

An investigation into e-commerce in hospitality: A Cape Town study

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Abstract

Much has changed in the business world since the birth of technology and the subsequent discovery of the world wide web (www) in 1989. Global communication between potential buyers/customers and suppliers became a reality and with it, so did the sale of products through the use of this platform. Electronic transactions also known as E-Commerce, gained momentum in the last few decades enabling customers to search for products online and purchase their desired findings through a host of electronic payment methods. A common misconception is that e-commerce refers only to the sale of tangible products through the internet, although “services” such as found in the tourism and hospitality industry also use this medium of sales. Tourism is a key sector in South Africa and vital contributor to the Gross Domestic Product (GDP) of the country. According to South African Tourism (2015), more than 180 million bed nights were sold in 2015, making the hotel industry an attractive client of e-commerce. Hotel rooms are advertised on company websites, and these in turn are also linked to websites such as Booking.com and Expedia.com, which facilitate the room sales of subscribing hospitality properties across the globe.

Keywords: E-Commerce, Cape Town, Tourism, Social Web, Room Reservations, Online Social Networks.

Introduction

The importance of Information and Communications Technology (ICT), particularly on how the use of ICT in the lodging industry is growing exponentially; enabling hotels to reconsider the way they are doing business (Mndzebele, 2013:63). Richard (2013:49) explains that suppliers and customers meet in a virtual space to perform transactions using Internet technology as it has the potential to add substantial value to business operations and competitiveness of a business. Richard (2013) further argues the potential value ICT offers needs to be exploited to raise corporate performance and competitive edge. The Statistic Brain Research Institute (2013) reports that 57% of all travel reservations are made on the Internet and 148.3 million travel bookings are made on the Internet each year. The top three visited travel sites include Booking.com, Expedia.com and Hotels.com.

Studies in this area have been conducted on the perceived benefits of e-commerce, with contradictory results. Maswera et al. (2008:188-189) contend that e-commerce has not only

changed the way business is conducted, but has increased the revenue of organisations tremendously, in particular that of the travel and tourism industry. Li and Buhalis (2006:155-156) note that the hospitality sector in China uses the Internet as a marketing tool for providing information on hotels; however, of those properties who received online reservations, Internet sales represented a small proportion of total revenue.

South African tourism today

The value and importance of the online presence of accommodation establishments in South Africa can be demonstrated through the introduction of the country as a tourism destination.

According to the Culture, Arts, Tourism, Hospitality, Sports Sector Education Training Authority (CATHSSETA, 2014), South Africa (SA) is admired for its natural beauty including for example, Table Mountain, National parks and the Drakensberg, vibrant culture and relative novelty as an international tourist destination with an intriguing history. Since 1994, tourism has increasingly been recognised as a key economic growth sector by the South African government and by commercial businesses (George, 2010:806). The tourism and travel sub-sector make a substantial contribution to the South African economy and in 2010 it directly contributed R67 billion to the country's GDP.

The South African High Commission in Singapore (2014) reports that SA is ranked among the top five countries in the world in respect of tourism growth (growing at three times the global average). According to recent figures from Statistics SA, 14 860 216 foreign visitors arrived in SA in 2013, a 10.5% increase over 2012. Of these, 9.6 million were tourists, translating to a 4.7% year-on-year increase in international (including the rest of Africa) tourist arrivals and a 7.1% increase in overseas (excluding Africa) tourist arrivals (SouthAfrica.Info, 2014). Mwandla et al. (2013) indicate that the South African Department of Tourism predicts an increase in foreign tourist arrivals and expects an increase from 9 933 966 in 2009 to 15 million in 2020.

South African Tourism (2010:2) point out that a reason for the increase in foreign tourist arrivals in the past four years could be that SA is still enjoying the rewards of the impact from the 2010 FIFA™ World Cup, as the total awareness of SA as a brand increased by 9% following the event. The 2010 FIFA™ World Cup attracted a large number of first-time visitors to SA. Montsho (2010:1) reported that tourists were extremely satisfied with their experience in the country and would highly recommend the destination to friends and family. The Fédération Internationale de Football Association (FIFA.com, 2010) claimed a radical change of mind set from tourists who visited the country during the tournament – most of whom were sceptical about the country before the 2010 FIFA™ World Cup because of what they had read in the media about the country before they arrived.

