Chapter 2
THEORETICAL AND
CONCEPTUAL FRAMEWORK
2.1. Introduction
The birth of the e-marketing literature can be approximated as the early 1990s. Business articles, popular press and white papers by various vendors and consultants dominate the literature in this area, apart from serious academic research. Many articles are based on experiences of one or a few organizations and thus present a descriptive account of organizational experiences in tourism e-marketing. Articles have also focussed on reporting the current status of tourism e-commerce, forecasting future trends and providing prescriptive guidelines for e-marketing. The coverage of many studies is restricted to specific sectors of tourism, say accommodation or travel agents. The existing literature also presents a divided view in the forms of firm perspective and consumer perspective, rather than a unified view. The subjects of the research have mostly been the big and global firms whereas a few studies have focussed on SMTEs in developing markets. Another useful categorization of existing literature is in terms of the functional focus. Some of them adopted a technical approach or marketing approach. It can also be said that some of them applied an organizational approach or a function-specific approach in studying the impact that the Internet has had on the tourism industry. The relevant literature was reviewed with a deductive framework (Figure 2.1) as:

- What has happened to the marketing function with the introduction of the Internet?
- What is the resultant spill-out in tourism marketing?
- How is the tourism industry’s structure affected by the Internet?
- How are the SMTEs influenced by e-marketing?
- What are the e-marketing motivators and inhibitors among the SMTEs?
- How to evaluate websites?
- What happened to the SMTE tourists with the advent of the Internet?
- Why and how the tourists look at SMTE websites?
2.2. Characteristics of the Internet

This part of the review aims to offer an understanding of how traditional commercial activities and communication processes between businesses and consumers are challenged by the alternative nature of the virtual marketplace.

The Internet is one of the more recent developments in communications and information transfer. It is considered a technological asset because of its
ability to disseminate large volumes of information quickly and efficiently to all types of stakeholders, including employees, customers, shareholders and suppliers (Violino, 1996).

Hoffman and Novak (1997) considered the Internet as a media environment and describe its unique characteristics that distinguish it in important ways from traditional commercial environments.

- First, the Internet is a virtual, many-to-many hypermedia environment incorporating interactivity with both people and computers. Thus, it is not a simulation of a real-world environment but an alternative.

- Second, consumer capability in the virtual environment and the challenges posed by the environment introduce a competency issue that does not exist so fundamentally in the physical world. This competency issue involves flow, which is the ‘process of optimal experience’ achieved when a motivated consumer perceives a balance between their skills and the challenges of their interaction with the computer-mediated environment. Flow is a central construct when considering consumer navigation on commercial websites (Hoffman and Novak, 1996). In their seminal study on marketing in computer-mediated environments, Hoffman and Novak (1996) extended and developed the flow construct in the context of computer-mediated environments. They identified four properties that define flow during network navigation. Flow is: 1) characterized by a seamless sequence of responses facilitated by machine-interactivity (the clicks and keyboarding that characterize interacting with the computer); 2) intrinsically enjoyable; 3) accompanied by a loss of self-consciousness; and 4) self-reinforcing.

- Third, within this interactive virtual environment, consumers actively engage in the process of network navigation. This behaviour can be contrasted with the more passive media experience of television.
viewing, for example. These active behaviours including both experiential (for example, surfing the Internet) and goal-directed (for example, online shopping) behaviours compete for consumers’ attention. These two broad categories of online behaviour have important implications for the commercial development of the Web.

These new concepts (namely, interactivity in a many-to-many communications environment, flow and experiential and goal-directed behaviours) mean that the Internet presents a fundamentally different environment for marketing activities compared to traditional media.

Wagonfeld and Deighton (2002) regarded the Internet as a medium with the following useful characteristics: interactivity, addressability, searchability and direct-to-consumer broadcast channel offering selectivity of the audience. They also identified the following limitations of the Internet: While it is a useful medium, it is not as addictive as television. Hence it may results in a poor mind share. As of now it is still a tool and not a diversion or a popular entertainment; since the audience is fragmented, the Internet does not assemble large audiences.

All markets are complex, no matter what mechanisms are used by the buyer. Internet technology is based on interactivity whereby the online consumer is no longer a passive spectator. Interactivity allows for availability of information on demand, reciprocity in the exchange of information, customisation of content and real-time feedback (Häubl and Trifts, 2000).

2.3. The Internet influence on the marketing function
The marketing discipline has been exposed to various changes and strong challenges with the introduction and diffusion of the Internet phenomenon into the business arena. Several studies have been conducted to study the impact.
An important difference between traditional marketing and e-marketing is the reduced or eliminated distance between producers and consumers providing a medium of direct contact between originally distant parties. However, the issue of reduced or eliminated intermediation is not always cited as an advantage by the researchers. While the Internet can transfer title of ownership, it cannot perform physical movement (Wang et al., 2002). Besides, many of the valuable functions of intermediaries cannot be replaced in the online market creating the question of how advantageous or disadvantageous disintermediation really is (Alba et al., 1997).

A brief history of the Internet points to a re-intermediation in response to the dis-intermediation effect. The emergence of infomediaries in the place of intermediaries is a case in point. Actually, these Web-specific intermediaries perform such unique tasks that it is nearly impossible for an e-business to eliminate them and take on the job itself. Price search engines, comparison services, electronic malls that include many suppliers’ offerings are those that directly hit the consumer’s eye (Malone et al., 1989; Emerick, 1996).

The Internet has made marketing more customer-centric. It flows from its interactive nature as a result of which the firms have to move from addressing mass markets to addressing segments of one (Wind and Mahajan, 2001). The Internet marketing environment offers extensive customization opportunities. Mohammed et al. (2002) describe the two routes of customization. Customization can be initiated by the user (personalization) or by the organization (tailoring). Computer-based information and flexible manufacturing systems, commonly called mass customization, make it possible to serve finely segmented molecular markets with tailor-made products at low costs (Kara and Kaynak, 1997).

Studies about personalization and customization opportunities rest on the assumption that consumers are willing to accept and adopt modified offerings. However, Nunes and Kambil (2001) show that individuals have a
much more positive attitude toward websites those give consumers the chance to personalize it themselves in comparison with those that tailor the content automatically. This interesting result puts a condition of voluntariness on the value of customization. In other words, personalization of offerings are valuable to a certain extent if they are consumer-initiated, but marketer-initiated modifications of the marketing mix do not influence consumers a lot.

Among the transactional advantages of the online market, the convenience of shopping online is commonly mentioned. Consumers can economize on time and effort by easily locating merchants, finding items, and procuring offerings on this environment, thus maximizing their utility (Szymanski and Hise, 2000; Bhatnagar et al., 2000). Many studies emphasize another advantage offered by the Internet in the form of comparative shopping. The common view is that the Internet lowers the search costs of acquiring information about products as well as the transaction costs of purchasing them (Elofson and Robinson, 1998; Bakos, 1997). In this environment, consumers can personally make price comparisons at different e-retailers. Besides, there are many websites (serving as infomediaries) that specifically extract comparative information on behalf of consumers (Bellman, 2001). At first sight, being able to compare so many alternatives seems to be very advantageous. However, as the number of choices increases to an unmanageable level, consumers might begin to become overwhelmed and comparative shopping might turn into a very stressful experience because of information overload (Li and Gery, 2000).

When buyer-seller transactions occur in an information-defined arena, information is accessed and absorbed more easily and arranged and priced in different ways. Most important, the information about a product or service can be separated from the product or service itself. In some cases, it
can become as critical as the actual product or service in terms of its effect on a company's profits (Rayport and Sviokla, 1994).

