg	6.4000	6.989	.896	.811	2
Intmar us	5.9000	8.100	.759	.671	5
Competi	5.9000	7.953	.687	.715	3
Aliances	6.3000	6.940	.746	.615	3
benefits	6.4000	6.027	.668	.723	4
support	6.4000	7.240	.768	.837	4

Reliability Statistics

Results for reliability analysis for profitability measures

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
prof R0E	4.7900	6.853	.685	.672
prof OC	4.0700	6.114	.800	.607
Prof sales	4.8006	6.511	.715	.628
prof mar	5.9000	7.246	.729	.839

Reliability Statistics

Cronbach's Alpha	N of Items
.690	4

APPENDIX FIVE: CONFIRMATION FOR PROOF-READING

the GoodReader

7 December 2010

To Whom it May Concern

Editorial Services for Ms. Rosemary Matikiti

I hereby confirm that I have edited and proofread the dissertation titled:

THE IMPACT OF INTERNET MARKETING ON THE PROFITABILITY OF THE HOSPITALITY SECTOR IN THE EASTERN CAPE PROVINCE, SOUTH AFRICA.

A dissertation completed by Ms. Rosemary Matikiti (Student Number: 200906475) to be submitted in fulfilment of the requirements for the degree of Master of Commerce in Business Management in the Faculty of Management and Commerce at the University of Fort Hare.

Supervisors: Professor B. Afolabi and Mr. C. Chikandiwa

Sincerely,

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APPENDIX SIX: EASTERN CAPE PROVINCE MAP

Source: South Africa venues.com

N/B: All the four towns used in this study are found along the coast (East London, Port Elizabeth, Port Alfred and Grahamstown).