It is not only the events industry that attracts tourists to South Africa. The country provides a host of scenic experiences as mentioned by the popular travel website Lonely Planet, who introduces South Africa as follows:

Every country in the world displays some diversity, but South Africa, stretching from the hippos in the Limpopo River to the penguins waddling in the Cape, takes some beating. It befits its position at the southern end of the world's most epic continent, with more types of terrain than photographers can shake their zoom lenses at. There's the deserted Kalahari, Namakwa's springtime symphony of wildflowers, iconic Table Mountain and Cape Point, Kruger National Park's wildlife-stalked savannah

(scene of the famous lion-buffalo-crocodile battle watched more than 75 million times on YouTube) and, running through the east of the country and into Lesotho, the Drakensberg. KwaZulu-Natal's iSimangaliso Wetland Park alone has five distinct ecosystems, attracting both zebras and dolphins. If you're interested in another kind of wildlife, hit the nightclubs on Cape Town's jumping Long St or sample African homebrew in a township shebeen (unlicensed bar). When it's time to reflect on it all, do it over seafood on the Garden Route, curry in Durban's Indian Area, a sizzling Cape Malay dish, or a braai (barbecue) in the wilderness – accompanied by a bottle of pinotage produced by the oldest wine industry outside Europe (Lonely Planet Online).

It goes without saying that tourists attracted to such a variety of destinations within South Africa would require accommodation in the local lodging industry. The South African Tourism (2016) Reflections Report, show that 102 million bed nights were sold to domestic tourists in 2015, and 81.3 million to international travelers in the same year. Although the statistic does not identify the specific modes used to make room reservations, it can be presumed that electronic sales made up a considerable percentage as sales method.

Within SA, Cape Town (CT) is arguably the most diverse and alluring tourist city in the country to visit.

Cape Town Tourism (CT)

CT, also referred to as the “Mother City”, because it is the oldest town in South Africa (Cape Town Magazine, 2016) and has long since been seen as a desired tourist destination in SA. TripAdvisor (2016), the leading travel blog website, offers:

“a variety of travel choices and planning features with seamless links to booking tools that checks hundreds of websites to find the best hotel prices. TripAdvisor branded sites make up the largest travel community in the world, reaching 350 million unique monthly visitors, and 320 million reviews and opinions covering more than 6.2 million accommodations, restaurants, and attractions. The sites operate in 48 markets worldwide. TripAdvisor-branded sites make up the largest online travel community in the world, with more than 315-million unique monthly visitors, and more than 200-million reviews and opinions covering more than 4.5-million accommodations, restaurants, and attractions, operating in 45 countries worldwide.

They further mention that CT also found itself in the 10th position among TripAdvisor's top 25 places to visit in 2015, beating popular urban destinations such as New York City, Barcelona, Dubai and Hong Kong to the top 10 destinations to visit.

What makes CT an attractive destination, is the large urban area, with a high population density, an intense movement of people, goods and services, extensive development, and multiple business districts and industrial areas (Western Cape Government, 2013). On the doorstep of CT, further zones include:

- *The Cape Karoo* - an arid zone, yet it has been inhabited for more than 500 000 years by the Khoisan and provides a home to a variety of wildlife (Cape Town Tourism, 2015a).

- *The Cape West Coast* - a popular destination for holiday makers and stretches from Blaauwberg in the south to Namaqualand in the north. It comprises 44 small towns along the south-western coast of SA within the Western Cape Province. It is well known for the annual wild flower display, whale watching and quaint seaside towns (*Cape Town Tourism, 2015c*).
- *The Cape Winelands* – which boasts the legendary Cape wines, many of which were planted hundreds of years ago. The Winelands abound in classic Cape Dutch homes, mountainous surroundings and sumptuous restaurants (*Cape Town Tourism, 2015d*). Paarl, Franschoek, Stellenbosch, Wellington, and Robertson all comprise the Cape Wine Route (*Cape Town Tourism, 2015e*).
- *The Cape Overberg* – also known as the Whale Coast – occupies the southernmost region of SA, and is well known for unsurpassed whale watching, attracting thousands of visitors between July and November each year (*Cape Town Tourism, 2015b*).

The above description of both South Africa and Cape Town, leads to the reason why this study was concentrated within this geographical area, and therefore the reason for a high demand in room requests.

The issues at hand

In the first instance, it is not clear if staff involved in managing online room reservations within CT's five-star hotels, understand how the various online sales platforms interconnect.

Secondly, the internet consumer of today assumes all businesses worthy of trade have a website; it is not enough for hotels to rely on their web pages alone for room sales. An aspect of e-commerce revolves around how social media affects a hotel's online presence, and how it is used as a tool for gaining a notable share in the e-commerce market for hotel room sales. An example of this is the popular community website and meta-search engine, TripAdvisor, which is visited by millions of people on a daily basis who rely on consumer based reviews in order to make a purchase decision.