Rangaswamy and Wind (1994) summarized the overall nature of electronic markets along three dimensions of relevance to consumers: the psychological benefits associated with shopping, the degree of interactivity and the flexibility of the search process. Figure 2.2 indicates the dimensions of the electronic markets, indicating the progression along these dimensions that describe the electronic markets of yesterday, today and tomorrow. According to them, different e-marketing benefits vary by the buying situations. For example, e-marketing offers more choices in new-buy situations. As a result, a potential benefit to consumers in electronic markets is the possibility of finding the products that best meet their needs. In repetitive buying situations where consumers usually have high search and transaction costs, e-marketing offers lower costs associated with these situations.
Figure 2.2. Dimensions of electronic markets

Source: Adapted from Rangasamy and Wind (1994)
Internet research suggests that many people are attracted to using the Web as an information-gathering tool (Schonland and Williams, 1996; Walle, 1996) in comparison with other media. As the popularity of using the Internet increases, many companies use it for marketing activities and as a distribution and communication channel. In terms of promotion, the Internet is undoubtedly faster and provides round the clock and global services when compared with conventional marketing communication channels (Ellsworth and Ellsworth, 1996). The Internet also allows bi-directional marketing and offers wider, deeper materials and richer advertisement content. Quelch and Klein (1996) define a firm marketing its products or services through the Internet as a global firm because consumers irrespective of their geography can access it. The Internet provides a boundless platform for marketing and advertising, and even as a channel of distribution to generate additional sales.

2.4. E-marketing: pros and cons
The operational advantages of being online mentioned by many studies create an extensive list: becoming easily accessible from different parts and time zones of the world, being introduced to global business opportunities, decreased red tape in international operations, possibility to conduct personalized, effective and interactive advertising, the availability of marketing research and analysis tools, lower capital and overhead costs, lower operating costs, decreasing cost of capital, tax advantages, increased efficiency in business-to-business transactions, flexible ordering, better order tracking, levelling the playing field with other firms, enhancing the firm’s image by appearing to be on the cutting edge of technology, and reaching a larger audience of prospective clients (Paul, 1996; Rosen and Howard, 2000; Rozgus, 2000; Elfrink et al., 1997).

However, the disadvantages of going online are just as prevalent and, therefore, the authors of studies that discuss the pros of e-marketing have
shown an equal effort to note the negative sides of going online. Privacy and security problems, various operational, strategic and cost-based disadvantages, the difficulty of controlling online transactions and measuring outcomes, high costs of entering e-business, the difficulty of setting prices at an international level, intensified competition, cultural differences, differences in international trade laws, changes between the telecommunication infrastructure and technical standards of different countries, high costs of individual delivery, the difficulty of dealing with virtual transactions, problems about disintermediation, the fear of technology most consumers experience, the lack of socialization and tactility are only some of the most commonly encountered disadvantages of becoming an online business (Paul, 1996; Rosen and Howard, 2000). Therefore, marketers need to implement a strict structure to determine the costs and the financial outcomes of going online in order to be sure that the pros exceed the cons for their business (Zeller and Kublank, 2002).

2.5. Product characteristics and e-marketing suitability
The product characteristics play a major role in the successful marketing of a product on the Internet. Many studies have addressed the fit between product characteristics and their e-marketing suitability. The traditional method is to classify products by their tangibility, buying behaviour and nature and needs (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. Peterson et al. (1997) group products or services on the Internet as search goods and experience goods. Search goods are goods that can be evaluated using external information, whereas, experience goods have to be personally evaluated.

Peterson et al. (1997) further categorized the products or services along three dimensions that are more relevant in the context of the Internet:
cost and frequency of purchase, value proposition, and degree of differentiation. These three dimensions constitute eight different combinations. They suggested that when products are expensive and infrequently purchased, an e-marketer is more likely to carry such a product. However, the traditional retailer is favoured when there is a need to personally inspect the product prior to purchase. When the value proposition is intangible or informational (for example, digital products), the Internet marketer is favoured. This categorization gives a clear picture of product suitability for marketing on the Internet.

Kiang et al. (2000) refine the classification scheme by incorporating the transaction complexity as an additional dimension. This is a critical dimension, especially in the context of e-business, where it deserves careful examination to determine whether a product or service is suited for e-marketing. The Internet can ease transaction processing, especially for handling complex orders, thereby reducing paperwork, increasing efficiency, replacing professionals’ tasks and, hence, reducing the transaction cost. By using the Internet to place an order, it can not only save the processing time (hence, save the operator cost) but also reduce the chance of human error and customer dispute.

In general, travel products (for example, holiday packages) engage a higher level of involvement, intangibility and higher level of differentiation than other tangible consumer goods and therefore, are more easily sold through the Web (Bonn et al., 1998). Marcussen (1999) suggested that services like travel and tourism are ideal for selling over the Internet since there are no Transportation costs. The ease of description and commodity-like nature of many travel products (that is, airline seats or hotel rooms) also favour the development of electronic commerce (Lewis and Semeijn, 1998). Additionally, the structural elements of the industry also support a shift towards a more electronic means of carrying out transactions. Lewis and Semeijn (1998) indicate that the structure is currently acquiring more
decentralized market characteristics where each buyer has direct access to each seller.

2.6. Tourism and Internet: Made for each other
E-tourism refers to the use of the IT in the tourism industry that revolutionizes both economies and enterprises. ITs are defined as the ‘collective term given to the most recent developments in the mode (electronic) and the mechanisms (computers and communication technologies) used for the acquisition, processing, analysis, storage, retrieval, dissemination and application of information’ (Poon, 1993).

The tourism industry has always relied heavily on information. In fact, until a tourist gets to his or her chosen destination, tourism is information rather than a physical product. Thus, while tourism services are produced and consumed in a physical world set in a regional or local context, purchase of a tourism product is generally based on information received through direct or intermediary market channels, prior knowledge, word of mouth and perceptions of trust and service quality (Beirne and Curry, 1999).

The nature of the tourism product being information-centric makes it a search product that is evaluated by perusing product-related information. Being dependent upon effective information flows makes the tourism product a complex one, as it needs to be ‘distributed and made available to both intermediaries and end consumers’ (Laubenheimer et al., 1999) and is almost entirely dependent upon representations and descriptions, provided by the travel trade (for example, the information brochure) to help consumers make a purchase decision (Buhalis, 1998).

As consumers become more knowledgeable, they have increasing expectations in terms of convenience, value and customisation (Wynne et al., 2001). Requesting more frequent, specialised and shorter trips as a result of today’s lifestyle, consumers seek global advice, service quality and market transparency (Bloch and Segev, 1996).
As information is the life blood of tourism, ITs provide both opportunities and challenges for the industry. Increasingly, organizations and destinations that need to compete will be forced to compute (Buhalis, 1998). Providing a framework for the utilization of technology in tourism by adopting a strategic perspective, Buhalis (1998) analyzed some of the most critical IT developments and demonstrated how they influence the tourism industry (Figure 2.3).

**Figure 2.3. Tourism and IT strategic framework**

Source: Buhalis (1998)

The Internet is ‘an enabling technology, a powerful set of tools that can be used, wisely or unwisely, in almost any industry and as part of almost any strategy’ (Porter, 2001). Companies that adopted e-commerce ‘evidently expect to gain an advantage over their competitors’ (Berrill et al.,
and they will succeed in e-commerce if they use the Internet as a complement to traditional ways of competing, not setting their Internet initiatives apart from their established operations (Porter, 2001). This also applies to the tourism industry sectors (Mistilis and Daniele, 2004).

The importance of and necessity for using ICT in the travel and tourism industry is a relatively new subject in the literature. 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; Buhalis, 2002; O'Connor, 1996, 1999). The book *Information Technology for Travel and Tourism* by Inkpen (1998) presents a detailed explanation of the major systems and new technologies used within the industry. One of the standard books in this field of research is *Information Technology and Tourism - A Challenging Relationship* by Werthner and Klein (1999). This book examines the interdependence between trends in tourism and developments in ICTs. It focuses on changes along the tourism value chain and addresses topics such as tourism in a digital or network economy.

2.6.1. *Tourism as an information product and a ‘confidence good’*

Describing tourism as an information product and a ‘confidence good’, a UN report (UNCTAD, 2001), *E-Commerce and Development* explains the fit between tourism and e-commerce as follows:

> The tourism product has a distinguishing feature that has thrust it into the forefront of the electronic commerce revolution, that is, tourism is little more than an information product at the point of sale.

