



The Role of the E-Marketplace as a Marketing Channel for Bed and Breakfast Enterprises in South Africa

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Abstract

The business environment in the bed and breakfast (B&B), tourism and hospitality sector has seen the growth of online trading channels as a mode of e-marketing in various countries, including South Africa (SA). This paper focuses on the role of e-marketplaces in South African (SAn) B&B businesses. The paper discusses challenges often faced by B&Bs in the implementation of e-marketplace processes. The identified challenges include lack of resources, stiff competition from established companies, and the knowledge of how to implement online trading. Recommendations to reduce or eliminate the challenges are presented in the paper, in order to enhance the role of e-marketplaces in South African B&B entities. The researcher observed that e-marketplaces have a fundamental role to play in SMEs, and that more can be tapped from this resource. The research findings will assist in educating B&Bs about e-marketplace marketing and the benefits and opportunities that this phenomenon provides.

Keywords: E-Marketplaces, SMEs, Bed and Breakfast (B&B), South Africa

Introduction

A bed and breakfast organisation is defined as “accommodation offered by an inn, hotel, or a private home, consisting of a room for the night and breakfast the next morning for one inclusive price” (Coletta, 2016). This packaged accommodation is popular with travellers because it is simple and the price is affordable compared to other accommodation providers in the hospitality industry (bedandbreakfast.com, 2017). The dawn of 21st century has seen the evolution of information technology and the internet as a means to go beyond geographical limits (Gunawardana, 2006). This “inexorable digital trend became commercialised and gave birth to among others e-marketplaces as a business marketing model for firms to make money” (Gunawardana, 2006). Rowley, Yang, Kang & Kwon (2009) defined e-marketplace as an “internet location owned by a company or consortium which allows other companies or individuals to get new suppliers or buyers for their products. It also enables a developed trading network which makes negotiating, settlement and delivery of products easier and more efficient”. Consequently, Standing (2013) added that an e-marketplace can be described as an “inter-organisational information system that allows the participating buyers and sellers of a market to exchange information about prices and products”. The providers of these e-marketplace platforms are “corporate entities which run an inter-organisational information system that allow participating buyers and sellers to exchange information on market prices and product rates.

The overall exchange aggregation process provides a multilateral setting with a goal to establish bilateral buyer-seller relationships” (Romochkina, 2011). E-marketplaces is a phenomenon that provides businesses with an opportunity to “trade directly with each other, buying and selling products online, bypassing intermediaries, and gaining much easier access to global markets” (Standing, Stockdale & Love, 2010). In other words, the internet



enables “big, small and medium-sized businesses to find new customers quickly and cheaply, as the next vendor is only a mouse-click away, and at the lowest cost possible” (Pillay, 2016). Due to the internationalised nature of the tourism industry, B&B businesses need to engage in this international forum to gain market mileage and get international guests to book into their establishments. Small and medium businesses are one of the backbones of the economy as they contribute significantly to the creation of employment in different countries (Hecht, 2014). El-Gohary (2010) observed that SMEs in Europe contributed 66% to employment between 1985 and 1995, and 67% to date (Sustainable SME, 2018). In SA, B&B participation in e-marketplaces is an important phenomenon, as it has the potential to create much-needed employment in the country. The benefits such as access to global markets and increased visibility in the market which B&Bs enjoy by participating in e-marketplaces, outweigh the costs. Therefore, it is imperative that B&Bs embrace this phenomenon.

According to Lebambo (2014), SA’s tourist’ arrivals have been increasing over the last decade in response to this lucrative market, and B&Bs have grown rapidly in number. However, new legislation enacted by the Ministry of Home Affairs, requiring that all travelers with children should have unbridged birth certificates had a slight negative impact on tourist arrivals (Forster, 2015). This did not last long, however, travelers quickly adjusted, and the tourist arrivals forecast for SA is positive for the year 2020 (Forster, 2015). In 2009, Statistics South Africa established that 61% of employees in the hospitality industry were employed in hotels, motels and B&Bs.

The movement of small and medium businesses’ towards the evolving internet-based way of transacting, engaging and participating has resulted in the investigation of the role, challenges and opportunities of e-marketplaces as a marketing strategy for B&Bs in SA (Kotler & Keller, 2016). This paper aims to outline the accessibility of e-marketplace channels to B&Bs, and assesses the competitiveness of B&Bs in the e-marketplace channels of trade.

Background to e-marketplaces

All businesses, irrespective of their products, can, by using e-marketplaces as a channel of distribution, enhance the rational exchange of products; hence this integration is beneficial to both parties. Based on the growth of e-marketplaces in the global economy, SAn B&B businesses have not been left behind (Sun, 2014). Local e-marketplaces, which include OLX, Bidorbuy, Trivago, Gumtree, and Donkiz, have become increasingly popular for the selling of products by individuals and small and medium companies. This paper focused primarily on the hospitality industry’s B&B sector. B&B firms are individually-owned entities operated by small individual owners entering into the accommodation and catering industry. According to South Africa statistics (2012), tourism in SA is forecasted to increase its GDP contribution to 7.9% by 2020. B&B entities have contributed immensely to SA’s tourism growth, to the same extent as big tourism entities in the industry (Foster, 2015).

E-marketplaces have been propelled by a marked shift in consumers and suppliers’ behaviour. A shift from direct face-to-face buying to online purchasing and supply has been observed (Kotler & Keller, 2016). Because of differences in resource availability and capabilities, bigger firms have enjoyed a first-mover advantage in e-marketplaces, due to their resource competences and innovation, while smaller businesses have struggled to keep up (Thompson, Strickland & Gamble, 2016). Therefore, this research focused primarily on B&B businesses, which are small and medium-sized operations, in comparison to fully fledged hotels, which are mostly operated by big companies such as Protea Hotels, Southern Sun and Sun International in SA, among others. The first movement of business to e-commerce and the creation of different e-marketplace platforms, from both a supply and



purchasing perspective, have compelled small and medium-sized businesses to participate in e-marketplaces, in order to leverage their profitability. Furthermore, with the business movement towards globalisation, e-marketplace marketing has become important to B&B business operations, as it eliminates geographical borders (Hill, 2012). Often, B&Bs remain hidden around the corner when customers look for affordable accommodation, yet they have an equally good product to offer as hotels, but get left out because they are not online (Sun, 2014). The opportunities available for B&Bs motivated this study to examine the role of the e-marketplace as a marketing distribution channel, whilst encouraging B&B businesses that have not started using the e-marketplace channel to adopt it, as it provides their businesses with competitive advantage.