In view of the aforesaid, the general objectives of this study are to highlight the importance of e-commerce in hotel room sales along with other objectives:

- Introduce South Africa in general and specifically Cape Town as desirable tourist destinations, the subsequent need for hotel accommodation and the online room booking sites associated with electronic sales (e-commerce)
- Offer a clear understanding of ICT in the form of an e-commerce framework for hotels.
- Produce a graphical framework of e-commerce and hospitality which will assist hoteliers at large to understand the interconnection of an online presence together with a brick and mortar experience.

Literature Review

E-commerce has many uses in business, including in the tourism industry. In an increasingly competitive market place, tourism products require an effective distribution strategy for a firm to reach its target tourists and local markets (Huang et al., 2009:733). E-commerce mainly helps in the generation of leads, presenting information about the tourism product to the customers, and facilitating the transaction process electronically using the World Wide Web (Hoontrakul & Sahadev, 2005). The Internet is an ideal platform for the tourism industry because of the characteristics of tourism products: 1) they are intangible, 2) their production and consumption cannot be separated, 3) they are perishable, and 4) they are seasonal (Ponte et al., 2015:286).

Maswera et al. (2009:13) note that e-commerce could help achieve the potential of the African tourism industry and recommend methods to overcome barriers associated with e-commerce to increase revenue.

In the context of the hospitality industry, the main stream of revenue for the business is the selling hotel rooms (McCleskey, 2010). Ling et al. (2014:234) note from a survey conducted in Hong Kong of 249 leisure travellers, 80% searched for hotel information using Web tools, with more than half making their bookings through hotel host websites or third-party websites (i.e., online travel agencies). Establishing co-operation with an Online Travel Agent (OTA) could result in a more favourable position among search results on a web page (a higher ranking). Peng et al. (2013:280) state that online travel booking is the specific business-to-consumer (B2C) transaction in the context of online tourism. E-commerce allows the tourism consumer to purchase tourism products and packages online and act as his or her own travel agent by building personalised travel packages and eliminating the need for traditional processes (Werthner & Ricci, 2004:101). From a hotel business perspective, e-Procurement is a good example of the innovative use of technology in the lodging industry (Kothari et al., 2005:370).

E-procurement can be defined as a business-to-business (B2B) tool that supports the buying process (Centobelli et al., 2014:9). A study conducted by Gunasekaran and Ngai (2008:173) found that implementing e-procurement has become an important enabler for achieving a flexible and responsive supply chain. They contend that there are many advantages to hotels' implementation of this process, such as cost reduction and productivity enhancement, as systems become more efficient. An example of e-procurement or a business-to-business transaction would be a hotel selling its rooms to OTAs on a wholesale or commission basis. The lasting effects of e-commerce technology in tourism can be seen as improved information accessibility, a higher level of competition and provision of a larger market of consumers and businesses around the globe (Mamaghani, 2009:365). According to Sábio (2014), e-commerce in the modern tourism and hospitality industry is important because the Internet is the lowest cost hotel-booking channel, most travellers research hotel reservations on the Internet, and social media and online hotel reviews are an increasingly important decision factor.

E-commerce

There are many components of e-commerce; however this study focuses specifically on the sales aspect and only briefly mentions its marketing capabilities.

Haig (2001:2) is of the opinion that there are four main reasons for people to access the Internet. These are: to find information, to be entertained, to interact, and to shop. Historically, technology has been an enabler of business transformation, and the Internet is certainly not an exception. It is a disruptive technology that changes, sometimes radically, the way people and organisations behave, govern themselves, and interact with external agents. Bidgoli (2004:833) describes e-commerce as a disruptive business paradigm, just as the Internet is a disruptive technology. The researcher understands the word 'disruptive' to mean a drastic change that challenges traditional models, thereby creating a new norm.

The *Oxford Dictionaries* website (2015) defines e-commerce as commercial transactions conducted electronically on the Internet. Patil and Divekar (2014) expand on this definition by adding e-commerce contains a complex set of processes that involve extreme synchronisation between various entities.

According to Niedorf and Niedorf (2001:4) there are three most common retail sales channels – brick-and-mortar, catalogue and the Web – across the elements that characterise the shopping and business ownership experience. The online *Merriam-Webster Dictionary* (2015) defines brick-and-mortar as a traditional business serving customers in a building as opposed to an online business store. Dictionary.com (2014) describes an electronic business (e-business) as any business conducted using electronic media or any business that makes some or all of their revenue using internet technology. Leon (2008:95) is of the opinion that e-commerce is an extremely important facet of e-business, but in practice the two terms are often used interchangeably. Dedrick et al. (2006:64) add that e-commerce can be used by adaptive integration which is when firms incorporate technology as an extension of their existing strategies and business models. For decades, airlines, cruise lines, the lodging sector and car rental industry had been heavily dependent on travel intermediaries (e.g. travel agents) to disseminate information and sell their products and services. Amaro and Duarte (2015:64) caution: with a new distribution channel these travel suppliers have found a way to bypass intermediaries and reach customers directly, while saving money. E-commerce having been defined, the researcher further clarifies e-commerce concepts.

