Chapter 1
INTRODUCTION
1.1. Introduction

The marketing function of a business has been exposed to various changes and challenges with the introduction and diffusion of the Internet since the 1990s. As a result, the last decade of the 20th Century was a revolutionary period of time for the marketing discipline. Its subject matter did not change: marketing still pertains to the exchange of value between buyers and sellers. However, the routes and dynamics of the systems accommodating these exchange processes and transactions are challenged strongly with the ‘Internet phenomenon’ entering the world of businesses and the lives of consumers (Kimiloglu, 2004).

1.1.1. The Internet impact on business

The Internet is reshaping the entire marketplace, affecting every entity on both the supply and demand sides in the value chain of a business. It is changing the way customers, suppliers and companies interact, creating huge opportunities as well as unforeseen threats (Callahan and Pasternack, 2002). It has brought the businesses close to the customers, providing an interactive medium of direct contact between originally distant parties. It has become a vital tool in the gathering of market intelligence, transaction of business, distribution of products and networking of trade partners. Ultimately, firms investing in Information Technology (IT) attempt to gain a competitive advantage by lowering their cost or by improving customers’ perception of the quality of their products and services, and hence differentiating their offering (Porter and Millar, 1985). The Internet impact has been felt not only by the supply side, but also the demand side. Prior to the Internet, technology had only had a relatively low-scale impact on consumer behaviour (Grewal et al., 2004). The shopping trolley may have changed how much the consumer could carry, the car changed where the consumer shopped, and bar code scanning changed how vendors operated, but according to writers such as Feather (2002) the Internet promises to change the very way consumers shop. In an information-defined transaction
space, customers learn about products differently, buy them differently and have them delivered differently. As the ubiquitous Internet begins to unfold, consumers will be constantly enveloped in a digital environment and business strategies will have to change radically (Kenny and Marshall, 2000).

1.1.2. The Internet impact on marketing

While the Internet has a transformational impact on all the functions of a business, the marketing function has arguably seen the greatest change. The marketing activity of a business occurs through three types of channels: distribution, transaction and communication channels (Peterson et al., 1997). The extant literature in e-commerce has documented various advantages for businesses to market directly on the Internet, which can be classified into those three channels based on the functions performed:

*Communication channel* (to facilitate information exchange between sellers and buyers):

- Used for accessing, organizing and communicating information
- Facilitate connectivity and improve interactivity
- Gather information about customers via surveys and monitor their online behaviour
- Use customer information for new product development and introduction, relationship building and personalization

*Transaction channel* (to perform sales activities):

- Improve visibility and reach a much larger customer base
- Improve revenues by exploiting cross-selling and up-selling opportunities
- Streamline transaction processing, thereby reducing task complexity, paperwork and transaction costs
- Customize promotion and sales to individual customers and improve flexibility
Distribution channel (to facilitate exchange of products/services):

- Eliminate huge inventories, storage costs, utilities, space rental and so on
- Shorten the supply chain and reduce commission and operating costs

The Internet is increasingly being recognized as an important emerging commercial medium and marketing environment. An important consideration in the business analysis of the Internet as a media and marketing environment is to recognize that it possesses unique characteristics such as interactivity in a many-to-many communications environment, flow, experiential and goal-directed behaviours (Hoffman and Novak, 1996). As a result, the Internet presents a fundamentally different environment for marketing activities compared to traditional media. In this environment, distance is dead and hence being far or near does not count; size does not matter and hence being big or small does not guarantee any advantages. The Internet creates a level-playing marketing field in which even a small and medium enterprise (SME) can compete and thrive. In fact, the Internet carries significant advantages for small businesses. Through e-marketing, they may find the opportunity to expand their businesses through online channels with very low entry barriers and reach large markets that would never be accessible to them in an offline context (Hormozi et al., 1998).

Given this milieu, a study of e-marketing critical success factors for the small and medium enterprises in developing nations assumes significance. A study focused on a growing industry such as tourism characterized by a predominant presence of SMEs could bring out the e-marketing benefits and barriers and also provide directions for e-marketing.

1.1.3 The Internet and tourism industry

The heterogeneous, intangible and perishable nature of tourism products distinguishes them from other industries and explains the importance of information in this industry. Due to the pivotal role information plays in the
description, promotion, distribution, amalgamation, organization and delivery of tourism products, the Internet technology has become a main source of sustainable competitive advantage and a strategic option. The development of tourism e-commerce can allow firms to access new customers, access remote or niche markets and offer alternative access to traditional customers.

E-marketing is attractive to the tourism industry as travel is an information-based product (Connolly, Olsen and Moore, 1998) and the Internet is full of information. Unlike durable goods, intangible tourism services cannot be physically displayed or inspected at the point of sale before purchasing. They are bought before the time of their use and away from the place of consumption. With these inherent characteristics, the tourism industry is almost entirely dependent upon information availability, representation, description and exchange to help tourists make a purchase decision. Timely and accurate information, relevant to consumers’ needs, is often the key to satisfaction of tourist demand. The tourism industry is learning fast that the Internet can satisfy these marketing imperatives far better than any other existing technology. The Internet and the related ITs provide the information backbone that facilitates tourism. In few other economic activities are the generation, gathering, processing, application and communication of information as important as in tourism for day-to-day operations.