A consumer obtains *product information* through the media, friends or a travel agent (Werthner and Klein, 1999). The *information* provided is often based on the consumer’s queries and expressions of interest, that is,
personal information. Then the consumer pays up front, or provides information about how to be billed or gives credit card information. In return, he/she receives a ticket or a booking that confirms the details of the required travel, lodging and other services. In exchange for payment, the consumer receives yet again more information.

During the period leading up to the time when the product is actually consumed, consumers must be confident that the experience purchased will materialize and satisfy their expectations. Therefore, tourism may be considered to be a 'confidence good' (Werthner and Klein, 1999). While the price and customer service are important competitive factors, tourism producers and intermediaries are increasingly competing on the confidence inspired in the customer directly through the quality of information they provide.

At delivery, the actual tourism product may have several components that are particularly information-intensive, such as learning about local history and interacting with local communities and culture. It is often assumed that providing this type of information is the focus of apex bodies such as Destination Marketing Organizations (DMOs) and National Tourism Organizations (NTOs). Finally a tourism product may be judged successful if it is unforgettable for the consumer, in a positive sense, and in particular when the consumer shares the memories and impressions – again more information – with family and friends, thus promoting the particular tourism product and destination. Thus the circle of information flows is completed.

According to the UN report (UNCTAD, 2001), the tourism industry is learning fast that the Internet can satisfy the acute need for information at all stages of the tourism product’s life cycle far better than any other existing technology. The Internet, with its inherent interactivity, empowers people to find information quickly and precisely on any destination or activity that is arousing their interest. Consumers expect instant
information, and increasingly, the possibility to design or customize the tourism product sought, and to pay for it online. It is certain that embracing digital communication and IT is no longer an option, but a necessity.

2.6.2. Benefits of e-tourism

Buhalis (1994; 1997b) summarized the e-tourism benefits as the ability to bridge the gap between consumers and suppliers through direct communication, inexpensive delivery of multimedia information and provision of tailor-made products. But the information currently available on the Internet is often chaotic and misleading, mainly due to its immaturity and lack of any type of standardization. Several issues that need to be addressed are: security of transmissions, credibility of information, intellectual property and copyrights, bandwidth and speed limitations, user confusion and dissatisfaction, lack of adequate trained specialists and equal access and pricing.

The Internet has provided consumers with an increasing number of options for obtaining information and organizing their trips, more travel choices, and price transparency in an online highly competitive environment. Meanwhile, the Internet represents a solution for direct sellers (such as hotels and transportation companies), enabling them to enter the market without paying fees to third-party intermediaries, and search engines drive significant volumes of traffic direct to suppliers (eMarketer, 2004).

These studies have demonstrated that destinations and principals will be unable to compete effectively, unless they were able to promote themselves in the emergent electronic distribution channels. In the electronic marketplace, where access to information and ubiquity is achieved, interactivity between principals and consumers is empowered.
2.7. The Internet impact on the tourism industry structure

Collins et al. (2003) suggested that the advent of the Internet in the late 1990s has had a strong impact on the tourism and hospitality industry. It is due to the fragmentation of the hotel industry, which makes the Internet ideal for selling inventory online. The Internet as a channel of distribution has become one of the most successful channels used by consumers to research travel options, compare prices and make reservations for airline tickets, hotel rooms and car rental. Therefore, the provision of online travel services is the single most successful B2C segment on the Internet. Research carried out by NYU/Phocus Wright (2003) has indicated that the overall percentage of hotel rooms booked online will grow from an estimated 9 per cent in 2002 to 20 per cent in 2005. Apart from accommodations, flights and car rentals, the growth of travel offerings on the Internet now include vacation packages, cruises, events, tours and attractions. In fact, there is a gradual shift among travel technology vendors to move beyond accommodations, flights and car rentals to encompass cruises, destinations and others (NYU/Phocus Wright Report, 2003).

Tourism and travel industry has shown how e-commerce may change the structure of an industry and the way business is done. Whereas in other industries there is a stronger hold on traditional processes, the tourism industry is witnessing an acceptance of e-commerce to the extent that the structure of the industry is changing. Figures 2.4 and 2.5 describe the pre-Internet and Internet-enabled tourism industry respectively. Dis-intermediation and re-intermediation (in the form of infomediaries) have caused the major structural changes.
2.7.1. Tourism market structure and stakeholders

Werthner and Ricci (2004) described the structural view of the tourism market as represented in Figure 2.6. It differentiates between the supply and
demand side and the respective intermediaries. Links mark the relationships and the flow of information. It only shows the most relevant links with the nodes indicating the relevant types of players in the field.

On the supply side, enterprises such as hotels, restaurants and so on act as primary suppliers. Those are mostly SMEs and their enterprises are on the same level as ‘big’ players like airlines, with respect to functional differentiation (Gratzer, 2003). Tour operators can be seen as product aggregators. Travel agents act as information brokers providing the final consumer with relevant information and booking facilities. Computer Reservation Systems (CRS) and Global Distribution Systems (GDS) also include other products such as packaged holidays or other means of transportation. They provide the main links between tour operators and travel agents.

Figure 2.6. Structural view of the market


The intermediaries on the right-hand side (in Figure 2.6) can be seen as the ‘professional’ connection between supply and demand, whereas the left-hand side is relevant for destination management, planning, administration and branding of a destination. Normally, these entities have
to act on behalf of all suppliers within a destination and are not engaged in
the booking process. The new players are companies within the system that
use ICT to link customers and suppliers. The links to governmental bodies
are dotted lines indicating that these DMOs (for example, the Mauritius
Tourism Promotion Authority) are often governmental organizations. The
upstream information flow towards market consists of product information
whereas the downstream flow reports on market behavior and competitor
performance mostly represented in terms of statistical aggregates. Both
information flows create a tourist information network tying all market
participants together and apparently, reflecting the economic relationships
between them. This ‘tourism core system’ as an umbrella industry is in
close connection to other industry sectors such as ICTs, research
institutions, marketing industry, culture, sports or consumer goods
industries.

The Internet-enabled tourism market structure affects all the
stakeholders (Gratzer, 2003):

- Tourists are addressed by more players, and they are also playing a
  more active role in specifying their services.
- Travel agents see a diminishing power in the sales channel; as a
  consequence they will put more emphasis on consulting and more
  complex products.
- Internet travel sites are further enhancing new market functionality
  and technology, focussing on personalized intelligent tools for
  travellers.
- DMOs are developing cooperation models within destinations, where
  they will occupy a new role as consolidator and aggregator.
- Tour operators will blur the boundaries between individual and
  packaged tour based on mass customization and flexible
  configurations.
CRS/GDS will follow a collaborative marketing strategy by linking to major tourist websites for increasing their transaction volume, and they also move into direct sales for the retail segment.

Suppliers will increasingly form alliances and support electronic direct sales, increasing price competition as well as price differentiation, and they will redefine customer processes such as electronic ticketing or automated check-in.

This leads to an evolution of the market best described as an ongoing interaction of concentration versus the simultaneous entering of new players. The related increased complexity, however, generates the need for new services such as providing transparent access, market overview, or price comparisons. This in turn will accelerate innovation, putting even more emphasis on technical innovation.

2.7.2. Tourism distribution systems

Tourism has been among the pioneers to apply interorganisational systems successfully on a large scale. The worldwide operating computer reservation systems are probably the best known and best described electronic markets. They have completely restructured the distribution channels and the way the whole industry competes. Indeed, it is not only the major airlines that have benefited but also the small enterprises: tour operators, travel agencies, local tourism organizations and others have been provided with an instrument that allows them to streamline their processes and offer their services to a worldwide audience of potential customers.

Technology becomes a main source of sustainable competitive advantage and a strategic weapon, especially in the tourism and hospitality industries, owing to the pivotal role information plays in the description, promotion, distribution, amalgamation, organization and delivery of tourism products (Poon, 1993; Sheldon, 1997).
The backbone of the travel industry’s growth has been its complex
distribution network of suppliers and intermediaries ranging in size from
SMTEs to big, global companies. Much of this growth could not have
occurred without the GDS infrastructure. In the last 30 years, distribution
evolved from primarily airline seats to include the various travel segments
that are there today.