E-marketplaces and the internet

One of the “reasons behind companies using e-marketplaces is for purchasers to lower purchasing prices or run more efficient purchasing operations, and for suppliers to establish new markets or reduce sale risks though offering competitive prices” (Rowley *et al.* 2009). The growth of e-marketplaces has compelled many firms to embrace this phenomenon. The e-marketplaces concept is increasing firms’ “profitability and offers a competitive option for firms procuring goods and services and for consumers making purchases” (Standing *et al.* 2010). This stimulated the new entrance and development of new e-marketplace marketing channels. Internetlivestats (2018) observed that over 24 years, from 1994 to 2018, the number of global internet users rose from approximately 25 million to 3.8 billion people. The “development of e-marketplaces has been facilitated by the growth of internet technologies, capital investment growth and new discoveries in the internet application software. However, this development did not happen as speedily as anticipated by the market” (Christiaanse, Van Diepen & Damsgaard, 2004), but the strides of progress were welcomed by the business sector. In contrast, SA’s business-to-consumer (B2C) e-commerce business was the largest in 2016 in Africa. This was stimulated by a high mobile penetration rate which enhanced internet access, and the total retail sales doubled by 2%, according to the E-Commerce market report (2016). Though reports of success and growth have been reported, Hoogduijn (2016) argued that on a global scale, the contribution and growth is still insignificant, and more work still needs to be done to transform SA into a recognised global force.

Research Aim and Objectives

The main aim of the paper is to investigate the role of e-marketplaces as a marketing channel for B&B businesses in South Africa.

Objectives

- To assess the availability of resources of B&B businesses’ and their capacity to participate in e-marketplaces.
- To investigate the accessibility of e-marketplace channels by B&B enterprises in South Africa.
- To examine the challenges, benefits and opportunities of the use of e-marketplaces by B&B entities in South Africa.

Research Methodology

This research was undertaken using the mixed methods approach whereby both quantitative and qualitative research methodologies were used (Saunders, Lewis & Thornhill, 2016). This “helped in eradicating the restriction of data collection when only using either the quantitative or qualitative research method” (Saunders *et al.*, 2016). The research was conducted by

means of a survey. A research questionnaire was used to obtain quantitative data, whilst interviews were employed to augment the questionnaire and get more in-depth qualitative data regarding the phenomenon under investigation. The questionnaire and interviews tested e-marketplace awareness and participation, market visibility and strategy, resource availability and government support, and e-marketplace challenges and opportunities, among others. The questionnaire response rate was 76%. The contributions per province in SA were as follows: KwaZulu-Natal 90%, Western Cape 73% and Gauteng 63%. The interview response rate was 91%. Three provinces in SA were purposively selected for the research, and stratified sampling was used in selecting respondents. The 3 provinces (Gauteng, KwaZulu-Natal and Western Cape) were selected because they are the 3 main tourism provinces in South Africa in terms of overnight trips.

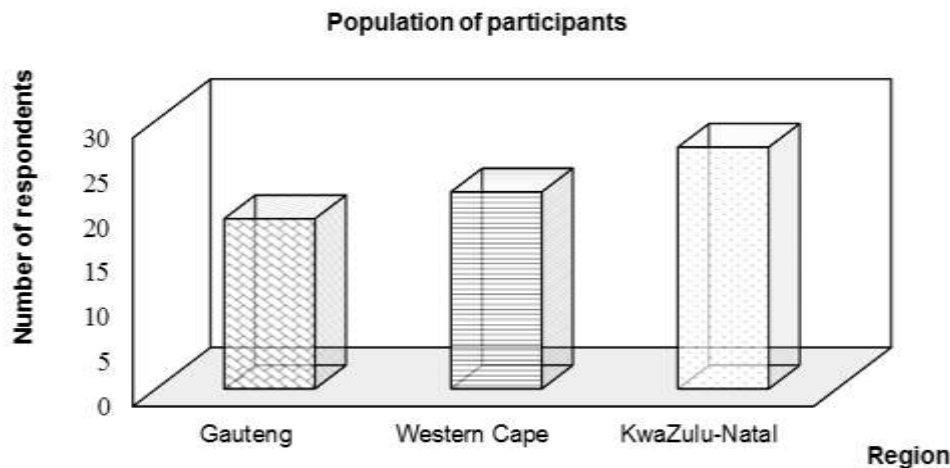


Figure 1: *Population of participants*

The percentages of overnight trips in these 3 provinces were as follows: Gauteng (29.8%), Western Cape (13.8%) and KwaZulu-Natal (11%). All these provinces participated in the research, as shown in Figure 1 (South Africa Statistics, 2015). In agreement with this statement, McKay (2016) highlighted that the Western Cape, KwaZulu-Natal and Gauteng are the most dominant tourism provinces in South Africa; hence their inclusion in this research study was important.

Results and analysis

E-marketplace awareness

The response rate for e-marketplace awareness was slightly above average. Fifty-six percent of respondents mentioned that they are familiar with e-marketplaces, whilst 44% did not know about the phenomenon, as illustrated in Figure 2. The result does not correlate well with the wide availability of the internet (100% of the B&B respondents have internet access, as shown in Table 1) in SA. It shows that B&Bs are unknowingly participating in e-marketplace channels. The global internet user statistics indicate that SA is ranked 4th, whereas Nigeria is in the top position in Africa (Statista, 2018). This demonstrates that B&Bs in SA are utilising the facility, but are not fully educated about the availability of different channels that have the potential to enhance their business' success.

If the B&Bs are educated about the e-marketplace phenomenon and the various options that are available, as well as how these tools can empower their businesses, they can utilise it better. This will induce B&B property managers and owners to share and educate other players in the industry, and SA as a whole will ultimately benefit.