Tourism and Internet are ideal partners (WTO, 2001b). For tourism enterprises, the Internet offers the potential to make their products available to a large number of tourists at relatively low cost. It also provides a tool for integrated marketing strategy through communication and relationship development with tourism suppliers and intermediaries, as well as customers. For tourism consumers, among various channels to market, the Internet has probably received the greatest attention and produced the highest expectations of impact and adoption. As today’s consumers are
more focussed on time saving and are more likely to access a greater proliferation of product information, the Internet offers several advantages for information search and online shopping. These factors have resulted in the tourism and travel sector taking a larger share of e-commerce globally.

1.1.4. Tourism in developing countries

Developing countries are major tourist destinations. They now attract 35 per cent of international travellers each year (UNCTAD, 2001). However, a large proportion of the profits from tourism drain out of the world's poorer nations and back to large travel firms, hotel chains and booking and transportation providers based in developed countries. The Internet offers a chance to change that pattern. Tourism providers in developing countries can access customers directly. Their online direct customer interfaces (that is, the websites) can offer authentic flavour, unique insights and specialized local knowledge that a big international service provider cannot. The challenge for developing countries is to reorganize their tourism marketing so that they can benefit from Information and Communication Technologies (ICTs). Well-designed websites can allow local companies to offer tourists a full package, including reservations, flights and currency exchange. Thus the profits stay at home and contribute to local economic development.

Considering the importance of the tourism economy for many developing countries, and in particular its role as an employer and earner of foreign currency, the need to maintain and increase competitiveness through adopting e-marketing best practice is acute. The main actors in the tourism industry include governments, tour operators, distributors and wholesalers, hotels, airlines and other transport operators and, most important of all, the tourists themselves. Each of these actors has a stake in the development of the electronic market. On the demand side, the trends are encouraging. The growing number of Internet users who want to obtain tourism-related information and prepare their itineraries and the growing demand for new travel experiences respectful of environmental preservation and involving
cultural, natural and social resources open up huge opportunities for developing countries (UNCTAD, 2005a)

Tourism enterprises in developing countries, particularly small and medium enterprises, face challenges in taking full advantage of opportunities because of their slow adoption of ICTs. A recent UNCTAD (2005c) expert report stressed the current low level of development and adoption of ICTs in developing countries. Recurrent practical impediments to the e-marketing of tourism in developing countries include the low level of ICT access among tourism enterprises, particularly those in remote areas, the level of education and available human resources and the rapid evolution of technology. In addition, the expert report recognized that technology is no longer the main impediment for developing countries, as it is becoming easier to acquire.

In this context, identifying the best practices of e-marketing among the small and medium tourism enterprises (SMTEs) and also the search and shopping needs of the tourists would serve a great purpose in developing e-marketing strategies to promote the destinations in developing countries.

1.2. Statement of the problem and research framework

This is a study of interactions among business, tourism and technology as illustrated in Figure 1.1.

Figure 1.1. Focus of the study

![Figure 1.1. Focus of the study](image)
The online tourism and travel sales are a substantial and growing proportion of total sales in one of the world’s largest industries. Tourism and travel industry was the largest source of business-to-consumer (B2C) e-commerce revenues with $52.4 billion in 2004, and is predicted to reach over $119 billion by 2010 (NYU/PhoCusWright, 2003; PhoCusWright, 2005; eMarketer, 2004; 2005). Despite these facts, there still exists a lack of comprehensive literature on the practice of e-marketing among the SMEs in this sector and little or no literature with a unified view, incorporating both the enterprise (supply-side) and the customer (demand-side) views. The aim of this research is to assess the e-marketing practices of SMTEs in small and developing island economies and also their customers’ (that is, the tourists) e-marketing experiences.

The main research questions are: How is e-marketing practiced by SMTEs? What are the supply- and demand-side motivators of e-marketing among SMTEs? What are the supply- and demand-side inhibitors of e-marketing among SMTEs? What factors (both internal and external) contribute to the success of the e-marketing initiatives of SMTEs?

Islands are unique when compared to other geographical attractions. Island tourists are characterized by likeness in intent and oneness in activity (centred around the sun, the sea and the sand). Free from many intervening variables (such as distractions and counter-attractions), island tourism lends itself to a focussed research leading to realistic findings and plausible suggestions. Mauritius in the Indian Ocean and Andaman Islands (India) in the Bay of Bengal are the sampled island destinations for the study purpose. Endowed with similar natural resources and attractions, these remote destinations differ in terms of their tourism infrastructure development and marketing strategy and hence represent the whole spectrum of destination marketing strategies. They are dominated by SMTEs and virtually un-researched in this aspect.
This is a multi-disciplinary research involving tourism, ICT and business. The research framework is depicted in Figure 1.2.

Figure 1.2. Research framework

- **Tourism research**
- **Information and Communication Technologies (ICTs)**
- **Management science**

Definition of a deductive framework to study the e-marketing of small and medium tourism enterprises (SMTEs)

- **Survey asking the SMTE managers to describe their e-marketing practices, perspectives and experiences**
- **Online observation to perform a marketing evaluation of the SMTE websites**
- **Survey asking the tourists to describe why and how they use the Internet for online search and shopping**

E-marketing of small and medium tourism enterprises (SMTEs): demand- and supply-side motivators, inhibitors and critical success factors

Chapters 1-2
Chapters 3-4
Chapters 5-6
1.2.1. Why study the small and medium tourism enterprises?