As detailed in Figure 2.7, many systems are now accessible to
consumers through Internet gateways for airline tickets, hotels, rental
cars and other services, as a result of which distribution channels are
less dependent on traditional CRSs and GDSs. CRSs were originally
designed and operated by airlines, and further GDSs such as
Amadeus, Galileo, Sabre and Worldspan have been extended as sales
channels to online travel agents such as Expedia, Travelocity and
Orbitz. The first GDS, Sabre, appeared in the US in 1976 at the
initiative of American Airlines to automate information systems
related to flight reservations, schedules, prices and availability. For
online pioneers in air transport, electronic distribution systems such
as CRS and GDS have boosted competitiveness and productivity by
automating processes and integrating new systems to improve
business functions and reduce operating costs through yield
management. Today, GDSs display airline company products over an
extensive network of 500,000 travel agencies. GDSs represent an
important distribution channel not only for airlines but also
increasingly for hotels and car rental companies.
Figure 2.7. Tourism distribution systems

Source: UNCTAD (2005a)

Potential tourists may aggregate different tourism services through a combination of tourism providers, looking for the best value or lowest price through different channels. Each distribution channel has specific advantages in the value chain and responds to particular needs of consumers. While the advice of a traditional travel agent is still valuable when preparing composite travel, online travel agencies and tour operators offer great facilities for travel arrangements (static as well as dynamic packages); websites of direct producers offer brand guarantee and customer services; and search engines and emerging travel-specific search engines allow price comparison. Price competition is manifest across the tourism industry and consumers are attentive to price when they are preparing their travel.
2.8. Small and Medium Tourism Enterprises

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).

A general worldwide definition for an SMTE is missing. It varies from market to market, considering several local destination factors. Both quantitative and qualitative criteria are used to define SMTEs (Buhalis, 1996; Gratzer, 2003). For example, The European Commission defined the criteria for an SME in terms of the number of employees (limited to fewer than 250), functional independence (may not belong to a large company), turnover (must be less than €40 million) and the balance sheet total (must be less than €27 million). Furthermore, when accommodation facilities are classified, the number-of-beds criterion can be applied. For example, different categories of accommodation facilities such as hotels, motels, private guest houses, farmhouses, Bed and breakfast inns, villas and apartments can be distinguished based on the number-of-beds criterion (Haenssler, 2001).

In addition, a wide range of qualitative criteria can be used, such as the organisational structure; participation in hotel consortia or chains; turnover; responsibility distribution in decision making; financial strength; operational procedures; recruitment and training practices; decision-making process; entrepreneurial involvement and control; integration level; family participation in running the organization; internationalization of operation; marketing functions and managerial experience (Poon, 1989). Friel (1999) pointed out another interesting criterion to define and distinguish SMTEs. The small tourism firms, although having much in common with larger
tourism and hospitality firms, operate according to often quite different marketing imperatives. In short, there is more that differentiates small firms from large ones in terms of their marketing than size alone. Based on both quantitative and qualitative criteria, it is evident that the vast majority of tourism enterprises around the globe can be classified as SMTEs.

Small businesses such as hotels have often been excluded from global tourism distribution channels. The Internet provides unprecedented opportunities for innovative SMEs as it provides adequate tools to communicate and interact globally. In particular, SMEs that concentrate on services are liberated to access the global marketplace regardless of their location.

Before the advent of the Internet, local hotels often had no other choice than to sell their room capacity at a low price to well-known tour operators, ensuring them small but stable revenue throughout the year. Destinations marketed that way may have gained in popularity, increasingly in the form of low-price package vacations that encouraged the development of ‘mass tourism’, but earned very low returns. SMTEs could gain autonomy and save costs by promoting and selling products directly to consumers provided they have an effective website. ICTs are a driving force for tourism producers in managing their assets, making decisions in yield management (allowing price management and systematic inventory control), cutting down commissions to third-party distributors, collecting information on customers and designing marketing strategies for different market segments.

2.8.1. Prominence of SMTEs in the tourism industry
As a large number of SMTEs are involved in the delivery of tourism products and services, they formulate value-added networks and originate an amalgam of independently produced elements that effectively constitute tourists’ total experience of the destination. However, due to their vulnerability, deficient marketing and management functions, and
dependence upon distribution channel partners they also tend to jeopardise
the benefits of tourism activity for destinations and host communities.
Nevertheless, the prosperity of destinations and SMTEs are closely
interrelated, as the fortune of the one heavily depends upon the management
and competitiveness of the other (Buhalis, 1994).

SMTEs represent an essential component of the accommodation
offerings in many countries, operating alongside larger enterprises and
sharing only in part the same logic and approach to the market, the same
management tools and organizational models (Friel, 1999). Also the impact
of ICTs on SMTEs is distinct with respect to their larger counterparts
(Buhalis, 1999).

Tourism, based on cooperation in the creation and distribution of the
product, is a networked industry that bundles elements provided by
different types of suppliers, mostly SMTEs. In this networked industry,
technology provides unprecedented opportunities for the coordination of
SMTEs at the local level; enables SMTEs to provide a seamless tourism
product in order to enrich the total customer satisfaction; enhances business
efficiency; and empowers organizations with economies of scope.

In general, SMEs need to take advantage of using ICT to reduce their
marginalization from the mainstream tourism industry and to make their
products available to institutional and independent buyers. According to
Gratzer and Winiwarter (2003), the Internet provides them with two major
opportunities: the direct customer contact and a new worldwide distribution
channel. The SMTEs may be able to achieve competitive advantage if they
manage to develop and position their niche products as unique. Enhancing
the professionalism of SMEs, through marketing and management training,
can especially support smaller companies.

A UN report (UNCTAD, 2000), Electronic Commerce and tourism: New
perspectives and challenges for developing countries, highlighted the
circumstances common but not exclusive to SMTEs. These circumstances
militate against their efforts to develop a strong tourism export prospect. For example:

- SMEs are generally in a weaker bargaining position towards international tour operators;
- Long distances and less than acute or no competition result in high air fares to reach the destinations, especially in developing countries; and
- GDSs and CRSs are owned by large international airlines/operators.

2.8.2. Marketing and SMEs

As individual enterprises with limited marketing budgets, most small firms fail to focus on marketing planning and market intelligence. Preoccupied with the operational running of their business, smaller operators tend to approach their markets ‘less formally and more intuitively from their detailed, close contact with their guests’ (Main, 1999). Since most tourism SMEs have rather limited means of marketing themselves, they are predominantly dependent on intermediaries such as DMOs for product marketing and distribution (Cooper and Buhalis, 1998; Werthner and Klein, 1999).

Despite their unmatched abilities to stimulate a rapid injection of cash into local economies and provide a feeling of welcome and character to the visitor, SMEs are also typified by a lack of strategic vision and management expertise. Marketing also tends to be another significant weakness for most SMEs. Not only are they usually unaware of the techniques and tools available but they also tend to follow a product-oriented approach. Lack of marketing research debilitates SMEs’ knowledge of their consumers’ needs and wants and prevents them from identifying methods for improving services in order to meet consumers’ expectations. Consequently, their promotional activities tend to be uncoordinated, inconsistent and ill-targeted, resulting in a fairly low effectiveness. Hence, SMEs are over dependent on tourism intermediaries
for promoting and distributing their product. As a result, intermediaries minimize SMTEs’ bargaining power within the distribution channel. SMTEs often have no other option than to accept the pressure and hand over the control of their product, marketing, distribution and pricing mixes. These weaknesses, probably magnified as SMTEs’ illiteracy in IT, essentially mean that they are unable to take advantage of the emerging opportunities for improving their efficiency and promoting their enterprise in the electronic marketplace. This is already evident in the tourism industries as SMTEs underutilize IT, and remain underrepresented in most CRSs and GDSs effectively endangering their competitiveness and market share (Buhalis, 1996).