E-commerce is a function of the Internet. Within e-commerce, specifically relating to this study, travel services and commercial e-tail (electronic retail) are two sectors that are discussed. Travel services are categorised into Accommodation and Airlines, as these two components constitute a large part of the hospitality industry. This research study is focused on room sales, therefore the distribution channels used for this purpose will be explained, namely, Online Travel Agents (OTAs) and merchant sites. An example of an OTA is www.expedia.com and an example of a merchant site is www.tsogosunhotels.com. Expedia sells flights as well as hotel rooms and car rentals. The website for Tsogo Sun Hotels only has information about hotels in the Tsogo Sun Hotel group and only sells rooms in the Tsogo Sun Hotel group. An OTA will sell a variety of products and service many brands. An electronic retail (e-tail) website can be a platform for brick-and-mortar businesses to conduct transactions, as well as a platform for new businesses to enter the market. Examples of e-tail websites are www.amazon.com and www.takealot.com. Descriptions can be found in the key provided. These sites sell a variety of products such as books, DVDs, CDs, electronics, appliances, and toys, as well as beauty products.

Today, e-commerce focuses on profitability. Ingham et al. (2015:44) contend the challenge for retailers is to attract the attention of the digital natives (consumers who have grown up in the digital world) and persuade them to spend more, as well as to attract digital immigrants (consumers who are presumed to resist new technology or at least have trouble accepting it) to this way of shopping. Enginkaya and Yilmaz (2014:219) note in today's competitive environment, interaction and attainable knowledge resources are more vital than ever for brands and for e-commerce business. Social media can increase communication for a website and create brand awareness. This was seen during the collapse of the dotcom bubble between 2000 and 2001, when many firms were forced to re-examine their strategies in order to develop a better understanding of customer behaviour, customer loyalty and customer retention (Gonçalves Curty & Zhang, 2013:261).

The social web

Zhang et al. (2014:1017) define social media as when user-generated content and social networking features are combined and used for creating, initiating and circulating information within online social networks. The *Merriam-Webster Dictionary* (2015) defines a social network

as a network of individuals connected by interpersonal relationships. According to Computer Hope (2015), a social network is a virtual community, profile site or website on the Internet that brings people together in a central location, to talk, share ideas and interests or make new friends. According to eBizMBA Guide (2015), examples of five social networks used today are, in order of popularity, Facebook, Twitter, LinkedIn, Pinterest and Google Plus. Zhang et al. (2014:1017) define social commerce as the use of social media for commercial transactions and activities that are driven primarily by social interactions and user contributions.

The *Merriam-Webster Dictionary* (2015) defines social media as forms of electronic communication through which users create online communities to share information, ideas, personal messages and other content. Hajli (2015:183) notes that the popularity of social technologies and platforms such as social network services (SNSs) is one of the main reasons for advancement in Web 2.0 technologies and developments in e-commerce. The new features of the Web refer to functionality that was not available in the past. It does not refer to a new section of the Web, but rather to a series of technological improvements. Some examples of Web 2.0 include social networking and blogs (Tech Terms, 2015a, 2015c). A blog is short for "Web Log" (Tech Terms, 2015c), a website on which someone writes about personal opinions, activities and experiences (*Merriam-Webster Dictionary*, 2015).

Zhou et al. (2013:61) observe many e-tailers are taking advantage of social technologies and services to expand their businesses. Since social media have become readily accessible, more consumers use these media as sources of information about companies, brands, products and services. For example, Zeng et al. (2009:1) note that more than 200 million users per month visit QQ-Zone, the Chinese online social community, considered the largest social network site in the world. Huang and Benyoucef (2013:246) note that online businesses are also able to capture customers' behaviour, which gives them insight into their shopping experiences and expectations and helps them develop successful business strategies as well as strengthen business relationships with customers and increase traffic to company websites.

Kim (2013:69) reports that many social commerce providers started their businesses by combining group-buying with selling discount coupons offered from their partners over the Internet. Groupon initiated this business model in 2009 and Kim contends the emergence of social commerce reflects the collective bargaining power of end-users as the Internet has shifted the bargaining power from sellers to consumers.

Sharma and Crossler (2014:305) observe customers are no longer passive information takers and often influence the purchasing behaviour of other shoppers. Füller et al. (2009:72) declare that the postmodern view of the active and productive consumer is becoming a reality and changing the economics of decision making, moving it down the hierarchy and leading to decentralised organisations – essentially giving the consumer more power.