1. Dominance of SMTEs:
Tourism destinations are traditionally dominated by SMTEs that provide an amalgam of products and services such as accommodation, catering, transportation, attractions, activities and auxiliary services. SMTEs originate a variety of benefits for the destinations by providing tourists direct contact with the local character and also by facilitating rapid infusion of tourist spending into the host community, stimulating the multiplier effects (Buhalis, 1996). They also contribute significantly to the range, variety, authenticity and quality of the ‘tourism experience’.

2. Under-researched nature of SMTEs:
While SMTEs make up the majority of firms in the industry, little is known about their marketing approaches or activities. In the marketing literature, there has been a steady growth in interest in Small and Medium Enterprises (SMEs) since the late 1980s, but there has not been a concomitant growth in marketing-related studies. Not to mention, very few studies have addressed the e-marketing aspect of SMTEs.

3. Weaknesses of SMTEs:
SMTEs face unique challenges. Much like other SMEs, they tend to be time- and resource-poor, with their size being the main disadvantage. Marketing tends to be a significant weakness for most SMTEs (Buhalis, 1996). Not only are they usually unaware of the techniques and tools available but they also tend to follow a product-oriented approach. As a result, their marketing activities tend to be uncoordinated, inconsistent and ill-targeted, resulting in a fairly low effectiveness. Consequently, they are over-dependent on intermediaries for product marketing and distribution and hence have limited bargaining power in the distribution channel (Cooper and Cooper, 1998; Werthner and Klein, 1999).
4. Opportunities for SMTEs:
The development of the Internet empowers even tiny tourism organizations and destinations to be represented in the electronic marketplace and to network with consumers and partners alike. The information ubiquity and accessibility made possible by the ICTs and the resultant enhancement in the interactivity of principals and consumers can be very beneficial for innovative SMTEs that hitherto had little means to communicate directly with consumers.

5. A ready demand for e-marketing:
On the demand side, the Internet has caused an inquisitive, searching, discerning, demanding and independent tourist. It results in a do-it-yourself phenomenon wherein the offline trade intermediaries are being replaced by direct online interfaces of the service providers. One of the key Internet-initiated changes in consumer behaviour has been the transition from a passive reacting subject to the so-called ‘post-modern’ consumer, one who is creative and innovative and who interacts and initiates experiences, shaping their shopping experience rather than having the experience thrust upon them (McCarthy and Wright, 2004).

In the light of these reasons, an e-marketing study with a SMTE focus will be a worthy addition to the existing knowledgebase and serve as a useful frame of reference in drawing e-marketing guidelines for SMTEs and directing their e-marketing initiatives.

1.2.2. Rationale and significance of the study
While the tourism economy is one of the fastest growing activities in developed countries, the developing countries now attract 35 per cent of international travellers each year (UNCTAD, 2001). Such a growth has been determined by the rapid growth in tourism demand, both in terms of the rapidly increased number of tourists and their spending and also by the rapid response in supply to these growing tourist markets. In 2003, tourism accounted for about 11 per cent of the world’s gross domestic product
(GDP) and foreign tourism earnings amounted to $523 billion with 691 million international tourism arrivals (UNCTAD, 2005a). This industry supported over 200 million jobs, representing about 9 per cent of the global workforce (WTTC, 2005). The number of international tourist arrivals is expected to increase by 4.1 per cent annually to reach close to 1.6 billion international arrivals by 2020 (WTO, 2001a). As a heterogeneous umbrella industry, it relates to many sectors such as culture or sports. Over 30 different industrial components that serve travellers have been identified and this explains the industry's heterogeneity.

The heterogeneous, intangible and perishable nature of tourism products distinguishes them from other industrial sectors and explains the importance of information and the relevance of ICTs in this industry. The international dimensions of tourism and the fact that tourism is a service industry also contribute to the central role of information. E-marketing is attractive to the tourism industry as 'travel is an information-based product and the Internet is full of information' (Connolly et al., 1998).

Due to its SME structure, the tourism industry has great significance for regional development. The number of SMTEs available around the globe demonstrates their dominant role in the international tourism industry. More than 90 per cent of the accommodation establishments worldwide are small, independent, flexible, seasonal and family-managed (Buhalis, 1996). Island tourism represents the setting for this research. Islands are among the most visited tourist destinations in the world (Fotiou et al., 2002). Remoteness, perceived 'difference', smaller size, slower pace of life, distinct culture, exotic wildlife and pristine environment are some of the basic characteristics of islands (Baum, 1997; Lockhart, 1997). Tourism in these island destinations are dominated by SMTEs.

SMTEs provide an amalgam of products and services. In the Internet-enabled tourism industry, SMTEs face more stringent impediments to the adoption of new ICTs. Part of the problem relates to the scale and
affordability of some technologies as well as their awareness and understanding of e-marketing benefits. Despite these inhibitors, SMTEs with well-developed and innovative e-marketing strategies can now have ‘equal Internet access’ to international markets and find themselves in a level-playing field. Some of the most important characteristics of e-marketing are the opportunity and the promise it holds for SMTEs to extend their marketing capabilities and grow.