Nonetheless, the individual SME drive to use ICT as a marketing and branding enabler is increasing. In a survey study conducted among small tourism firms in England, respondents from both the macro (destination) level and micro (SMTEs) level indicated that they could see the potential benefits of using web technologies for marketing purposes (Main, 1999).

Buhalis (1996) has effectively argued for SMTEs to operate as a network and shed a very narrow view of competition. In tourism, the competitiveness of SMTEs and that of the destinations where they operate complement each other. This is because the entire spectrum of local firms and resources comprising the destination constitute the total tourism experience and ultimately the main motivation for travelling. Thus the amalgam of products and services provided by all SMTEs at the destination level should aim to maximize the satisfaction of consumers’ needs and wants. In this sense, SMTEs need to cooperate at the destination level in order to increase their total competitiveness as a destination (or as the total tourism product) against substitute tourism and leisure products or factors that reduce their profitability or market share. SMTEs’ often myopic perception of competition that concentrates exclusively on neighbouring similar enterprises should be reconsidered. For example, a tourism producer
may find it advantageous to establish and broaden its online offer by including booking for other local producers in an effort to offer consumers a comprehensive tourist product. Consequently, strategic management for both destinations and SMTEs should aim to increase the ‘size of the pie’, and thus the benefits for everyone involved in the local tourism industry, rather than the ‘size of the slice’ for each individual enterprise.

Reengineering of the SMTEs’ promotion and distribution processes and taking advantage of the emerging technologies will enable them to use their resources effectively in order to maximise profitability. A certain degree of standardization can then be achieved in order to facilitate the service delivery process as well as the interaction with partners, personnel, consumers, intermediaries, suppliers and governmental bodies. Buhalís (1996) emphasized that marketing cooperation will enable SMTEs to attract know-how and resources in order to position and promote their product effectively in the marketplace. The Internet has become an essential and growing channel of distribution where tourism providers are ‘coopetitors’, balancing between cooperation and competition (UNCTAD, 2005b).

There is a need for integrated marketing efforts by the SMTEs because merely having a website does not guarantee business. The website still has to be promoted through the conventional media options (such as information brochures). The website should also be linked to search engines so that the sites can be easily found when travellers are searching for information online. Not only does the website’s Uniform Resources Locator (URL) need to be promoted, but hyperlinks to other sites could also be beneficial.

Franch et al. (2003) analysed the impact of ICTs on the strategic and organisational behaviour of hotel enterprises in the Dolomites, one of the main tourist areas in the Alps region of Europe. They discuss the effects of the widespread application of new technologies among small hotels, looking specifically at whether and to what degree such technologies have
supported the creation of a network among SMTEs and enabled innovative processes in marketing. They found out that the following difficulties were experienced by the SMTEs:

- Small and medium hotels showed only limited interest in using online payment systems with credit cards. The principal reason for most was not only concern regarding the security of electronic payments but also the high commissions charged by banks for the service.

- There was low propensity to make use of intermediaries, whether they were Internet operators (for example, a travel portal) or organized tour operators. This was partly due to costs, seeing that the commissions taken by large tour companies were considered prohibitive and also to the small size of the hotels themselves, which in many cases did not allow the structure to make use of larger intermediaries.

- There was a general level of dissatisfaction with links to the DMO’s website, with operators indicating that it was difficult to locate their hotel among the multitude of enterprises and vast amount of information available at this site.

Franch et al. concluded that till now the Internet has not been an enabler of processes for structural, managerial or commercial reorganization for SMTEs. In spite of a positive perception of the usefulness of new technological tools such as email and websites, these technologies have been used only to conduct traditional business in a new way, bringing advantages in terms of efficiency and efficacy, but not being used to redesign the internal management and organisational structure, nor the network of relations with local partners within the value chain. Thus new technologies have had a typical ‘veiling effect’ insomuch as they have been used for traditional tasks but lack the capability to have a definitive effect on the reorganization of management processes. In this strategic and
organisational context, the Internet was used mainly as a marketing tool, mostly for promotional activities. However, the Web could provide the means for numerous initiatives able to consistently generate value added products/services for tourist destinations as a whole.

2.8.3. E-marketing drivers

Wymer and Regan (2005) pointed out that a common thread throughout much of the SMTEs e-marketing research is the study and application of variables that either act as barriers (inhibiting adoption and use) or act as incentives (promoting adoption and use). These variables varied considerably in different models and research methodologies. Most frequently, these variables are identified as either incentives (also referred to in the literature as drivers, determinants, motivators, accelerators or enablers) or barriers (inhibitors) to adoption and use. A number of research studies have attempted to group variables into categories, but once again, there is much inconsistency. For example, Al-Qirim (2004) used four categories: technological, organizational, manager/owner and environmental variables. Caldeira and Ward (2002) used the following four categories: internal context, external context, process and content. Magnusson (2004) categorized variables into the three dimensions of content, context and process. Soliman (2003) demonstrated that initial investment, operational costs, communication standards, connectivity and accessibility have a positive influence on the adoption decision. However, data-security concerns, network reliability, and bandwidth have a negative influence.

In a study of SMTEs in Greece, Buhalis and Deimezi (2003) found out that the most important barrier was the security aspect of Internet access, and in particular hacking and viruses. Second, speed and reliability of communications were problematic. A third barrier was lack of interest in e-commerce opportunities, mainly due to the scepticism about the potential benefits of e-commerce. Insufficient e-commerce skills as well as initial and continuing costs of the Internet are also featured as key inhibitors. Finally,
telecommunication costs – real or perceived – were also considered problematic due to the lack of a flat rate for Internet use.

Buhalis and Main (1998), based on a research undertaken in peripheral small and medium hospitality organizations (SMHOs) in Europe, explored the factors determining the adaptation of ITs by examining the stakeholders of small hospitality organizations, as well as the push and pull factors they exercise. Push factors are external forces which oblige enterprises to use ITs in order to avoid potential threats or jeopardize some of their functions. Pull factors provide incentives for enterprises to incorporate ITs in order to gain benefits in their operation. Several pull factors were identified, as they provide incentives for SMHOs to incorporate technology. Perhaps the most important factor is customer demand and the increasing number of computer-literate consumers who are empowered by the Internet and tend to use it for identifying and purchasing various products. Hence, SMHOs should start to realize that unless they satisfy this need they will fail to attract consumers. Thus, as SMHOs attempt to increase their market share, they would need to incorporate more technology in order to enhance their direct communication with consumers.

2.8.4. ICTs and SMTEs

Frangialli (1998) identified the changing face of the industry through the introduction of ITs in SMTEs as an important issue. As a result of these changes, a wide range of opportunities and challenges emerge for SMTEs and destinations. Traditionally the vast majority of tourism suppliers are small. Hence, they have enormous difficulties in marketing their products globally and compete with larger counterparts. Multinational organisations took advantage of the emergent technologies earlier than smaller ones and expanded their operations globally. Some SMTEs were absorbed by larger organisations or they had to develop franchising agreements with consortia,
such as the Best Western Hotels, in order to gain visibility in the marketplace.

However, the development of the Internet also empowers even tiny tourism organisations and destinations to be represented in the electronic marketplace and to network with consumers and partners alike. ITs facilitate the amalgamation of independently-produced products. It, therefore, enables the delivery of seamless tourism experiences by networks of small providers. Evidence from recent research in Greece, England and Wales demonstrate that Internet offers a cost-effective mechanism for marketing and particularly promotion and distribution of SMTEs.

Technology can offer significant advantages in operational (for example, property management systems), tactical (for example, yield management) and strategic management (for example, decision support systems) of SMTEs. Increasingly the use of ITs is a major prerequisite in forming strategic alliances, particularly in the supply chain; developing innovative distribution channels and communicating with consumers and partners. Both customers and partners also tend to place greater value on organizations that utilize ITs than their competitors (Hewson, 1996).

