HOTEL INTERNET MARKETING CHANNELS AND PURCHASE DECISION

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ABSTRACT

This paper aims to investigate the relationship between hotel internet marketing channels and customer purchase decision of 5star hotels in Kuala Lumpur. A quantitative approach used in this paper where instrumentation design was based on previous research methodology. Questionnaires were distributed to all 5 star hotels in Kuala Lumpur official Facebook fan page using an online survey provider. From the findings, it was found that there is a significant relationship between hotel internet marketing channels and purchase decision. This paper only focused on 5 star hotels in Kuala Lumpur, and it is suggested that the study could be conducted covering all 5star hotels in Malaysia for a better scenario of the industry.

Keywords: internet, direct marketing channel, indirect marketing channel, purchase decision, hotel industry

INTRODUCTION

Today, the Internet has become a new trend of communication in the world. Many people and organizations use the Internet as their communication channel because of lower cost as compared to the traditional ways. The Internet is an effective, efficient, and low-cost marketing channel. It shows that the Internet revolution has introduced a wide range of new marketing tools, which are accessible and affordable for smaller organizations (Sigala, 2003). In the hotel industry, hotels competing to give the best products and services to the customers by using technology in marketing their products (Aziz, Radzi, Zahari & Ahmad, 2011).

Moreover, the hotel organizations want to remain competitive in the market as the number of hotels keeps on increasing every year (MAH, 2012). They need to compete with their competitors to ensure that the customers will opt for their brand rather than the competitors. By having a good internet marketing channels (direct and indirect marketing channels), is one way for hotel organization to be competitive. Nevertheless, there are some arguments from previous literature revealing that the increasing of false information on the internet also can affect online users. Hensens, Struwig and Dayan (2010) mentioned that the success of indirect marketing channel (TripAdvisor) had raised questions with hoteliers, the travel trade, and rating bodies as to how the information provided by this new platform must be viewed about conventional ratings. Also, Schaffer and Mills (2004) stated that consumer fears to purchase a product online and lack of trust toward online marketing because of cybercrime incidences globally.

LITERATURE REVIEW

The history of the internet started during the 1960s in the United States with the establishment of Advanced Research Project Agency (ARPA) by the United States Department of Defense (Almagor, 2011). The purpose of establishing ARPA was to ensure that the USA competes with and excel over the Soviet Union in any technological race. The author also stated that ARPA's mission was to produce innovative research ideas, to provide the meaningful technological impact that went far beyond the convention evolutionary developmental approaches, and to act on these ideas by developing prototype systems. Leiner et al. (2009) explained that the Internet had revolutionized the computer and communications world. The telegraph, telephone, radio and computer have all set the stage for the internet's unprecedented integration of capabilities. It can be assumed that the Internet has changed the ways of communication in the world. Moreover, the internet is at once a worldwide broadcasting capability, a mechanism for information dissemination, and a medium for collaboration and interaction between individuals and their computers without regard for geographic location (Leiner, 2009).

Internet marketing

There are a few definitions of internet marketing from previous literature. Internet marketing (IM) can be defined as digital marketing, web marketing, online marketing, or e-marketing. As the name states, it is the advertising of products or services over the Internet (Yazdanifard, Venpin, Yusoff, & Islam, 2011). Moreover, the au¬thors also stated that Internet marketing also implies marketing through the wireless media and e-mail. Besides that, internet marketing also refers to a set of powerful tools used for promoting the product or services through the internet. This also includes a wider range of advertising elements than conventional business marketing due to the extra channels and marketing mechanisms available on the internet. Other than that, internet marketing is also known as online marketing, web marketing, digital marketing and search engine marketing (Technopedia, 2013)

The Internet as marketing tools

Currently, internet has been used worldwide as a marketing tool. Many organizations will use the internet as a medium for them to promote their products or services. The Internet is not only used for promoting the products and services only, but it is also used to build a relationship with the customers. As stated by Geiger and Martin (1999), theoretically, the internet offers a unique chance for marketers to build up and maintain the relationships with their customers. It can be assumed that information technology has changed the ways of decision making in the organizations. For the past few decades, businesses are witnessing the intensity of rapid changes in usage of information technologies (IT) for the business decision-making purposes (Kursan & Mihic, 2010). Previous studies showed that, in the 1990s, businesses used to perceive the Internet mostly as a communication tool – referring to the e-mail and multimedia capabilities, sending or downloading documents (Poon & Swatman, 1997). They also stated that the Internet allows small businesses to communicate as widely with individuals or trading partners as any large corporation can.

Hotel Internet marketing channel

There are two dimensions in hotel internet marketing channel which are direct and indirect marketing channel in the hotel.