At the conceptual level, this research will be useful in developing an e-marketing model for SMTEs incorporating the best practices. At the implementation level, this study will result in the design and implementation of tourism websites and e-marketing programs that are better geared to meet the needs and wants of the online consumers. At the policy level, this research will aid the Destination Marketing Organizations (DMOs) to provide institutional direction and support for SMTEs to implement e-marketing.

1.2.3. Expected contributions of the study

1. **SMTEs Involvement in e-marketing:**
This study could be useful in identifying the common e-marketing activities of the SMTEs and the degree of involvement in these activities. The perceived benefits and barriers in their e-marketing endeavour can shed light on what to expect – be it the returns or the risks – when SMTEs take the e-marketing route.

2. **Critical success factors of e-marketing:**
While many factors – internal and external – contribute to the success of e-marketing, this study could result in identifying the critical success factors to be taken into consideration by SMTEs in their e-marketing initiatives. Such a finding would help the SMTEs focus and apply their limited e-marketing resources to maximize their e-marketing returns.
3. **Online customer interface (website) design elements:**

Generic descriptions of online customer interface design elements abound. Having established that tourism is a unique product and that SMTEs face unique prospects and hurdles, it only follows that their website design elements have to be identified carefully. This study could help compile a comprehensive list of design elements that make up an SMTE website.

4. **Best practices in SMTE website design:**

Concerns have been raised that there is a lack of understanding of the importance of websites among the SMTEs. This, together with the tendency to outsource, leads them to having websites that ‘contain a lot of information, but with a large portion being poorly organised, outdated or inaccurate’ (Law and Leung, 2002). This study, based on an analysis of the websites of SMTEs with successful e-marketing initiatives, could provide guidelines to design and construct effective websites.

5. **Online tourist behaviour:**

This study could provide a unified view of e-marketing by not only focussing on the supply side (that is, the enterprise perspective) but also on the demand side (that is, the customer perspective). Studying why and how tourists use the SMTE websites could highlight the specific online needs of a visitor. SMTEs, through their e-marketing efforts, can meet these customer needs.

1.3. Scope of the study

1.3.1. **Location and study area definition**

- Two prominent island destinations - the Andaman Islands (India) and Mauritius in the Indian Ocean - were chosen as the study locations to represent the tourism industry in developing economies.
- Figure 1.3 represents the study area definition, highlighted at the intersection of tourism enterprises that are small- and medium-sized and tourism marketing using electronic means (that is, e-marketing).
1.3.2. Sample and respondent selection

- Only the individual small and medium enterprises are taken into consideration in this study on tourism e-marketing. They represent the bricks-and-clicks model of e-commerce. Pure-click enterprises such as destination-specific travel portals are not considered.

- This study covers the popular e-marketing activities and the experience of SMTEs in the chosen island destinations. The e-marketing decision makers at the SMTEs have been considered as the key informants for obtaining the e-marketing-related information.

- This study performs a marketing evaluation of the SMTE websites to identify the online customer interface design elements. It is an attempt to assess the design based on an implementation. Moreover, the consistency and technical complexity of the website are not taken into consideration.

- The online tourist behaviour is assessed from the offline recall of perceptions and experiences of the tourists. The goal is to arrive at industry-specific rather than product-specific findings. All SMTE tourists, irrespective of their status as group or independent travellers, are included for the study.
1.4. Objectives

This is a three-part study. Part 1 deals with studying the e-marketing practices of SMTEs in Mauritius and in Andaman Islands. Part 2 deals with performing a marketing evaluation of the SMTE websites. Part 3 deals with understanding the Internet usage, search and purchase behaviour of the SMTEs customers (that is, the international tourists). Upon integrating these parts, the main objectives of the study are to:

1. study the SMTEs in terms of their demographic characteristics, e-marketing activities, customer profile and the inter-relationships existing therein;
2. analyse the critical success factors of e-marketing for SMTEs;
3. perform a marketing evaluation of SMTE websites in order to identify the best practices and
4. explore the scope for improving the e-marketing systems in SMTEs.

In order to meet the above mentioned objectives, it is imperative to:

1a. find out the e-marketing motivators and inhibitors among SMTEs;
1b. analyse if there is a first-mover advantage (in terms of e-marketing pay-off) among SMTEs with a long e-marketing tenure;
1c. identify the dominant online purchase motivations across different tourism product categories;
2a. identify the underlying dimensions of critical success factors of e-marketing;
2b. study the relationship between perceived importance and incidence of critical success factors;
3a. find out if SMTE website design elements differed across tourism product categories and
3b. study the association between online customer interface design and e-marketing pay-off.
1.5. Hypotheses

The following seven sets of research hypotheses were proposed and tested:

1. There is a difference in the level of e-marketing involvement among the SMTE categories
2. There is an association between a SMTE’s e-marketing tenure and its pay-off and perceived criticality
3. There is a difference between perceived importance and incidence of e-marketing critical success factors
4. There is a difference in the website design elements among the tourism product categories
5. There is a difference in tourists’ characteristics between Internet users and non-users
6. There is an association between online search/purchase satisfaction and future intention to purchase online
7. There is an association between the destinations and the type of tourism product purchased online

1.6. Research methodology

This is a descriptive research aimed at studying three sets of respondents, namely the SMTE e-marketing decision-makers, SMTE websites and SMTE customers. Both survey and observation methods were used to study different respondents.