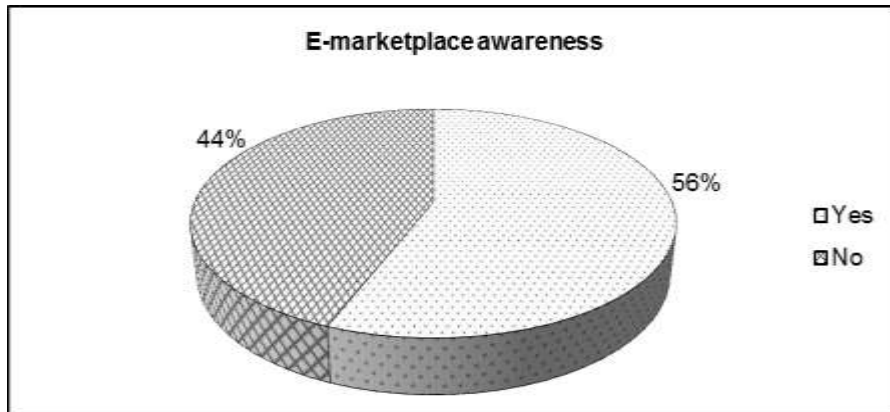


Figure 2: *E-marketplace awareness*

E-marketplace participation

In as much as there is an appreciation of the presence and abilities of e-marketplaces to assist businesses in realising their objectives, only 56% of respondents, as shown in Figure 2, are familiar with e-marketplaces, while 51% (Figure 3) stated that it is a useful business tool, as illustrated in Figure 3 below.

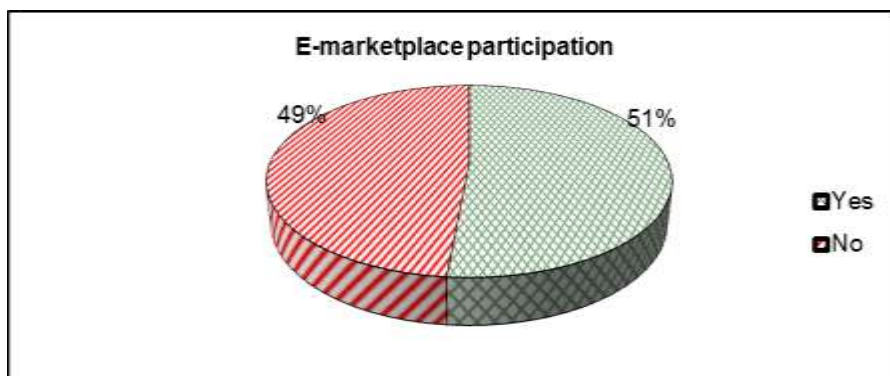


Figure 3: *E-marketplaces participation*

49% posited that participation is not important in their firms. This shows a significant gap with regards to what e-marketplace channels can do, in comparison to their current e-marketplaces utility. B&B entities need to be educated about the phenomenon if they are to fully exploit the opportunities of e-marketplace channels of distribution. This demonstrates that although there are various platforms for e-marketplaces, very low usage of the facilities has been achieved among B&Bs in SA.

Internet access

As illustrated in Table 1 below, there was a 100% score for bed and breakfasts' internet access.

Table 1: *Internet access*

Internet access	Yes: 100%	No: 0%
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Though there is a high bandwidth cost in SA (ICASA, 2016), easy access to the internet has enabled B&Bs’ in the country to have internet access. Global internet access statistics show a growing trend from 0.4% in 1995 to 51.7% in 2017, which is a significant increase (Internetlivestats, 2018). The 100% internet access score in this study is good in comparison to China, which had a 92.7% internet access rate in their SMEs (CNNIC, 2012). In Africa, SA is ranked 4th with an internet penetration rate of 48% (Statista, 2018). In a study conducted by ICASA (2016), it was observed that SA’s internet access costs are high compared to other countries in the world. ICASA highly recommends that SAn internet providers reduce their prices by revising their cost structures to be in line with other countries (ICASA, 2016). Gillward, Moyo and Stork (2012) highlighted, in their 2012 research that anti-competitive behaviour by internet suppliers was the main cause of the high prices. If the move to reduce prices is adopted, it will make internet access more affordable and accessible, thereby enabling B&Bs to be more active in their e-marketplace participation. In addition, easy and cheap access to the internet will facilitate the more active development of different local e-marketplace channels, which can be used by B&Bs. More locally available channels might be cheap and affordable for most B&Bs.

Use of a variety of e-marketplaces

Figure 4 shows the results of the participants’ use of a variety of e-marketplaces such as Gumtree, e-banking and Sleeping-out, among others. The result shows that 84% (57 users) of the B&B owners and managers are involved in e-marketplaces participation, without knowing that they are using e-marketplaces. Figure 2 illustrates that 56% of participants mentioned that they are aware of e-marketplace, while 84% of the population is using a wide variety of e-marketplaces.

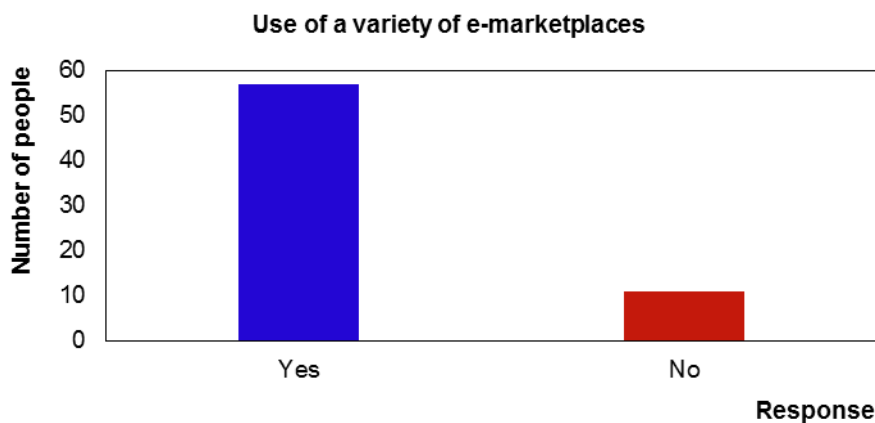


Figure 4: *Use of a variety of e-marketplaces*

B&Bs business mix (market segments)

Figure 5 illustrates the market segments or business mix of B&Bs (business mix – denotes where the B&B business is coming from broken down into segments). It shows that 47% of B&B arrivals are locals who travel seeking basic accommodation offered by B&Bs.