Huang and Benyoucef (2013:246) share this sentiment in explaining that the use of Web 2.0 shifts market power from the company to the consumer, and as the customer's needs are altered, will look for more social and interactive ways to stimulate engagement, thus creating value for both company and consumer. Social commerce should be considered broader than the act of sharing shopping experiences with others, as it has challenged and redefined traditional vendor-push business models and marketing strategies (Gonçalves Curty & Zhang, 2013:260-261).

In a study conducted by Hochmeister et al. (2013), the authors mention significant roles 'destination expert' community members have on sites such as TripAdvisor.com by contributing

user-generated content, as this influences intentions to take such content into consideration when planning travel. Enginkaya and Yilmaz (2014:220) agree that consumers have become the storytellers and are the new brand ambassadors. Rawat and Divekar (2014:627) declare that social media is driven by word-of-mouth and if done properly can improve positioning in the market. Besides social media, Sumita and Yoshii (2010:217) observe that the potential of the Internet has expanded substantially by a new generation of mobile devices, giving rise to the growth of m-commerce. Like that of social media, the impact of mobile devices on e-commerce is still new. Getting (2007), maintain that most online communities are free and are growing at a rapid rate. There are three main categories of the social web: social networks, social media, and online rating sites.

Oxford Dictionaries (2015), define a social network as a network of social interactions and personal relationships or a dedicated website or other application which enables users to communicate with one another by posting information, comments, messages and images.

Bennett (2014) and Duggan et al. (2015) report the most popular examples of social networks are Facebook, Twitter, Google+, Instagram, LinkedIn and Pinterest. There are more examples of social networks but the researcher has chosen these as they are the most popular. Social media are further defined by *Oxford Dictionaries* (2015) as a website or application that allows users to create or share content or participate in social networking. Examples of social media are YouTube, Blogger and Flickr.

An online rating site is a system of ranking places, products and services via customer reviews based on past experiences. Examples of online rating sites are www.yelp.com and www.tripadvisor.com, of which the latter reaches over 10 million people in the United States each month according to statistics website Quant Cast (2015). TripAdvisor is classified as a meta-search engine, which is defined by Webopedia (2015) as a search engine that queries other search engines and then combines the results.

Ladhari and Michaud (2015:36) note that the influence of these online ratings and reviews has expanded exponentially with Web 2.0 and word of mouth on the Internet (or eWOM) since information has a world-wide reach and is easily accessible. Consumers rely heavily on these reviews to form an opinion about tourist destinations and hotels and it shows that the hospitality sector is the most strongly influenced by eWOM.

In a study of a major OTA in China, Ye et al. (2011:634) found that the prevalence of traveller reviews had a significant impact on the online sales of hotel rooms and that hotel managers should seriously consider the impact that online reviews of their hotels on these websites have on the consumer. One challenge of eWOM is that companies do not have control over the type of information that is disseminated into the World Wide Web. Jalilvand et al. (2011:44) concur that this can be both an advantage and disadvantage. eWOM allows consumers to not only obtain information related to goods and services from the few people they know, but also from a vast, geographically dispersed group of people, who have experience with relevant products or services. One disadvantage is trust, as reviews can also intentionally mislead or misinform customers. Reviewers make subjective judgements based on their experience which is hard to measure as everyone has his or her own set of criteria when reviewing a product or service.

Alternate reservations methods

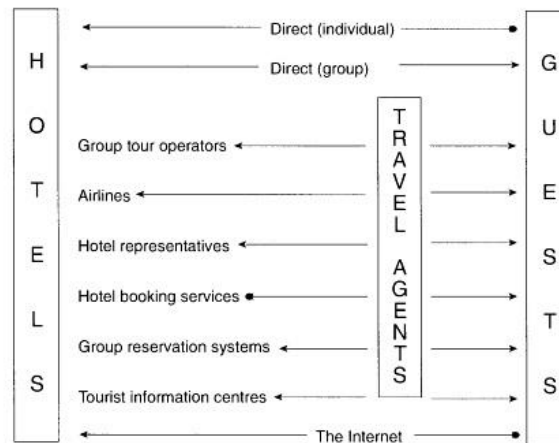
There are a variety of ways in which a guest can make a reservation: in person, by telephone, by letter, by fax and by e-mail (Blackman et al., 2005:289). According to Wan-Salman and Radzi (2015:151), the traditional method is considered ineffective and sometimes costly for both

parties – the customers and hotel organisations. The Internet has become a valuable channel for consumers that enables them not only to browse and purchase online, but to do this without geographical boundaries and time-limit constraints (Qi et al., 2013:76). In a study conducted by Sambhanthan and Good (2014:1), most of the hoteliers in developing countries used IT as a support tool for tourism promotion. El-Gohary (2012:1256) notes that using IT is still a new concept, particularly in developing countries with limited resources that cannot afford to make unwise decisions.