1.6.1. Data and sources

The study was based mainly on active and passive primary data collected from the respondents and SMTE websites respectively. Secondary sources were used mainly as background material. The tourism industry communication (such as booklets and reports) and promotional literature (such as brochures and newsletters) were the secondary sources scrutinized for collecting the background data for conducting the study.

This study has two groups of respondents, namely the SMTE e-marketing decision makers (to study the e-marketing supply-side factors)
and the international tourists/customers of these SMTEs (to study the e-
marketing demand-side factors) for active primary data collection. Two
semi-structured questionnaires were developed after an extensive review of
the relevant literature and were used for collecting data through personal
interviews. For the purpose of passive primary data collection, the SMTE
websites were observed continually over a period of time and data was
recorded using a structured data entry table.

1.6.2. Sampling description
The SMTEs and their websites were identified through a disproportionate
stratified random sampling. The details of bases of stratification, inclusion
and exclusion criteria for selection of respondents are presented in Chapter
III on methodological framework. The SMTE sample size was fixed as 20
per cent of the sampling frame (directory provided by the DMOs) and it
translated to 40 SMTEs (20 in Mauritius and 20 in Andaman Islands) in
four diverse lines of business – ‘accommodation’ (hotels, villas and
bungalows), ‘access’ (tour operators, travel companies and car/bike rentals),
‘attractions’ (places of interest and leisure/adventure activities like SCUBA
diving and game fishing) and ‘auxiliary’ products (wedding
video/photography services, souvenirs and specialty restaurants). The
tourists were identified through a judgmental sampling at the SMTE
locations described above. About 200 international tourists were
approached and 190 complete responses were collected. Sufficient and
necessary precautions were taken to avoid sample bias in the data collected
from the tourists.

1.6.3. Period of the study
The study of SMTEs and tourists in Mauritius was carried out over a period
of 12 months from August 2003 to July 2004. The study of SMTEs and
tourists in Andaman Islands was conducted during a 12-month period from
March 2005 to February 2006. The sampled websites were visited
periodically and any design changes or new design elements were taken note of.

1.6.4. Data analysis and statistical tools used

SPSS (version 12) software was used to tabulate, cross-tabulate and analyze the data. Factor analysis was used to identify the underlying dimensions of the critical success factors of e-marketing and also of the motivators of e-marketing. Correspondence analysis was used to map the association among the variables of interest (among online customer interface design elements, e-marketing pay-offs and tourism product categories and between tourism product bought online and purchase motivation). Percentages, measures of central tendency and dispersion, the paired sample ‘t’-tests, Pearson chi-square test, Friedman test and one-way analysis of variance (ANOVA) were used for testing of hypotheses. Descriptive analysis using statistical measures like arithmetic mean, standard deviation and percentages were also used and the results are presented in the form of graphs and tables.

1.7. Operational definitions

<table>
<thead>
<tr>
<th>Electronic market</th>
<th>Virtual marketplace where buyers and sellers transact electronically</th>
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</thead>
<tbody>
<tr>
<td>e-commerce</td>
<td>Internet-facilitated commerce, using electronic means for promoting, selling, distributing and servicing products</td>
</tr>
<tr>
<td>Tourism industry</td>
<td>Describes both private firms and establishments providing facilities and services for tourists as well as the public sector authorities planning and managing tourism in a region</td>
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<tr>
<td>e-tourism</td>
<td>Digitalization of all processes and value chains in the tourism industry</td>
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<tr>
<td>e-marketing</td>
<td>The use of electronic data and applications for planning and executing the conception,</td>
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<tr>
<td>Term</td>
<td>Definition</td>
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<td>---------------------------</td>
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<tr>
<td>distribution</td>
<td>promotion and pricing of ideas, goods and services to create exchanges that satisfy individual and organizational objectives</td>
</tr>
<tr>
<td>SMTE</td>
<td>Private Enterprises with an employee strength less than 25 and annual sales revenue not exceeding US$5 million</td>
</tr>
<tr>
<td>Tourism products</td>
<td>Various products/services offered by the accommodation, access, attractions and auxiliary product sectors in the tourism industry</td>
</tr>
<tr>
<td>Internet</td>
<td>Self-regulated global network of computers interconnecting independent hosts around the world</td>
</tr>
<tr>
<td>Website</td>
<td>The virtual location of an entity's presence on the world wide web, usually made up of several web pages and a single home page designated by a unique resource locator (URL)</td>
</tr>
<tr>
<td>e-marketing tenure</td>
<td>Number of years since the first e-marketing initiative</td>
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<tr>
<td>e-marketing pay-off</td>
<td>Percentage of sales that can be directly attributed to e-marketing</td>
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<tr>
<td>Critical success factors</td>
<td>Factors that are necessary and vital for a e-marketing strategy to be successful</td>
</tr>
<tr>
<td>Online search</td>
<td>An electronic search of databases for a particular search request/query performed by an online searcher at a destination website or a search engine website</td>
</tr>
<tr>
<td>Online purchase</td>
<td>Buying products or services from vendors on the Internet through online reservation/payment</td>
</tr>
</tbody>
</table>
1.8. Limitations of the study