To date, most research into the implications of the Internet for small tourism firms has focussed on the barriers to ICT adoption with a propensity towards the adoption of online booking systems (Cooper and Buhalis, 1998; Evans and Peacock, 1999). SMTEs, much like other SMEs, tend to be time and resource poor, with their size being their main disadvantage (Werthner and Klein, 1999). As a result, they are overdependent on intermediaries for product marketing and distribution and, hence, have limited bargaining power in the distribution channel (Cooper and Buhalis, 1998; Werthner and Klein, 1999). Other barriers may be technology itself, where the lifestyle choice of owner-operators often entails a negative attitude towards ICT (Evans and Peacock, 1999). There is no doubt that SMTE managers of the future will need to become familiar
and comfortable with technology if they want to exploit its potential (Buhalis, 1999). However, since proprietors of SMTEs are often dependent on external ICT expertise, they fear losing control and are therefore resistant to change (Anckar and Walden, 2001).

Presenting the results of a three-year study on the usage of and plans for ICT training in a fragmented and SME-dominated European tourism sector, Evans et al. (2001) note that small tourism firms may well remain lost in the electronic marketplace, unless they are assisted in the usage of ICT tools and acquire the skills needed to participate in the digital economy. DMOs have a role to play in providing this assistance.

The diffusion of ICTs in the tourism industry enables SMTEs to enter tourism markets and interact directly with consumers and foreign tourism distributors, leading to a process of disintermediation. In this process, SMTEs offer their tourism products and services directly to a large number of consumers at a relatively low cost, and interact with them as well as with other tourism producers and distributors. The increasing number of consumers that use the Internet to plan leisure or business trips represents a major incentive for developing countries to organize and develop their tourism offer and its promotion over the Internet. The distribution of tourism information and products over the Internet is the main area where technological innovation has had the most profound impact on tourism enterprises (UNCTAD, 2005b).

ICTs enhance tourism distribution to an electronic marketplace where easy access to information and ubiquity is achieved and thus the interactivity of principals and consumers is enhanced. This new potential can be very beneficial for innovative SMTEs that hitherto had little means to communicate directly with consumers as well as to defend themselves against the horizontal and vertical integration of large multinational tourism corporations (Buhalis, 1994; 1995). The Internet empowers the marketing and communication functions of remote, peripheral and insular destinations.
as well as SMTEs that are enabled to communicate directly with their prospective customers and differentiate their products according to their needs.

Despite all the benefits achieved, the Internet and new technologies have failed to make a major impact on the majority of the SMTEs in the hospitality industry. SMTEs have been slow to adopt and realise the actual benefits of applying ICT to their business (Buhalis, 2003; Morrison et al., 1999). Collins et al. (2003) investigated the SMTEs in the European hotel sector and their utilisation of the Internet. The study demonstrated that SMTEs are not utilising information technology in their businesses to its full potential. They primarily see the Internet as a mechanism for promoting their hotels. SMTEs do not use the Internet for intra- and interorganisational purposes. SMTEs use the Internet for other purposes such as sourcing information, online buying and banking. This may be due to the lack of knowledge and skill by managers of SMTEs on how to use the Internet for intra- and interorganisational communication.

Starkov and Price (2003) reported that in order to be successful online, it is critical for hotels to have online reservations. From the qualitative survey it emerged that very few SMTEs facilitate online reservations. However, the majority of SMTEs surveyed do have booking request forms and use e-mail to communicate and provide confirmation of a reservation back to the customer.

Collins et al. (2003) demonstrated that the vast majority of SMTEs use the Internet as a digital brochure and promote limited information through their webpage. Interactivity is primarily through e-mail, and the content is more static than dynamic. Qualitative research also confirmed that the majority of SMTEs are unable to develop a comprehensive e-marketing strategy that would have enabled them to promote their website, ensure search engine optimisation and drive customer relationship management (CRM) to a wider and more targeted audience.
However, according to Anckar and Walden (2001), there is evidence that there are small minorities of SMTEs that are taking full advantage of the electronic marketplace and who are benefiting from the many opportunities that it provides. This in turn sends out a warning signal to SMTEs who have yet to have an online presence and urges them to use the Internet as a mainstream distribution channel and to integrate ICTs into their daily business process. Otherwise SMTEs will lose out in maximising both their performance and profitability in the long term.

2.9. Evaluation of tourism websites

Websites are essentially store houses of information that is provided in such a way that it helps the visitors and thus affect their view of the websites’ effectiveness. Huizingh (2000) proposed two key characteristics of a B2C website, namely content and design. Content refers to the information, features or services offered in the website, while design is the way in which the contents are presented to customers. The contents of a B2C website play an important role in influencing the purchase decision process of a consumer. They should allow the consumers to locate and select the merchandise that best satisfies their needs. Thus, the usefulness of a B2C website not only depends on the information content but also on the tools provided for navigating through and evaluating the use of the information. The information given in a B2C website should be just sufficient for the consumers to make a decision, and care should be taken to avoid giving too much as this is likely to result in information overload (Keller and Staelin, 1987).

A consumer buying process could be viewed as a sequence of several stages, of which information search and information evaluation are two important preparatory steps. Lower cost of information search is a fundamental benefit of electronic markets (Bakos, 1991). Therefore, B2C sites that offer navigational tools which would ease the search process are
likely to be more effective. The next stage in the consumer decision process involves evaluation of alternatives before making a final purchase decision. E-retailers differ in the extent to which they facilitate the comparison of alternatives. Internet shopping has the potential to provide superior decision aids for making comparisons compared to traditional retail shopping. Research studies have also shown that decision aids have a favourable effect on the quality of online purchase decisions (Haubl and Trifts, 2000).

One of the frequently cited concerns about online shopping is the security of monetary transactions. Despite various technical advancements in Internet security, like cryptography, digital signatures, certificates and authentication, consumers are still concerned. A survey found 70 percent of the consumers expressing their fears about Internet security. Though it has been found that perceived Web security has a positive influence on the intention to purchase, security still remains one of the major barriers to online shopping (Kiely, 1997). To overcome such fears, many B2C websites offer alternative payment modes, like telephonic transactions or cheques. In order to allay the consumer concerns, many websites also offer individual accounts with a log-in ID and password.

B2C websites use a number of mechanisms to gather information about the visitors. Explicit modes of gathering (such as opt-ins, registration forms, web surveys and sign-ups) and implicit means (such as the use of cookie files and click-stream data gathering) are commonly used. Information about consumers provides crucial inputs to marketing, advertising and product-related decisions made by merchandisers. But a growing number of Internet users have expressed their concerns over potential misuse of personal information.

Website characteristics and purchase intentions are better explained under the framework of the Technology Adoption Model (TAM) (Davis, 1989; Davis et al., 1989). Lee et al. (2001) expanded on the original TAM model and introduced an e-commerce adoption model that included
perceived ease of use, perceived usefulness, perceived risk with products/services and perceived risk in the context of online transaction. An easy-to-use travel website would imply aspects such as navigability, efficiency, consistency and compatibility (Morrison et al., 1999). Another aspect of the website that relates to perceived ease of use is the information, features and functionality available on the site. This is especially the case with complex products such as tours, packages and cruises, where consumers seek exhaustive information before making the purchase decision.

2.9.1. Website evaluation frameworks
Website evaluation has developed in an ad hoc way using a variety of criteria and methods. A number of researchers have examined the use of the Internet for commercial purposes. Liu et al. (1997) examined the websites of Fortune 500 companies to identify how they were using the web for interacting with their customers. They found that 95 percent use websites to provide information on their products and services, and about 26 percent do some kind of electronic transactions. Hoffman et al. (1995) provided six categories for classifying commercial websites, namely: online storefront, Internet presence, content, mall, incentive site and search agent. Most of these studies have been descriptive in nature trying to describe the existing state of affairs and industry practices.