Direct marketing channel

Direct marketing can be defined as the direct interaction between buyers and seller. According to Shehzadi, Khan and Baig (2010), direct marketing is defined as having a direct and immediate effect on the audiences. It means that the buyer will have direct contact with the seller or advertiser. Smith and Taylor (2004) defined direct marketing as the distribution of information, products or services through any advertising medium that invites the individual to response directly to the advertiser. In a study conducted by Shehzadi et al. (2010), it was concluded that the direct marketing is a culmination of direct communication and targeted communication with individuals to gather immediate

and direct response that focuses on developing continuing relationships with the customer.

Hotel website

The website is a collection of one or more web pages grouped under the same domain name. Usually, website will have a homepage where this page has a link to other pages. According to Bainbridge (2003), website in the hotel industry has a few categories which are a travel agency website: a website that offers more products than simple hotel booking functionality, hotel booking agency website: a website that takes hotel bookings/reservations as its primary business and Hotel chain website: a website specifically for a hotel chain. In previous research, there are few authors stated that website is one of the direct marketing channels. As stated by O'Connor and Murphy (2008), direct Internet channel is referring to the hotel's website that is cheaper than indirect channels. It is obvious that hotel website is becoming a marketing channel that represents the hotel directly.

Email marketing

Email marketing is the use of email to deliver permission-based communications to build relation-ships, increase sales and improve customer retention. As stated by Clarke, Flaherty, and Zugelder (2005), The U.S. Federal Trade Commission (FTC) defined a commercial electronic mail message as any electronic mail message where the primary purpose is the commercial advertisement or promotion of a commercial product or service. Price and Starkov (2004) explained that email marketing is a powerful direct-to-consumer distribution and marketing tool. Moreover, email marketing allows hoteliers to engage clients in strong, personalized and mutually beneficial interactive relationships, increases conversions and sells more efficiently. Email marketing has become one of the most tools that been used widely by many organizations especially hotels. Marinova, Murphy and Massey (2002) postulated that E-mail marketing is thought to be widely used by hotel companies. This statement is also supported by DuFrene, Engelland, Lehman and Pearson (2005) that e-mail has become an important part of most companies' marketing strategy, as they use it to notify prospects of promotions and services; acquire new clients; increase sales; and, most importantly, develop and nurture an ongoing dialogue and relationship with their customers.

Indirect marketing channel

An indirect marketing channel consists of a chain of businesses (or intermediaries) involved in the distribution process, each passing the product down until it finally reaches the end-user. An indirect marketing channel might use a retailer to get to the end consumer, or it might using both a wholesaler and a retailer or even using an agent/broker/sales representative, a wholesaler and a retailer (Culler, 2012). Furthermore, according to Shehzadi et al. (2010), indirect marketing channel is a communication using stealth methods that do not directly make an individual realize that they being targeted.

Online travel agent

The travel agency is the most common intermediaries channel that is used by the hotel to offer products and services. Usually, the travel agency will represent the hotel to cater the potential market and convert them to the buyer. This is supported by O'Connor (2008), where most hotels used intermediaries such as travel agents, tour operators, or incentive houses. Increasingly, hotels are making use of the growing range of electronic-distribution channels. Travel Agencies (OTAs), also referred as third-party online intermediaries or TPI. According to Cheung and Lam (2009), travel agencies exist primarily as intermediaries between suppliers of travel services, such as airlines and hotels, and customers. Unlike distributors in many industries, travel agencies do not deal with physical products but with information.

Review site

The growth of internet user slightly affects the way of communication. By using the internet, they easily can share or review something that they had experienced. Like hotel guest, by using the internet, they easily can share review based on their experience during a stay in the hotel. Review site can be defined as activities, practices, and behaviors, among communities of people who gather online to share information, knowledge and opinions using conversational media (Hensens, Struwig, & Dayan, 2010). It can be assumed that a review site is a place online where the users will able to write a review or share some information with other users. The authors also stated review site is a web-based platform that focuses on travelers' reviews and provides independent platforms for guest feedback. The increasing adoption of online hotel reviews provides travelers greater and easier access to hotel-related information. The author also stressed that this growing form of electronic word-of-mouth platform offers travelers travel-related information from other travelers and makes for better more informed decisions (Kusumasondjaja, 2012). It shows that this review site provides information such as hotel information from past buyer and this information can be used by another traveler.