This research is subject to the following potential limitations:

- It is specific to market (developing economies), place (island destinations characterized by adventure tourism) and time (the period of recovery after many impediments such as September 11, Iraq war, SARS breakup, Tsunami and global economy slow-down).
- The two island destinations differ in their positioning and hence this research may generate more specifics rather than generalizations in terms of findings.
- In the Andaman Islands, the original data collection plan had to be rescheduled in the aftermath of the December 2004 Tsunami tragedy. The increased anxiety among the tourists and the heightened concern among the SMTEs to assure the website visitors after such a large scale tragedy were evident, though they did not affect their contribution to the study.
- In the post-Tsunami recovery, lot of content on the SMTE websites was to build confidence and to dispel apprehensions. Such contents are temporal in scope and not part of the usual website content. Tsunami did wipe away a few SMTEs out of business and hence their online presence also got wiped off.
- In few cases, the e-marketing activities were outsourced and hence the ignorance and lack of knowledge on part of a section of the respondents (that is, SMTE e-marketing decision makers) might have introduced a degree of inaccuracy in the research data.
- Interview was the effective option in this setting. Hence the sample size was limited by time constraints of the researcher as well as the respondents. The study had to be conducted without hindrance to the normal functioning of the SMTEs and without inconvenience to the tourists.
The consistency of the SMTE websites in different languages and across different browsers was not studied. All the observations made using Microsoft Explorer (version 6) browser. The consistency of the online customer interface across browsers (for example, Netscape Navigator) was not studied. Also, the site content in English language alone was taken up for observation. Tourism enterprises in Mauritius follow a multi-segment strategy with the demographics of language and nationality as common segmentation variables. Hence the generalizations may not be relevant to non-English web content.

Since the market is fragmented, there is a need for more focussed studies on specific market segments (say, the adventure tourists or the honeymooners) with regard to their Internet usage.

The offline study of online behaviour may suffer from data error. Hence the actual online behaviour may be studied from the web server log containing the click-stream data and be corroborated with the professed behaviour for greater accuracy.

E-marketing is still in its early stages. Challenged on one side by scarce professional research and on the other side by new and emerging technologies, this research was a journey on the road less travelled!

1.9. Brief review of literature

E-marketing-related studies are based on two broad perspectives, namely the supply-side perspective (enterprise perspective) and the demand-side perspective (customer perspective). This section presents a brief review of the studies done in the area of e-marketing with special reference to the tourism industry and the SME sector.

1.9.1. Internet and marketing

Hoffman and Novak (1996) in their seminal work on e-commerce argue that in order for marketing efforts to be successful in this new medium, a
paradigm shift is required. Sawhney (2003) suggests rethinking marketing in a connected world. Wagonfeld and Deighton (2002) view the Internet as a marketing medium not better or worse than existing media, but different.

There has been a phenomenal growth in business-to-customer (B2C) electronic commerce since the commercialization of the Internet in early 1990s. The global nature of the Internet, its vast reach and different interactive capabilities, have made it an important marketing and trading medium for many firms. It can be contended that the Internet is changing the daily lives of individuals, companies and organizations and the way they seek information. In addition, the validity of the Internet as a marketing and advertising tool has been proven (Kasavana et al., 1997).

The Internet marketing environment has an interactive nature facilitating many-way communications between marketers and consumers. This is commonly mentioned as a major opportunity that enhances the value and quality of the relationships between these parties. While one-way messages that characterize broadcast marketing usually produce very little timely and meaningful feedback, the interactive marketing environment hosted by the Internet creates a continuous circle of communication and immediate response opportunity (Alba et al., 1997; Deighton, 1996).

In e-marketing, the customer goes to the marketer rather than vice versa, thus, the usage of intermediaries by buyers is reduced extensively (Berthon, 1996; Choudhury et al., 1998). Yet it does not result in total disintermediation. The electronic market has such an intricate structure that information management becomes just as critical as inventory management and many new forms of intermediaries supplementing the existence of online companies emerge (Quelch and Klein, 1996).

The e-marketing environment offers extensive customization and personalization opportunities. The evolution from marketing on the averages to marketing on the differences (Reitman, 1994) is a very
prominent theme and a major advantage of the electronic market compared to offline, real world environments.

Most discussions about the current and future state of e-marketing converge around one main question: What can/cannot sell online? The traditional method is to classify products by their tangibility, nature and needs, and buying behaviour (Kotler, 1997). This kind of classification may be suitable for a traditional marketing environment but does not seem as appropriate in categorizing products or services on the electronic market. According to Peterson et al. (1997), a better way to group products or services on the Internet is by separating them into search or experience goods. Search goods are goods that can be evaluated using external information whereas experience goods have to be personally evaluated. If a product is a search good it is more suitable and likely to be e-marketed. On the other hand, if a product is an experience good then e-marketing is less possible.