Another group of researchers attempted to develop frameworks and models for B2C e-commerce. Liu and Arnett (1998) proposed a framework for designing quality B2C websites. Hoffman and Novak (2000) analyzed a few case studies to recommend several measures for improving B2C websites. Patrick and Joe (1998) extended the conventional model of consumer buying behaviour to online purchases and made recommendations for improving online commerce. These studies have been prescriptive in nature, offering several useful guidelines for conducting B2C e-commerce. Most studies have either adopted a technical or organizational
approach to studying B2C e-commerce. Those adopting the first approach using technology-related issues adopt the point of view of technical executives. Those following the second approach, focus on top management concerns about aligning e-commerce strategy with business strategy (Ho, 1997). In spite of a sound technical architecture and a formal e-commerce strategy derived from business strategy, a B2C website will not be effective if it fails to meet customer expectations. Hence the need arises for a marketing evaluation of the website where the service encounter happens. The evaluation of the online customer interface (that is, the website) offers significant input to tourism website designers (WTO, 2005).

Research on efficacy of websites is extensive, with many works aimed at evaluating a diverse range of providers in the hospitality industry (Kasavana, 1997; 2001; Morrison et al., 1999). However, specifics of website effectiveness such as technical performance are outside the context of this study.

The accent on customers and customer service leads to models of customer service factors related to marketing on the Internet. Ditto and Pille (1998) suggested three levels for the degree of consumer impact provided by a website - informational, transactional and relational levels. The informational is the most basic level, with the website merely providing the same information available through traditional marketing. Here the customer can learn about the enterprise in a one-way process similar to conventional marketing that is not interactive. This is entry level for most firms. The transactional level enables communication with the customer, who identify with the site via options such as a ‘virtual tour’. There is two-way communication albeit with the purpose of the customers contacting the enterprise by email, telephone or post. At the relational level the enterprise can develop interactivity with a customer enabling the development of a continuous relationship from the original transaction, via the Internet. This may be through such means as the creation of e-groups and e-boards to
support virtual communities representing customer groups with similar needs or interests. Higher connectivity is expected to enhance this level of activity. In order to create a website working at the relational level, an SMTE will need to see the Internet not in terms of technology or marketing alone but as a key factor in the management of the enterprise.

Mich and Franch (2000) used seven Loci or dimensions to constitute a general framework of the quality models that is independent of the sites under analysis. The first dimension, identity, regards the image that the organization projects and therefore all elements that come together in defining the identity of the owner of the site. The second and third dimensions — content and services — refer, respectively, to the information and services available for users. The content is particularly important because it directly influences the perceived image of the destination and creates a virtual experience for the consumer. The fourth dimension, location regards the visibility of a site; it also refers to the ability of the site to offer a space where users can communicate with each other and with the organization. The fifth dimension, maintenance comprises all activities that guarantee proper functioning and operability of the site. The sixth dimension, usability determines how efficiently and effectively the site’s content and services are made available to the user. The seventh dimension, feasibility includes all aspects related to project management. The seven Loci meta-model supports a systemic approach to evaluating website quality that takes into account these diverse components coming together at a site and the importance of satisfying the needs of all actors. In fact, it strongly influences both the efforts (cognitive and operative) and the resources (time and finance) needed for the evaluation projects.

Doolin et al. (2002) have used the extended Model of Internet Commerce Adoption (eMICA) to benchmark the relative maturity of websites used in the tourism industry. Their work highlights the utility of
using interactivity to measure the relative maturity of tourism websites. The eMICA model proposes a staged approach to development of websites. It consists of three stages, incorporating three levels of business process - online promotion, provision of information and services, and transaction processing. The stages of development provide a roadmap that indicates where a business or industry sector is in its development of Internet commerce applications. Together with the levels of functionality of tourism websites identified in this study, the eMICA model offers a useful tool for individual organisations to evaluate and monitor their ‘Net-readiness’ over time. As sites move through the stages of development from inception (promotion) through consolidation (provision) to maturity (processing) layers of complexity and functionality are added to the site. This addition of layers is synonymous with the business moving from a static Internet presence through increasing levels of interactivity to a dynamic site incorporating value chain integration and innovative applications, thereby adding value through information management and rich functionality (Timmers, 1998). The results of the study (Doolin et al., 2002) suggest that in the tourism industry major milestones in e-commerce development are:

- moving beyond a basic web page with an email contact, to providing links to value-added tourism information and the use of web-based forms for customer interaction;
- offering opportunities for the consumer to interact with the website through (a) value-added features such as sending electronic postcards or recording their experiences and reading others’ experiences in online guest books and (b) the provision of online customer support via internal site search engines and searchable databases;
• the beginnings of e-commerce transactions with the acceptance of online bookings for accommodation, travel and other tourism services; and
• full adoption of e-commerce, where consumers are able to complete transactions online through secure channels.

Wan (2002) evaluated the websites of international tourist hotels and tour wholesalers in Taiwan. The evaluation system uses content Analysis to evaluate the websites and consists of three general user criteria: user interface, variety of information and online reservation. The methodology adopted in this study is the value-added model based on information systems. The key elements of this model are user interface (accessibility, formatting, help and flexibility) and system quality (simplicity, currency and comprehensiveness).

Ranganathan and Ganapathy (2002) examined the key characteristics of a B2C website as perceived by online consumers and derived four key dimensions of B2C websites: information content, design, security and privacy. Though all these dimensions seem to have an impact on the online purchase intent of consumers, security and privacy were found to have greater effect.

The website evaluation frameworks mentioned above do not offer a comprehensive evaluation framework to evaluate the websites. They all place a stronger emphasis on one dimension or the other (for example, interactivity, utility, quality, content and so on) and as a result fail to capture the marketing evaluation of the websites and to analyze the online service encounters. In this context, the Rayport-Jaworski’s (2002) 7Cs framework is found to be appropriate for the task. Table 2.1 highlights the different website evaluation frameworks along with the key dimension emphasized by them.
From a marketing viewpoint, traditional marketing mix elements involve product, price, promotion and place (McCarthy, 1981). In the case of service marketing physical surroundings, participants and processes are added to the marketing mix (Booms and Bitner, 1981). These, however, do not fit into the e-marketing paradigm. On the Internet, ‘face-to-face’ encounters common in the traditional retail environment have been widely replaced by ‘screen-to-face’ interactions (Mohammed et al., 2002). Seven design elements of customer interface, as illustrated in Figure 2.8, have been suggested. They include content, customization, community, commerce, context, communication and connection (Rayport and Jaworski, 2002).
Content is defined as all digital subject matter on the website. It may include the itineraries/tour/product information, maps, pictures, security/privacy/quality statement, price information and so on.

Customization means the website’s ability to tailor itself to different users or to allow users to personalize the site. Service that allows customers to design personal itineraries by themselves is a good example of customization. Websites offering multiple language support and search (on the basis of a personal query) facility may be credited for this design element.

Community is defined as the interaction that happens between and among the website users. User-to-user communication can occur between two users or involve many. It serves to organize favourable customers and to increase their loyalty. Furthermore it is expected
that they play a critical role as opinion leaders for general customers through word-of-mouse, which is the online equivalent for word-of-mouth. Customer postings and guestbook comments are certain instances of community-building, though not in a dynamic sense.

- **Commerce** means the website’s capability to enable commercial transactions. Online reservation, payment and cancellation features indicate a highly commerce-oriented website. Cross-selling commerce is gaining popularity in an increasingly ‘connected’ world.

- **Context** involves the website’s layout and design. It has both aesthetic (for example, colours and visuals) and functional (for example, simplicity and ease of navigation) design elements to communicate the site’s main benefits. Some websites are search engine optimized to rank high on search results and therefore stand a better chance of getting noticed and then visited by the browsing customer.

- **Communications** refer to the dialogue that unfolds between the website and its users. This communication can be of three types: site-to-user communication, user-to-site or two-way communication. On many tourism websites, this function enables the user to talk directly with the contact person while using the site.

- **Connection** is defined as the number of formal linkages between the website and other websites. It involves a program that supplies affiliated sites with banner advertisements to link visitors from other sites to a particular site.