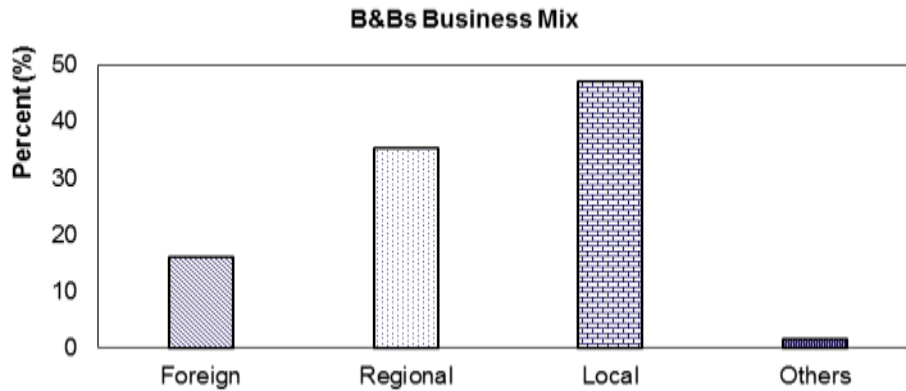


Figure 5: Business mix in bed and breakfast establishments

35% of the participants are regional travellers, with less activity coming through the foreign market. This is attributed to B&Bs' low exposure to and involvement in the Global Distribution System (GDS). The Global distribution System is a booking system that hosts booking channels such as Amadeus, Galileo and Sabre. Most international visitors travelling on business and for leisure make their bookings directly through the GDS or through travel agents, who book for them using the GDS (Ludden, Rompay, Kelders & Gemert-Pijnen, 2017).

Online product and digital marketing use

91% of participants stated that their product is marketed through the digital space, as shown in Figure 6 below. Most B&Bs market their products through the internet, and according to the research results, this is done via their 'own website' market listing (Grewal & Levy, 2018). The results show a 100% score on own website listing, which demonstrate that there is an awareness of online and digital marketing in B&Bs (Figures 6 and 7). However, this is mostly confined to 'own website' and Online Travel Agency listing (OTAs - are third party travel agencies who provide e-marketplace booking platforms for hospitality entities), compared to their participation in the Global Distribution System (GDS) and Electronic Reservations System (Eres). Confinement negatively impacts B&B's international market segment, which mostly books through the GDS channel (Cooper & Lewis, 2001). The low score for GDS shows that B&Bs have little access to this channel, in comparison to other e-marketplaces.

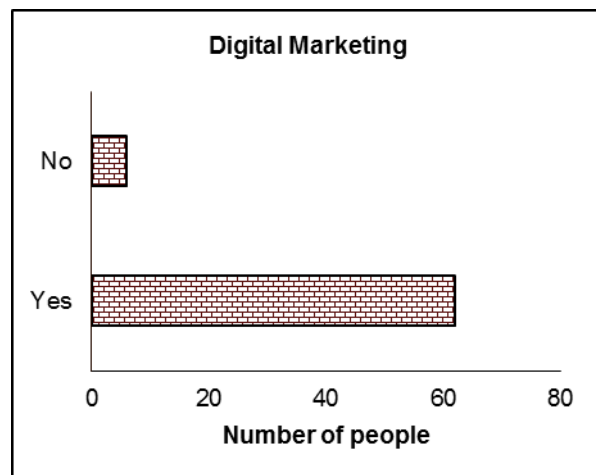
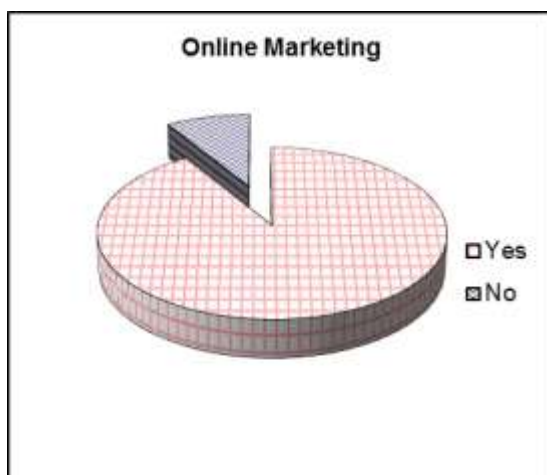


Figure 6 & 7: Illustration of online product and digital marketing

Marketing model

A marketing model is a plan designed to increase chances of business success in revenue growth, product development and marketing (Ovans, 2015). The dominant marketing approach (model) in B&Bs in SA is direct marketing (52%), as illustrated in Figure 8. Direct marketing is mainly done through e-mail and tele-marketing. Online marketing scored 39%, whilst print marketing scored 9%. Print marketing has a low score due to the cost attached to printing (Grewal & Levy, 2018). Furthermore, reach and out-datedness contribute to this. Direct marketing, which is cheap, fast and readily available, is the most exploited channel by B&Bs (Kotler & Keller, 2016). There is potential for digital market growth, which stands at 39% since all the B&Bs have internet access. Digital marketing, though not occupying the top position, enjoys enough support in SA for e-marketplaces to prosper and be prominent, if a conducive environment is created by ensuring sufficient support structures.

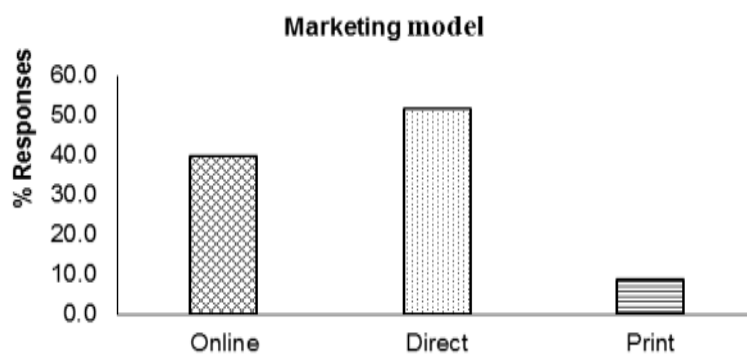


Figure 8: Illustration of the marketing model

E-marketing and personnel

There are marketing activities undertaken by B&Bs to ensure competitiveness, but very few have expert personnel dedicated to marketing the properties (Thompson *et al.*, 2016). The study highlighted that the property owner or manager is responsible for ensuring that the property is marketed on different e-marketplace platforms, in order to ensure visibility and conversion. Rutz, Trusov & Bucklin (2011) posited that marketing through different platforms enhances revenue growth. Property managers manage day-to-day operations of the business, as well as performing marketing roles.