1.9.2. Internet and tourism
Technology is not a stranger to the tourism fraternity. From the first reservation systems in the 1950s to the tourist information systems like TIS and Gulliver of the 1980s (Werthner and Klein, 1999) to the enormous number of current Web activities, the tourism industry has always been one of the pioneers by using new communication and ITs (Gratzer, 2003). Buhalis (1998) traced the three main waves of technological developments in tourism enterprises, namely Computer Reservations Systems (CRSs) in the 1970s, Global Distribution Systems (GDSs) in the 1980s and the Internet since the 1990s. Although these technologies emerged with gaps of about 10 years from each other, they currently operate both separately and jointly, controlling different functions and target markets.

Tourism and travel industry is the largest source of B2C e-commerce revenues with $52.4 billion in 2004, and is predicted to reach over $119 billion by 2010 (eMarketer, 2004). In a span of four years, the number of
Internet users in the US who have booked their travel online has reached 50 per cent, compared with 30 per cent in 2000 (eMarketer, 2005). The European online travel market grew by 51 per cent to reach $23.3 billion in 2004 and is estimated to grow to $49.9 billion in 2006 (PhoCusWright, 2005). It looks like the Internet and tourism are made for each other. Gratzer (2003) and Liu (2005) contend that tourism industry is witnessing an acceptance of e-commerce to such an extent that the structure of the industry is changing, whereas other industries still have stronger hold on traditional processes.

Following the general routes of ICT penetration into business environments, several authors have demonstrated the benefits of ICTs for the operation of tourism enterprises (Poon, 1993; Sheldon, 1997; Inkpen, 1998; Werthner and Klein, 1999; O'Connor, 1996, 1999; Buhalies, 2003). Liu (2005) observes that after a little more than a decade of experience with e-commerce, the travel industry has shaken off some of the growing pains associated with childhood and is looking at tools and techniques that reflect the first steps toward adulthood. As information is the life blood of this industry (Sheldon, 1994), effective use of Internet is fundamental to the tourism sector. Therefore ‘a whole system of information technologies is being rapidly diffused throughout the tourism industry and no player will escape its impacts’ (Poon, 1993).

1.9.3. Tourism and e-marketing

From a services marketing perspective, tourism and travel products appear to be well suited to e-marketing because of their distinctive high-priced, high-involvement, intangible, heterogeneous, high-risk and well-differentiated characteristics (Burgur, 1997). Burgur also notes that the hypertext feature of the Internet may have been specifically designed for the tourism industry. Not surprisingly, the tourism and travel sector is rated among the top three product or service categories purchases via the Internet (Tweney, 1997; Yoffie, 1997).
The push towards networked technologies, combined with increased customer expectations, has put extraordinary pressure on the information-centric and service-based tourism industry to extend conventional distribution channels to include the Internet as a major new marketing channel (Bloch and Segev, 1997). Buhalis (1998) claims that understanding the potential of the Internet provides the tourism firms with the opportunity to adopt new marketing models and publish a broad range of marketing content.

Gratzer (2003) describes the Internet as an ICT that is a perfect platform for organizations to bring information about their products to the customers all over the world in a direct, cost-minimizing and time-effective way.

1.9.4. SMTEs and e-marketing

Keeping up with rapidly changing marketing trends is a challenge for all firms but is particularly confronting for the resource- and time-poor SMEs. Since SMEs are relatively new to the virtual world and often have neither the expertise for continuous digital brand building nor the resources for compiling a complete picture of customer tastes and circumstances, they are in danger of being isolated and out of touch with changing market dynamics (Gaulden and Jackson, 2001). Yet, the opportunities abound for the SMTEs who are willing to change. SMTEs have often used their nimble-footedness and local flavour to achieve remarkable success and dominance in the tourism sector (UNCTAD, 2000).

Although ICT appears to threaten the very existence of small tourism firms without resources, know-how, and access to distribution channels, a more optimistic view counters that ‘competent entrepreneurs, regardless of their size or location, will take advantage of the opportunities that the Internet offers to obtain equal footage with larger companies’ (Buhalis, 1999).
Buhalis (1998) remarks that SMTEs can gain more advantages by using the Internet and the related technologies, as bargaining power is gradually relocated from institutional buyers and wholesalers to suppliers, due to the more effective and interactive communication they can achieve with their target markets.

Gathering intelligence on the industry, competitors, their strategies and potential markets, searching out information on possible products to offer, new suppliers or resources, expanding market access, creating immediate awareness of their offerings, gaining access to key decision makers by bypassing gatekeepers, positioning themselves on equal footage with large companies and serving niche markets that are usually ignored by larger competitors are only some of the most important strategic advantages SMTEs gain by becoming an electronic business (Dandridge and Levenburg, 2000). Therefore, although SMEs do not have an established place in the Internet economy yet, they are making rapid strides to become an integral part of the electronic business and marketing environment in the tourism industry.

1.9.5. Tourists and e-marketing

The Internet impact has been felt not only by the supply side but also the demand side. Prior to the Internet, technology had only a relatively low-scale impact on consumer behaviour (Grewal et al., 2004), but the Internet promised to change the very way we shopped (Feather, 2002).