Purchase decision

The purchase decision is the action when customer reacts to certain products or services. This decision will affect the customer whether they want to buy or not to buy the products or services. Brey (2008) define the purchase decision as the study of the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires

Relationship between direct marketing channels and purchase decision

In the previous study, some author discussed the relationship between the variable indirect ways. Anh and Assenov (2010) mentioned that the website of destinations should provide useful, complete, and relevant information to potential users. This is

because providing useful and relevant information on the web is an essential feature that affects online users' intention to purchase. The statement shows that the website, which is referring to direct marketing channel will affect the customer intention to purchase

Relationship between indirect marketing channels and purchase decision

Previous literature reveals that there is a relationship between indirect marketing channel and purchase decision. Zhu and Zhang (2009) stated that, with the Internet's growing popularity, online consumer reviews had become an influential resource for consumers seeking to discover product quality. It can be assumed that online consumer review which is referring to review side important for the customer to seeking information or products. Moreover, some firms even strategically manipulate online reviews to influence consumers' purchase decisions (Dellarocas, 2006). This can be assumed that an indirect marketing channel is related to customer purchase decision.

METHODOLOGY

This study is quantitative in nature. Descriptive study approach was used to describe the variables. This is a cross-sectional study with the data collected using a self-administered questionnaire. The online survey was conducted to gather data from respondents. All the respondents' data are conveniently collected from the hotels Facebook page. There are 20 five-star hotels in Kuala Lumpur that have an official fan page. Initially, the link to the survey was posted to all hotel fan page with permission. Next, the link can be accessed by all fans from the Facebook page. Moreover, the respondents were approached personally through the Facebook private message. The link to the survey was then given to them to answer after they had agreed to participate in answering the survey. All the questions were locked to avoid any missing answer from respondents, and the link cannot be accessed after a certain period. The questionnaire consists of 4 sections, and 5point Likert scale used for three sections.

RESULTS AND FINDINGS

Relationship between hotel internet marketing channels (direct and indirect) and purchase decision

Based on the result, hotel internet marketing channels (direct and indirect marketing channels) able to explain 73% of the variation in the purchase decision while the remaining 27% of variation from another variable. The result showed that the hotel internet marketing channel significantly (R=0.73, P<.001) contributed to purchase decision. Based on the importance and contribution, indirect marketing channel was more important and contributed (β=0.704) more to the model. As both direct and indirect marketing channel found to be significant to purchase decision, it shows that there was a relationship between hotel internet marketing channels and purchase

decision. From the results also, indirect marketing channel contributed more (β=0.703) as compared to direct marketing channel (β=0.173) towards the model.

Table 4.1 - Results of multiple regressions: Hotel Internet marketing channels (direct and indirect) and Purchase Decision

Construct	B	SE B	β
Direct Marketing Channel	.184	.051	.173*
Indirect Marketing Channel	.908	.062	.704*
Dependent Variable: Purchase Decision			

*Note: R=.73, *P <.001*

Findings from the previous study showed that direct marketing channel (website) is important towards customer purchase decision. This channel (website) should have some criteria such as information provision, website design, online customer service, and security. All these criteria are important to influence the customer to buy the product (Anh & Assenov, 2010). Other than that finding from Lim and Hall (2008), proven that direct marketing channels also influence customer purchase decision by providing the cheapest price information compared to other channels.

Moreover, 35% of travelers change their choice of hotel after browsing review site (Channel Advisor, 2010). This shows that before customer makes their decision to buy any product; they tend to read reviews from others who had experienced the product. They believed that review from experienced customers would help them to make a better decision. Nevertheless, previous studies revealed that majority of the customers prefer to use indirect marketing channels such as TripAdvisor or travel agent to book a room (Dickinger, 2010). It can be assumed that customers prefer to use indirect marketing channel to make any purchase.

STUDY LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Similar to many types of research, some limitations can be highlighted in this study. The first limitation concerns the generalizability of the conclusion to the service industry, given that the study focused 5-star hotels in Kuala Lumpur. It may be that the hotel used different marketing channels than other service firms. A study of larger service organizations is needed to further establish the marketing channel and purchase decision linkage. The second limitation is the sample used in the study. This study focuses on respondents from hotel fan page only and does not represent other online customers. It is recommended for future research to conduct this study nationwide and use another medium such as a review site (TripAdvisor), forum, website and others to gather data.

CONCLUSION

It is quite clear that there is a relationship between hotel internet marketing channels and purchase decision. This result aligns with the previous study that also tries to investigate the relationship between the variables. The result also indicates that online marketing channel is vital to ensure customer buy the product or services of any hotel where indirect marketing channel is preferable compared to direct marketing channel. This indicates that hotel internet marketing channel is significant to the customer before they decide to purchase, and practitioner can use this op¬portunity to use all the online channels to stay competitive in the market and gain more profit.

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