Table 2: E-marketing and the marketing officer

Have e-marketplaces	Have marketing officer	No marketing officer & no e-marketplaces	No answer
4%	15%	64%	17%

Table 2 indicates that 15% of the respondents have a marketing officer. Engagement in e-marketplaces scored 4%. The category of no marketing officer and no e-marketplaces scored 64%. This high score is a cause for concern in B&Bs, because the hospitality business environment is very dynamic and competitive, hence, there is a need to have a dedicated person who scans and responds to these changes, and then adjusts the firm's e-marketplace marketing strategy (Thompsons *et al.*, 2016). This will ensure B&Bs' survival and sustainability.

Marketing strategy target focus

The target focus group for B&Bs is primarily the local market, which contributes 44% of their revenue, as shown in Figure 9. The regional market contributes 22%, and the international market contributes 9%. 25% of the participants are unsure of their marketing strategy focus, which is a large percentage, given the importance of business planning (Thompsons *et al.*, 2016). This is a concern, as the dynamic business environment requires planning for measurement, benchmarking and evaluation purposes (Thompsons *et al.*, 2016). The B&Bs without plans take business as it comes, and survive as such. However, the sustainability of this model is in question as it is full of uncertainty. This study's marketing strategy research results indicated that e-marketplaces marketing in B&Bs is showing results. The business mix results of 47% local, 35% regional and 16% foreign markets affirm this. However, there is still sufficient room for the use of e-marketplaces in the sector in order to further support and grow the foreign market segment.



Figure 9: Marketing strategy focus

Global Distribution System (GDS)

The Global Distribution System (GDS) is a booking system that hosts booking channels such as Amadeus, Galileo and Sabre, among others, and is predominantly used by travel agencies and corporates. The GDS is one of the major e-marketplaces marketing channel platforms used by locals when travelling within SA, and by international corporate travellers when traveling within and to SA (Cooper & Lewis, 2001). The research results show that the GDS use as an e-marketplace platform for booking into B&B establishments is low at 10.1%, as shown in Figure 10.

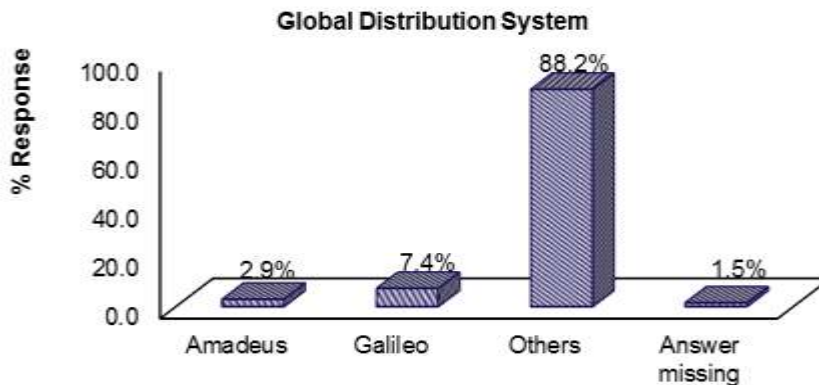


Figure 10: Global Distribution System

However, it must be noted that a big share of bookings represented under ‘Others’ is coming through OTAs and directly to B&Bs, which is composed of international travellers and the bulk of domestic travellers. In addition, there is market visibility of B&Bs through e-marketplaces of SA origin, such as Safarinow, Sleeping-out, and SAvenues.com.

Online Travel Agents (OTAs)

Online Travel Agencies are third party travel agencies that provide e-marketplace booking platforms for hospitality entities. The Online Travel Agents that are being used by B&Bs as an e-marketplace platform, connecting them to the rest of the world include Booking.com, Expedia, Agoda, GDS, Priceline and Hotelbeds, among others. The OTAs are open market third party platforms, which use two business models, namely agency and merchant model (Chelariu & Sangtani, 2009). Through the merchant model, Expedia has adopted a strategy whereby they package their accommodation provider’s rooms with flights and transfers, and sell these through the GDS. Thus, B&Bs contracted to Expedia get GDS exposure indirectly, at zero cost.

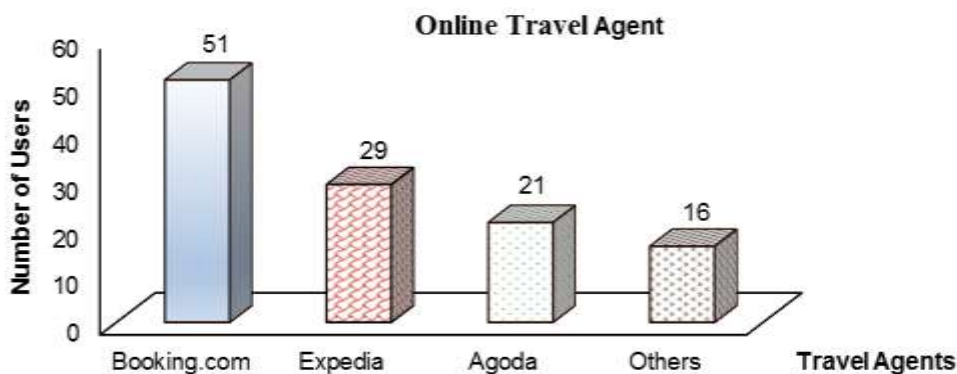


Figure 11: *Online Travel Agents*

Figure 11 shows that the most regularly used OTA for B&Bs is Booking.com, which has 51 users, while Expedia has 29 users, Agoda 21 users, and ‘Others’ 16 users. According to OTAs statistics, Booking.com targets mainly domestic travellers, with some of their bookings coming from foreign markets. Expedia, mostly captures the foreign market, and has a few users in the domestic market, while Agoda is strong in the Asian markets. Booking.com’s online promotion activity is high compared to Expedia, Agoda, and Hotelbeds. This has given B&Bs leverage on Booking.com bookings in SA, and has therefore contributed to a high number of local bookings into B&Bs. Expedia, which is more geared towards the foreign market, has contributed less (24%). The trend illustrated in Figure 11 highlights this correlation.