Cezar and Öğüt (2012:972) contend there are significant differences between traditional and online channels, for example, in addition to star rating, customer rating is another quality measure in online hotel booking. Online channels allow the potential customer to see the location details and compare hotel prices easily, as well as read online reviews which have a wider reach and are less ephemeral than traditional word-of-mouth reviews. Cezar and Öğüt conclude that customers prefer to use online sites to buy goods and services as the Internet has become the main sales and marketing channel for many industries. As hotel rooms are an example of ‘experience goods’, consumers seek quality information before making a purchase decision. Castillo-Manzano and López-Valpuesta (2010:639) note that while these changes undermine the traditional intermediary role of travel agencies, most people still prefer the security of a travel agency and if the Internet is used to make bookings, it is most likely for small, low-cost trip components like car rentals. Tse (2003:456) notes travellers are pragmatic and their bottom line is where they can get the same room at a cheaper price. They do not consider loyalty in their decision-making process, thus travel agents need to re-intermediate themselves by providing value-added services.

The figure below, shows how the Internet fits into various methods of booking channels in relation to more traditional methods.

Figure 1: Booking Channels



Source: Abbott and Lewry (1999:118).

Figure 1 further illustrates the direct booking channel guests have to hotels via the Internet. Compared with using travel agents, who are intermediaries, the Internet removes one step in the booking process, making it faster and cheaper as indicated in the literature.

Kim et al. (2009:266) state that traditionally travel products have largely been handled in the distribution network activated by travel agencies. From the development of the Central

Reservation System (CRS) in the 1960s to the Global Distribution System (GDS) in the 1980s and the advent of the Internet in the early 1990s, the tourism industry has always been confronted with the rise of new technological developments that posed both opportunities and challenges (Xiang et al., 2015:244). The traditional tourism distribution system was based on a linear model where products and services moved from the supplier to the consumer, either directly or indirectly (Lubbe, 2005: 385), but the rapid growth of online travel agencies caused traditional indirect distribution channels through tourism intermediaries to decline (Tsai et al., 2005:788).

Hotel room booking sites

After an extensive search on the Internet for information on South African room booking sites, it is apparent that most OTAs are just extensions of brick-and-mortar businesses in SA. As the market for online travel agents is still quite small, there is little information on these OTAs.

OTAs provide flight, hotel, car and cruise reservations. The major websites are Priceline (Booking.com is owned by Priceline), Expedia, Orbitz and Travelocity. Other companies like Kayak and TripAdvisor provide information but handle bookings through other channels as well (Wulf, 2012). These firms rely primarily on the Internet to distribute and package travel services for users. Initially, they offered online shopping and selling of airline services, then expanded to lodging, rental cars and other destination services. OTA activity and growth has caused a channel shift in distribution away from both traditional travel agents and suppliers (Diaz-Bernardo, 2010:582). Booking.com uses an extranet, where hotels can set their own rates and room allocations and collect payment from guests at the property. Commissions to the website start at 12% compared with other OTA margins set at 25–30%. Further reasons for the success of booking.com are simpler processes and fewer negotiations having to take place between the hotel and website. Birger (2012) states that booking.com is responsible for taking Priceline from a loss of \$19 million in 2002 to a profit of \$1.1 billion in 2011.

According to the Expedia Inc. website (2014a), a small division within Microsoft launched an online travel booking site called Expedia.com in 1996, giving customers a revolutionary way to search and book travel. Since then, Expedia Inc. has evolved into one of the world's leading online travel companies, with a portfolio that includes approximately a dozen of the world's most notable travel brands. Expedia Inc. owns over 150 travel booking sites in over 70 countries and more than 140 mobile sites in nearly 70 countries and in 35 languages. In 2014, Expedia made \$50.4 billion in gross bookings and \$5.8 billion in revenue. It is also worth mentioning that Expedia Inc. acquired TripAdvisor in 2004 (Expedia Inc., 2014b).

TripAdvisor is rated amongst the most successful social networking and virtual community websites in tourism. It facilitates the reviewing of all hotels around the world and brings together individuals in discussion forums and this makes it one of the most well-known websites in the world. This type of social networking relies heavily on word-of-mouth or e-WOM (electronic word-of-mouth), as consumers are the reviewers. Purchase decisions will therefore be made from such recommendations, which are an electronic form of word-of-mouth (Buhalis and Law, 2008:612). Word-of-mouth is ranked as the most important information source when a consumer is making a purchase decision. This is especially important in the hospitality and tourism industry (Litvin et al., 2008:458).