The e-marketing literature with a focus on the online customer can be classified into three areas, namely study of online customer profile, online intention and behaviour. Many studies have been conducted to profile the typical online user using the demographic characteristics. The typical Internet user is young, professional, time-poor but affluent with higher levels of income and higher education (Palumbo and Herbig, 1998; Burke, 1997; Heung, 2003). Studies investigating the intention of the online users in the tourism e-commerce context have led to identify certain
motivations of the users. It includes convenience, price comparison, lower prices, immediacy, rich information, more alternatives in the consideration set and ability to self-build a combination of various complementary products with relative ease (Starkov and Price, 2003; Swaminathan et al., 1999; Beldona et al., 2004; Clark and Wright, 2005). Despite the growing importance of the Internet as an information source for travellers, a marketing tool and a way of doing business, there is a general lack of behavioural studies on how these travellers use the Internet for information, booking and purchase of travel products and services. Studies examining the online consumer behaviour have found out that consumers gather information about products and services on the Internet and the more consequential the purchase decision, the more time and effort consumers expend to search for information that they believe will lead to a good decision (Peterson et al., 1997; Beatty and Smith, 1987). The Internet makes it easy for the travellers to self-build a combination of various complementary products with relatively less difficulty when compared to the traditional context (Fesenmaier and Jeng, 2000).

Many researchers have identified the transactional and functional advantages of e-marketing. The convenience of shopping online is one of the most commonly mentioned transactional advantages of the Web market. This makes online shopping a hassle-free and time-economic activity since no shopping time constraints are imposed on the consumer (Peterson et al., 1997; O’Connor, 1999). The richness and the quality of the information that can be presented to consumers through websites is another very dominant and frequently mentioned benefit of the online marketing environment. The information advantage transfers a great deal of power to consumers, forces e-retailers to continuously update themselves about customer wants and needs and, consequently, increases consumers’ levels of e-satisfaction to a great extent (Bellman, 2001; Szymanski and Hise, 2000). Currently there is some evidence that consumers are substituting Internet-based information
search for traditional search and that this substitution effect will increase further over time (Klein and Ford, 2003).

Many studies (Jarvenpaa et al., 2000; Reichheld and Schefter, 2000; McCole and Palmer, 2002) have proposed that one of the most important reasons for not using an online channel for purchasing is the lack of trust - unfamiliar vendors as well as insecurity of transactions and personal information.

The travel decision-making process is a complex multi-stage process layered along a hierarchical set of activities (Fesenmaier and Jeng, 2000). Here too, convenience can serve as a key driver of the travel planning process. However, the Internet can add to the complexity of the process too because of the plethora of sources needed to coordinate and piece together this process.

Many studies frequently mention that there is a vast amount of window shopping taking place online but the number or the rate of surfers who turn into shoppers are very low (Mayer, 2002; Betts, 2001; Oliver, 1999). This might happen because of the lack of consumer intention to purchase an offering from the online environment at the outset. It might also happen because of various problems that arise during online shopping driving the consumer to abandon the task in the middle.

1.10. Structure of the Thesis
This thesis titled ‘E-marketing motivators, inhibitors and critical success factors: A study of small and medium tourism enterprises and tourists in Mauritius and Andaman Islands, India’ has been presented in eight chapters. The organization and brief contents of the chapters are as follows: Chapter I titled ‘Introduction’ presents an overview of the topic, statement of the problem, rationale and significance of the study, scope, objectives, hypotheses and methodology of the study, operational definitions of the terms used, the limitations of the study and a brief review of literature.
Chapter II titled ‘Theoretical and Conceptual Framework’ details the conceptual foundations as contained in the literature on e-marketing with specific reference to the tourism industry, SME sector and tourists.

Chapter III titled ‘Methodological Design and Framework’ brings out the nuances involved in the design and execution of such a study, including the preparation of the research instruments, data collection and sampling procedures followed and discusses the pros and cons of the various methodological issues that can influence the study.

Chapter IV is presented in three parts. ‘Findings Part I: SMTE Perspectives on E-marketing’ gives the findings that deal with the SMTEs e-marketing practices, motivators, inhibitors and critical success factors. ‘Findings Part II: Marketing Evaluation of SMTEs’ Online Customer Interfaces’ presents the results of the marketing evaluation of the websites of the SMTEs. ‘Findings Part III: Customer Perspectives on E-marketing’ details the SMTE tourists’ e-marketing experiences and their online motivators, inhibitors and website navigation behaviour.

Chapter V titled ‘Discussion and Analysis’ provides a unified view of the findings incorporating the enterprise view and the customer view, the interpretations of the findings and the linkage between individual findings. The implications for the SMTEs are also discussed.

Chapter VI titled ‘Conclusion and Suggestions’ gives a brief summary of main conclusions and suggestions based on the study results. The implications for SMTEs are discussed. Suggestions for future research have been made, keeping in view, the constraints and limitations of this study.

The ‘References’ section lists mainly the books, reports, journal articles, business articles, online resources and references that have been referred for the study.

The ‘Appendix’ contains the maps of the destinations studied, questionnaires and observation data entry table constructed for the study. The figures and detailed tables for t-tests, chi-square tests, ANOVA, factor
analysis, correspondence analysis, correlation and regression are also presented here whereas as the summary of the statistical output tables have been presented in the body of the thesis. A list of the SMTEs surveyed for this research is provided along with select SMTE homepages representing the destinations and the tourism product categories.