Own website and prominent booking channel

Most respondents stated that they have their own website, thus a 100% score was obtained, which shows that e-marketplaces are growing in B&Bs. Thus, the e-marketplace channel has the potential to produce business for B&Bs, if they pay sufficient attention to the marketing of their websites. In addition, internet access scored high at 100% (Table 1), which means that there is great potential for B&Bs to do well. Complementing this result, the prominent booking channel is OTAs at 47%, followed by direct bookings via telephone at 34%, while own websites and GDS came last, as shown in Table 3 below.

Table 3: *Prominent booking channels*

Response	Number of people	% of population
Telephone	23	33.8
Own website	11	16.2
GDS	1	1.5
OTAs	32	47.0
Answer missing	1	1.5
Total	68	100

Global village competitiveness

The global village is a global electronic business environment. 52% of the B&Bs stated that they are competitive in the global electronic business environment, while 48% stated that they are not (Figure 12). The research result is tightly contested. Among the respondents who mentioned that they are competitive in the global electronic business environment, are those who receive visitors from outside SA. In addition, they are listed on platforms such as Booking.com, Expedia, Agoda and Hotelbeds. The respondents also stated that they are listed on local website listings such as Sleeping-out and SAvenues.com, which are marketed internationally through the internet.

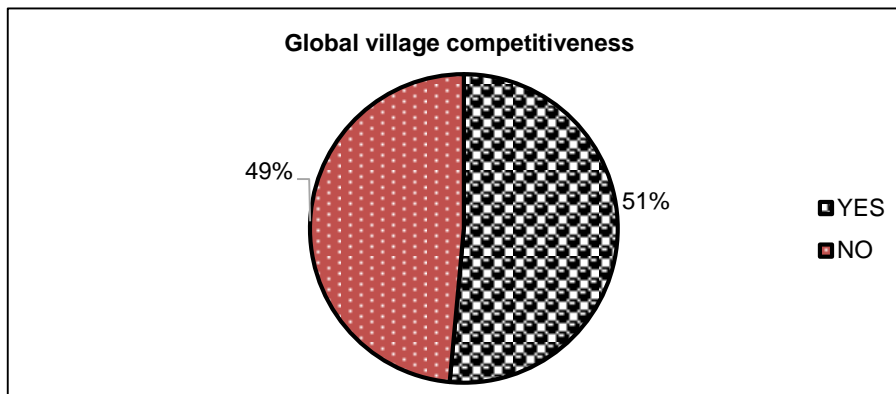


Figure 12: *Global village competitiveness*

It was also mentioned that own website listings contributed to B&Bs' competitiveness in the market. Social marketing is a concept that integrates marketing theory with other approaches, in order to influence behaviour in the market (Kotler & Keller, 2016).

The research interviews posited that social marketing (Facebook and Twitter) is enhancing their marketability and competitiveness in the market (Grewal & Levy, 2018). However, some respondents stated that they are competitive, but felt that more could be done in terms of the digital marketing of their properties, in order to enhance competitiveness in the international market. Some B&Bs stated that subsidised government support for SMEs in the B&B sector, in terms of GDS and ICT infrastructure access, could be instrumental in achieving international market competitiveness.



Role of e-marketplaces in business

The research results in Tables 1 and 3 shows that there is a good appreciation of what the internet can do for B&B businesses in SA. In addition, the use of specialised marketing skills to fully utilise all potential areas in e-marketplaces is currently limited in B&Bs. The research result of 89.7%, as shown in Table 4, indicates that B&Bs actually appreciate the significant role that e-marketplaces play in business. In addition, the e-marketplace phenomenon is compatible with these small and medium hospitality establishments in SA, and owners or managers' input can further enhance the role of e-marketplaces in SMEs in SA (Mgjima & Flowerday, 2012). The highest percentage score of 38% shows that e-marketplace marketing channels have a role to play in all business sectors, irrespective of size. A smaller percentage (10%) of respondents stated that e-marketplaces are not essential in business. The research results in Table 4 show that SA B&Bs appreciate the importance of e-marketplaces in their business operations, while 31% of the participants indicated that e-marketplaces are only for big businesses.

Table 4: Role of e-marketplace in businesses according to sizes

Response (size)	Number of people	% of population
Only big	21	30.9
Only small	14	20.6
Both big & small	26	38.2
Not essential	7	10.3
Total	68	100

Resources for e-marketplace participation

The participants revealed that B&Bs have limited resources to participate in e-marketplaces through own website listing, listing on OTAs, Trip-advisor, Trivago and other cheap local sites. B&Bs emphasised that participation in supply chain e-marketplace marketing is limited because of the nature of their small establishments, which survive on Just in Time stock holding. Most B&Bs stated that they do not have enough resources to have their firms listed on most of the e-marketplace platforms that have the potential to increase their revenues. These e-marketplaces need fees for listing, which range from initial listing fees to monthly, quarterly and yearly fees. These platforms are GDS and Eres, among others. There are also other tools that assist in the optimisation of these e-marketplace channels, such as Rateview, E-Zyield and RateGain, which charge exorbitant fees. The fees can only be paid by large entities. This shows that a lack of resources limits B&Bs' ability to fully explore the role of e-marketplaces. In light of this, it is recommended that the tourism ministry, through its various tourism arms in government, subsidises these e-marketplace channels to ensure their accessibility. This will enhance economic growth and encourage more SMEs to enter the B&B sector.

Role of e-marketplace in B&Bs

The majority of the research respondents (89.7%) posited that e-marketplaces have a significant role to play in B&Bs in SA, as shown in Table 4. Most B&Bs stated that the bulk of their bookings come through e-marketplaces such as Booking.com, Expedia and Agoda, in comparison to direct telephone calls, own website listing, and emails, among others. The research results in Table 3 show that there is potential (76.2%) for B&Bs in SA if they



engage in marketing through the internet, as the business environment has shifted to the digital landscape and consumers prefer booking online, in comparison to direct bookings (33.8%). In addition, B&Bs' current marketing efforts, which include print advertising, are bringing a low return on investment, as opposed to online advertising (Sinha, 2016). The consumer movement towards online transacting shows that e-marketplaces have an important role to play in B&Bs in SA.

E-marketplaces vs visibility, conversion and profitability

The research participants (67%) highlighted that most of the B&Bs' bookings are coming through OTAs. B&Bs' direct marketing activities are bearing fruits, but not as expected as compared to OTAs. The third party OTAs are enhancing B&Bs' exposure to e-marketplace channels as well as their market visibility, conversion and profitability. 83% of the respondents confirmed that most of their bookings come through the Booking.com channel.