The benefits of using sites such as TripAdvisor are well documented, and there is ample proof it is in the hospitality industry's best interest to reply to online reviews, especially when there is a negative review. However, according to a 2014 Hotel Benchmark Study, only 56% of hoteliers

respond to TripAdvisor reviews. If hoteliers wish to harness the potential relationship management websites like this offer, they cannot afford to neglect the importance of an online presence (*Hospitality News*, 2015).

The Internet has become an integral part of everyday life. In order for businesses to be sustainable, they need to have an e-commerce presence (Polychronidou et al., 2014:433). Leidner (2010:69) affirms ICT enables managerial control over vast global supply chains, it is a service that can be readily offered to global markets and it can become a trade platform joining suppliers and buyers from around the world. Aydin and Savrul (2014:1267) point out that globalization has created a new global economy which provides firms with access to new markets and contributes to global production networks as well as triggering social, political and cultural changes. Maity and Dass (2014:34) echo these sentiments: with technological advancements, firms are increasingly reaching out to their customers through a variety of channels such as e-commerce, m-commerce and brick-and-mortar establishments. Heinemann and Schwarzl (2010:1) contend online retail today is taking place at a higher level of evolution than in the initial years of e-commerce.

Terzi (2011:745) believes that the gains from e-commerce are likely to be concentrated in developed countries in the short run, but developing countries will have more to benefit in the long run. In terms of limitations, there are technical and non-technical aspects associated with e-commerce such as lack of knowledge, lack of trust, confidence problems and high costs related to its use (Savrul et al., 2014:44).

Walden and Browne (2008:44) contend that technology is also subject to fads – as we adopt new technologies with exaggerated zeal we have also witnessed the rise and fall and rise again of the internet bubble which was believed to be a good investment. Therefore, businesses certainly need an electronic channel, but they also need many other things to succeed.

100% of all hotels surveyed in this study used expedia.com, 93% used booking.com and 93% used hotels.com.

A framework for e-commerce and hospitality

A report by the research company Grant Thornton (2015:2) states that consumers use online intermediaries to find the cheapest rooms and the most convenient locations for their trip; therefore hotels face a future in which the strength of their brand has dwindling influence over customer choice. The report poses the following question: How can hotels compete in a digital world and what will their future business models look like?

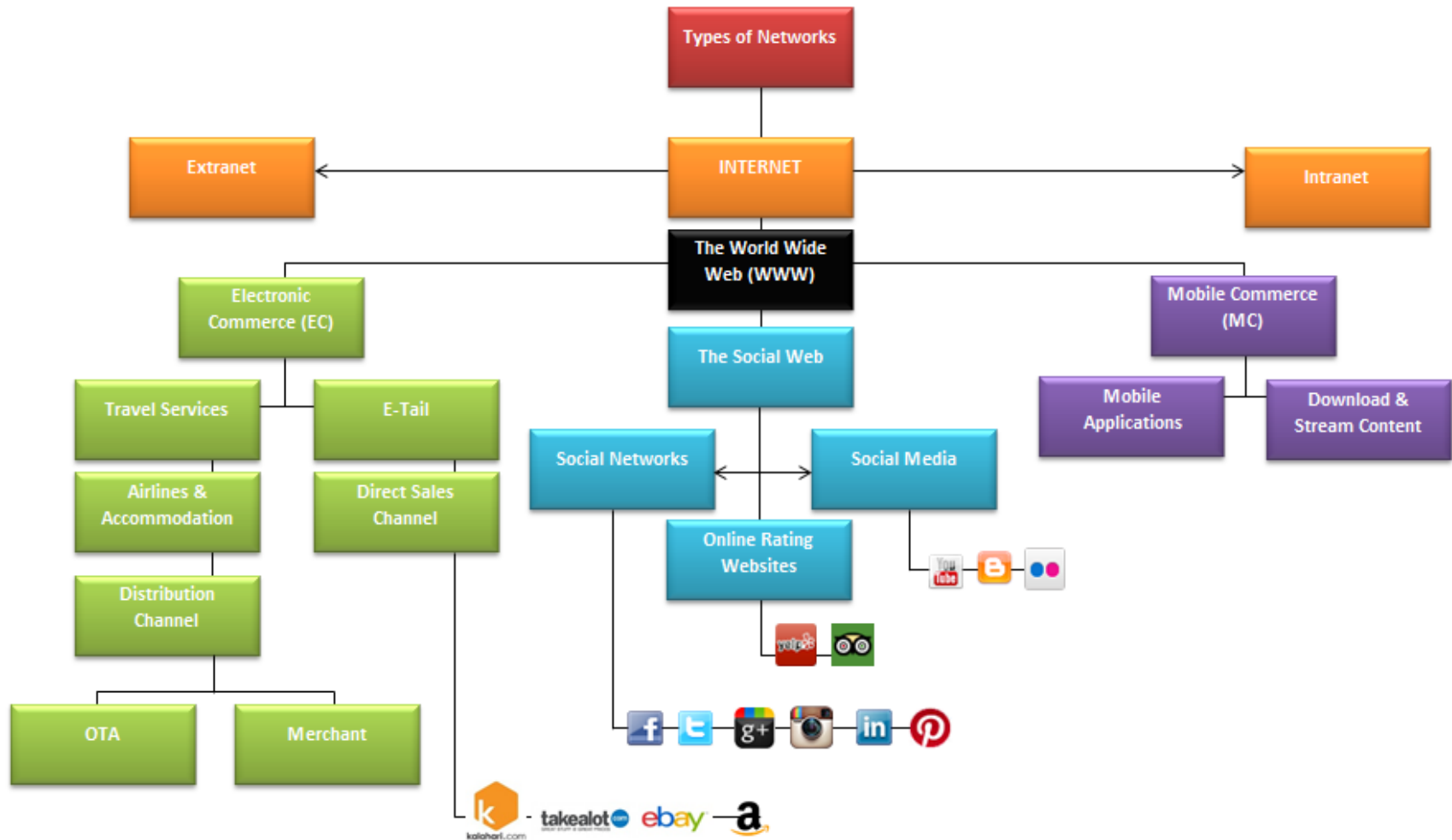
Owing to the technical nature of the study, the researcher has designed a framework of themes for discussion as shown in Figure 2.

The figure shows the three main networks used in information technology (IT). These are: Intranet, Extranet and Internet. The British Broadcasting Corporation (BBC) (2015:1), refers to an intranet as a private network, operated by a large company or organisation, which uses internet technologies, but is insulated from the global Internet by a firewall (a system designed to prevent unauthorised access). An extranet, however, is an intranet that is accessible to some people from outside the company or possibly shared by more than one organisation but is accessed with a username and password (Webopedia, 2015).

Business Dictionary (2015) defines the Internet as a means of connecting a computer to any other computer anywhere in the world via dedicated routers and servers. When two computers are connected over the Internet, they can send and receive all kinds of information such as text, graphics, voice, video, and computer programs. No one person owns the Internet, although several organisations in the world collaborate in its functioning and development. The high-speed, fibre-optic cables through which the bulk of internet data travels are owned by telephone companies in their respective countries.

Continues...

Figure 2: Theoretical framework of e-commerce and hospitality Source: Banoobhai-Anwar (2016:12)



Conclusion

Current literature has noted the numerous advantages of Information and Communications Technology (ICT) and studies in the tourism and hospitality arena have indicated that ICT is a tool particularly suited to this industry for a variety of reasons. ICT has integrated fully into our daily lives as well as created a new global economy and method of communication between parties that would normally not meet. The Internet has become an integral part of everyday life. In order for businesses to be sustainable, they need to have an e-commerce presence (Polychronidou et al., 2014:433). In terms of limitations, there are technical and non-technical aspects associated with e-commerce such as lack of knowledge, lack of trust, confidence problems and high costs related to its use (Savrul et al., 2014:44).

The hospitality industry is an ideal trade for making use of e-commerce and the social web. Relying only on a website for exposure purposes is no longer a viable way in which to sell hotel rooms. It is imperative that hotels have an online presence which is managed properly and constantly. Reputable booking sites such as Booking.com, Expedia.com and Tripadvisor are visited by over 300 million online visitors each month. A quality hotel cannot be absent from such platforms for the purpose of room sales. Besides the actual room sales sites as aforementioned, hotels will need to embrace the social web as well, since this is where travellers hear from other visitors about property reputations which directly affect their purchase decisions. Admittedly only 50% of the hotels surveyed during this study had a Facebook page, and over 60% of respondents fear negative commentary from social media platforms. Internet users have become demanding in their expectations of company presence online.

Simply stated, “if I can’t find enough information on your hotel it’s probably not a good choice.” Hotels will need to step up to the demands of online users, and potential customers. Social media needs to be used to create an online presence to market the online services of the hotels, and where necessary, negative comments from consumers need to be dealt with immediately to avoid tarnishing the hotel’s image. E-commerce is expected to reach global sales of \$1.5 trillion by 2018 (Statista, 2016), and therefore hotels in CT will need to increase their presence on the internet, not only on booking sites, but also on the social web in order to receive a sizable share of electronic sales.

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