The research participants also indicated that their participation in different e-marketplace platforms has enhanced the global visibility of their properties as shown in Figure 11 (Booking.com 43.59%, Expedia 24.79%, Agoda, 17.95% and 'Others' 13.67%. Respondents (67%) confirmed that they are receiving more international guests through the e-marketplace marketing platforms in comparison to direct bookings. The respondents also agreed that e-marketplace listing has a significant impact on their profitability. This is echoed by a study conducted on Expedia, where it is called 'the billboard effect' (Anderson, 2009). When Expedia listed a property online, the property's sales revenue increased, both from online channels and offline channels, by 26%. When Expedia removed the property from their e-marketplace platform, the property's sales revenue decreased, both online and offline, which is why it was referred to as the billboard effect (Anderson, 2009). By simply having a property listed on e-marketplaces, there was a positive revenue impact of 26% (Anderson, 2009). This shows that a property's visibility indirectly impacts their revenue potential through other offline channels.

E-marketplace challenges, benefits and opportunities

Table 5 below outlines the challenges, benefits, and opportunities identified from the study and are discussed below.

Table 5: Challenges, benefits and opportunities

Challenges	Benefits	Opportunities
Affordability	Increase in sales revenue	Access to global markets
Government support	International exposure	Reduced transaction costs
Technical expertise	Employment creation	Effective and efficient trading
Resources and time	Increase in GDP contribution	International competitiveness

E-marketplace challenges

The e-marketplace challenges that the respondents mentioned include affordability to list on some of the e-marketplaces, lack of government support, lack of technical expertise to run many e-marketplaces simultaneously, and lack of resources and time, among others, which complements the observations of Mbatha (2011). These challenges are beyond their means to resolve, which means that third party intervention is required (Mbatha, 2011). Wanjau, Macharia and Ayodo (2012) and Huang (2008) observed that small businesses in Kenya's "Touring and Tourism industry have failed to reach the levels of adoption required to realise



the benefits associated with e-marketplaces during formative stages of the enterprises". Furthermore, Raisinghani, Melemez, Zhou, Paslowski, Kikvidze, Taha & Simons (2005) posited that SME businesses have limited resources and technological capabilities to engage in e-marketplaces. The "scale and affordability of information technology and its implementation within rapidly growing firms has brought about challenges" (Chiliya, Chikandiwa & Afolabi, 2011). In addition, "new solutions configured for large, stable and internationally oriented firms are not suitable for small, dynamic, and locally-based tourism firms" (Raisinghani *et al.*, 2005). Therefore, there is a need to adapt these technologies on a smaller scale.

In addition, Huy and Filiatrault (2006) found that many developing countries lag behind in terms of using e-marketplaces as a marketing channel, in comparison to their developed country counterparts, due to inadequate technologies and resources to engage in various channels of distribution. In SA, SMEs are moving very slowly compared to large organisations (Chiliya, Chikandiwa & Afolabi, 2011). Labambo (2014) also found that the uptake rate of e-marketplaces in SMEs in SA was slow and low, similar to what was found in Australia. In support of this, Hoogduijn (2016) observed that SA's e-commerce is growing, but very slowly compared to global statistics. In the midst of these challenges, however, there are e-marketplaces benefits and opportunities, which are discussed below.

Benefits and opportunities of e-marketplaces

As indicated in Table 5 above, the B&B participants mentioned that the opportunities that e-marketplace marketing channels offer include more sales revenue, international exposure of their properties, creation of employment in the country, and the increased GDP contribution from the tourism sector. Information technology has brought benefits, which facilitated firms' "access to global markets, reduced transaction costs and stimulated competition. The size of firms enabled American SMEs to be more adaptable and responsive to changing conditions than large organisations" (Campbell, Ray, & Muhanna, 2005). Furthermore, firms benefited "from the speed and flexibility offered by the electronic environment" (Campbell *et al.*, 2005). These benefits are an opportunity for SAn B&Bs.

The results posit that e-marketplaces provide opportunities for establishing trade relationships with many hospitality firms throughout the world such as Booking.com, Expedia and Hotelbeds. Standing (2013) deliberated on the benefits of e-marketplaces, and found that e-marketplaces offer advantages such as "effective trading and efficiency for participating firms. In particular, e-marketing reduces the transaction costs related to the buying and selling of goods and services" (El Ghazaly, 2005). In addition, El Ghazaly (2005) identified e-marketplace benefits as reduced search costs, easy access, "more product information, and relational benefits of dependence on a small number of suppliers". The use of e-marketplaces has a significant impact on the creation of business value. E-marketplaces also enable competitive advantages to be achieved in firms when competing in global economies, and facilitate the procurement of goods and services in the most efficient and effective ways (Thompsons *et al.*, 2016). This study revealed that B&Bs are willing to engage in e-marketplaces for competitiveness, but the "how" aspect has been a hindrance. There is an opportunity for the training of B&B personnel on the effective use of e-marketplaces, which will address the "how" aspect.

According to Porter (2001), established firms use internet technology to restructure traditional activities or to find new combinations of "internet and traditional approaches to gain competitive trading advantages". Oh and Pinsonneault (2007) emphasised that B&Bs' decision to adopt e-marketplaces should "be driven by the competitive environment, efficiency gains, cost reduction possibilities, and revenue growth". This creates opportunities



for B&Bs to invest in IT resources to support e-marketplace trading strategies, in order to be competitive and increase profitability, while also ensuring their sustainability. Although this is a resource - based view, sustained competitive advantages from “IT are contingent upon the extent of integration with the information systems throughout the firm and its alignment of strategies and the management of external forces” (Grant, 2016). Therefore, e-marketplaces are a good source of competitiveness for B&Bs.

In Africa, various studies have shown that e-marketplaces and tourism have the potential for revenue growth. In Kenya, Wanjau *et al.* (2012) found that the “advent of e-marketplace offers considerable opportunities for large and small firms to expand their customer base, enter new products and rationalise their business through competing in global economies”. In addition, globalisation provides competitive opportunities for B&Bs, which means that adapting to e-technologies is important for B&Bs’ competitiveness in the market (Hill, 2012).

Discussion and research implications

It was observed in this research study that e-marketplaces have a fundamental role to play in B&Bs in SA. There are various e-marketplace benefits, as observed in the research results, which include an increase in bookings, which lead to an increase in revenue, profitability, international exposure, competitiveness, and ease of conducting business. This is in line with the literature, which highlighted that “internet technology assists firms to restructure from traditional activities to gain competitiveness, efficiencies, costs reduction and revenue gains” (Porter, 2001; Oh & Pinsonneault, 2007). There is a forecasted increase in arrivals into SA (Forster, 2015), and B&Bs need to gain international exposure through e-marketplace channels. This will ensure that B&Bs also benefit from the increase in arrivals, which is forecasted to be 7.3% in 2019 (Forster, 2015). All of this impacts on SA’s economy as a whole through the ‘multiplier effect,’ hence it can be argued that e-marketplaces have a role to play. Against this background of the adoption of e-marketplaces in the B&Bs, there are some B&Bs that do not know about e-marketplaces and how to utilise the tools to their advantage. This was observed in this study, as 44% of the participants stated that they are not familiar with e-marketplaces marketing. It is important for the government and various arms in the tourism sector in SA to educate and train these B&B entities on how to operate and benefit from e-marketplaces. This is in line with the research results on SMEs in the Eastern Cape (Chiliya *et al.*, 2011).

South Africa has adequate resources and technology to enhance the country’s exposure to the benefits of e-marketplaces, especially the B&B sector of the accommodation industry, which has been growing rapidly (Lebambo, 2014; Forster, 2015). The internet is widely accessible and available, which enables e-marketplace channels of marketing to be used in SA. This unsupportive business environment is similar to what was found in Kenya and Australia (Wanjau *et al.*, 2012; Stockdale & Standing, 2007). Government support in SA was pledged through policy changes in the ICT sector, in order to provide more assistance to SMEs, but the implementation of this pledge does not seem to be taking place. Gillward *et al.* (2012) and some B&B respondents in this study highlighted little existence of government support. In the US, “the small size firms are more adaptable and responsive to changing conditions than large organisations and do benefit from the speed and flexibility that the electronic environment offers” (Campbell *et al.*, 2005). However, in SA, the research has shown that access to basic resources is limited for SMEs; hence there is a need for the SAN government to put necessary frameworks in place (Mbatha, 2011).

B&Bs in SA have access to the internet, but bandwidth costs are high in comparison to other countries (ICASA, 2016). A recent study on bandwidth costs found that SA bandwidth is costly compared to other African countries (ICASA, 2016). This is the reason why SA is in



the 4th position in the internet hierarchy in Africa, though it has the potential to be first, ahead of Nigeria (Internetlivestats, 2018). Against this background, digital and online marketing in B&Bs has been restricted to 'own website' and OTAs listings. Intensive e-marketplaces marketing through wider channels is low and can be improved according to Hoogduijn (2016). This is similar to what Wanjau *et al.* (2012) observed in Kenya. Among the key listings, there was a low score on GDS listing, among others, in B&Bs. The research posited that cost is one of the main hindrances to e-marketplaces access and listing. This hampers accessibility and requires third party intervention. Government support and subsidies from the Tourism department could be instrumental in promoting tourism through B&Bs' access to e-marketplace channels.

In addition, it was observed that there is little marketing being done by B&Bs, as most of them do not have an independent marketing officer. Without adequate marketing, B&Bs will not be able to identify and satisfy dynamic customer needs (Kotler & Keller, 2016). Therefore, their competitiveness on the international market is threatened (Hill, 2012). It is imperative for B&Bs to either outsource this function or employ a part-time or full-time marketing expert. This will enhance their global competitiveness. The business mix illustrated in Figure 5 shows that local arrivals dominate the B&Bs market, which is an indication that more e-marketplaces marketing of B&Bs is needed, in order to boost international arrivals against the forecasted increase in revenue of 7.3% on average by 2019 (Forster, 2015). The shift from direct marketing (through e-mail, tele-marketing), which is predominant (52%) towards digital marketing through e-marketplaces, should be encouraged. The internet is now accessible to most people via their personal computers, tablets and mobile phones. Participation, using mobile marketing, location-based marketing, and social media marketing will help these B&Bs to become more prosperous in the internet marketing space (Grewal & Levy, 2018).

Conclusion

It can be concluded from this research that e-marketplace marketing channels have a role to play in B&Bs in SA. E-marketplace marketing channels enhance B&Bs' exposure in the international market, whilst ensuring their competitiveness. Furthermore, the increase in exposure will have a positive impact on the properties' sales revenues, profitability and sustainability, among others. The ongoing sustainability of B&Bs' profitability will cushion their resources and growth, which means that they will be able to fund their future e-marketplace participation on their own. Government's active role is important in driving this initiative as a starting point. A bridge between policy formulation and implementation has to be activated by government, in order for B&Bs to benefit from e-marketplaces from a resources and educational perspective. In addition, to ensure sufficient market visibility and presence using e-marketplace platforms, it is necessary to employ expert marketing personnel in B&Bs, or by outsourcing such services.

According to the findings of the study, e-marketplace marketing channels are accessible to B&Bs, as the internet is widely available, though costly compared to other countries. However, technically speaking, access is limited in those e-marketplaces that require fees from B&Bs to subscribe to their services, e.g. Eres and GDS. The fee structure is exorbitant for B&Bs, hence it is imperative for government to subsidise these fees in order for the country's economy to benefit. In addition, the research results show that 52% of respondents stated that SA is competitive in e-marketplace marketing channels of distribution. However, there is room for improving the competitiveness of B&Bs through further exposure in other e-marketplace channels of distribution. This will increase B&Bs' ability to compete internationally and against other large hospitality establishments, and to increase arrivals and revenue in the foreign market segment. There are various challenges (affordability,



government support, technical expertise and resources), opportunities (access to global markets, reduced transaction costs, efficient and effective trading) and benefits (increase in GDP and sales revenue, international exposure and employment creation) that B&Bs experience once they engage in e-marketplaces. This paper has shown that e-marketplaces have a principal role to play in the Bed and Breakfast industry in SA.

Recommendations

Some of the e-marketplaces marketing recommendations are as follows:

- The use of e-marketplaces should be intensified in B&Bs, in order for them to be more competitive internationally, as there is a lot for them to gain from the concept.

Areas of Further Study

- Government's role in e-marketplaces could be explored, to enhance the role of e-marketplaces in B&Bs and other SMEs.

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