**2.9.2. Trade-offs in website design**

The design of a B2C website plays an important role in attracting, sustaining and retaining the interest of a consumer at a site. The design is as important as the contents. Literature discussing the design principles of a B2C website highlights three important issues: ease of navigation of the
website, time taken for navigation and page download, and use of multimedia to improve its visual appeal.

One of the important characteristics of a B2C website that makes a customer comfortable is the ease with which it could be navigated. Difficulties in navigating a B2C website have been cited as a barrier for online purchase. Poorly designed navigation also has a negative impact on online sales (Bellman et al., 1999). Hence consistent navigation links to each page of the website, useful navigation buttons and an index to the website have been suggested as important issues while designing a B2C website.

Convenience and time saving are often cited by consumers as important reasons for shopping online. B2C sites must be designed in such a way that consumers spend less time in finding the information they are looking for. Delays in searching or in loading a webpage might turn the consumers away to other sites that have faster download and display times. The download time is dependent on the size of the page, the extent of multimedia content in it, presence of applets or other programs, and technical parameters like the networking infrastructure, bandwidth connection between nodes and infrastructure and so on. It is essential to strike a balance between these parameters in order to keep the download and display times at an acceptable level. Waiting times of 30 seconds or more are considered unacceptable (Shneiderman, 1998).

B2C websites often use animation, video, music and other multimedia effects to capture customer attention. Multimedia combines static and dynamic images, sounds and text, and captures the consumer’s attention more decisively than any of those elements alone. Thus it reaches the audience on multiple cognitive levels and results in higher retention. Though multimedia increases the aesthetic element of a webpage and increases the visual appeal, a fine balance must be made between multimedia elements and download times.
In order to avoid delays, several websites offer multiple versions: the option to choose text-only versions, low bandwidth and high-speed connection driven pages. An effective B2C website should be able to accommodate different connecting capacities, depending on the choice of user, in order to reduce delays and waiting times.

Law and Leung (2002) have raised concerns that there is a lack of understanding of the importance of websites among some tourism companies. This, together with the tendency to outsource, leads to organizations having websites that ‘contain a lot of information, but with a large portion being poorly organized, outdated or inaccurate’. Attitudes towards websites often remain locked in the advertising domain and tourism companies fail to realize benefits such as increased sales volume and improved reputation.

2.10. The Internet influence on the tourists

The emergent information society and the knowledge-based economic powers will therefore redefine the ability of regions and enterprises to prosper in the New Economy. Inevitably the demand side of the tourism industry is also affected by the technological revolution. The new, sophisticated, knowledgeable and demanding consumer increasingly becomes familiar with the emergent ITs and requires flexible, specialized, accessible and interactive products and also communication with principals (Buhalis, 1998).

Information is a necessity to the traveller. Tourists need information to aid planning before they embark on a trip or purchase a vacation. As no refund is typically available for bad service, or a bad vacation, consumers face a significant risk. O’Connor (1999) points out that ‘since travellers cannot pre-test the product or easily get their money back if the trip does not meet up to their expectations, access to accurate, reliable, timely, and relevant information is essential to help them make an appropriate choice’.
Due to the inability to pretest or preview the tourism service, marketing communications is a key factor in consumer choice. This is more critical than in other tangible consumer products or services. Buhalis and Main (1998) acknowledge that "the greater the degree of perceived risk in a pre-purchase context, the greater the consumer propensity to seek information about the product". Tourists seek current reliable information and may make a high-risk decision about their vacation destination based on this information.

2.10.1. Profile of the online tourist
Many studies have been conducted to profile the typical online user using the demographic characteristics. The typical Internet user of the 20th Century is young, professional and affluent with higher levels of income and higher education (Palumbo and Herbig, 1998). They value time more than money, which automatically makes the working population and dual-income or single-parent households with time constraints better candidates for non-store retailers to target (Burke, 1997). Internet usage history and intensity also affect online shopping potential. Consumers with longer histories of Internet usage are educated and equipped with better skills and perceptions of the Web environment. They have significantly higher intensities of online shopping experiences and are better candidates to be captured in the well-known concept of flow in the cyber world (Sisk, 2000; Hoffman and Novak, 1996; Liao and Cheung, 2001). Those consumers using the Internet for a longer time from various locations and for a higher variety of services are considered to be more active users (Emmanouilides and Hammond, 2000). A study of international travellers by Heung (2003) found out that the Internet users with better education were more likely to purchase travel products online.

2.10.2. Online search and shopping motivators and inhibitors
Researches studying the intention of the online users in B2C e-commerce context have lead to identifying the motivations and inhibitions of the users.
Convenience, price comparison and lower prices were identified as the three main reasons why Internet users buy travel products online (Starkov and Price, 2003). In a study by Swaminathan et al. (1999), the most compelling motivation became the convenience to shop 24/7 from the luxury of one’s home.

With respect to factors determining the usage of the Internet for travel information and shopping, Heung (2003) found that convenience and time savings are the two main considerations for Internet users. Therefore, travel planners and marketers should simplify the online purchase process involved so as to meet the needs of their potential markets. In contrast, since ‘prefer other services’ and ‘concerned about security’ are two main reasons that discourage travellers from using the Internet, it appears that the main challenges faced by online travel planners and marketers are the ‘virtual’ nature of the transaction and security. Many Internet users are concerned about the security of personal information and whether it is used appropriately. It is therefore critical for the travel and tourism e-marketers to address the issue of security. In order to gain the confidence of the customers, travel and tourism e-marketers should establish security measures and ensure that the internal database generated from the transaction is used judiciously.

In the travel context many components may make up for the travel experience and therefore the combination of convenience, immediacy and rich information is highly effective (Beldona et al., 2004). Weber and Roehl (1999) found that the most frequently cited reasons for not purchasing travel products online are (in the order of precedence) credit card security, no assessment of product quality, privacy issues and ‘rather purchase locally’.

Trust and social contact are the main concerns for many consumers, particularly when planning leisure travel (Lewis and Semeijn, 1998). In the e-commerce research area, consumers’ trust in online purchasing has
captured a central part of academic interest. Many consider the lack of trust to be a very significant factor affecting intention to purchase from the Web. Discussion has focussed mainly on security of transactions, privacy of customers’ personal information and general trust in the vendor with whom the customer has not had any prior experience (Gefen et al., 2003). Trust is certainly a problem when there are plenty of possible online vendors on the global market of the Internet. According to Gefen et al. (2003), trust can be thought of as a strategy to reduce complexity in uncertain situations increasing the perceived certainty concerning the vendor’s possible behaviour. The customer trusts that the vendor will not behave opportunistically to exploit consumers and thus trust encourages customers into shopping online.

In the context of online trust, Grabner-Kraeuter (2002) defined two uncertainty types: system-dependent and transaction-specific uncertainty. System-dependent uncertainty in the e-commerce context is caused by technological problems or unclear or non-existent legal norms. A reason for transaction-specific uncertainty is an asymmetric distribution of information between the transaction partners materializing in decisions of economic actors. According to the study results (Grabner-Kraeuter, 2002), experienced online purchasers considered the Internet more suitable for travel reservations and were more likely than their inexperienced peers to use the online booking system in the future. Furthermore, inexperienced online purchasers preferred conversation during the booking task more and had more concerns about online booking than the experienced ones. In addition, concerns about online booking very clearly affected future purchase intentions.

Previous research (Jarvenpaa et al., 2000; Reichheld and Schefter, 2000; McCole and Palmer, 2002) has 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. Järveläinen and Puhakainen (2004) explain the motivations of consumers who seek information online and make the transaction offline with a familiar and reliable company operating both online and offline, using secure transactions as well as guaranteeing information privacy. Many online information seekers required extra information that could be obtained, in their opinion, more easily from the customer service person than the company’s website. This calls for redesigned websites that are a better match for the customers’ information needs. Referring to prior studies, information seeking can be very time consuming and difficult on the Internet (Anckar, 2002; Öörni, 2002). Factors that limit Internet shopping were identified by Jarvenpaa and Todd (1997) as bandwidth and network security, difficulties in navigating the Internet, limited offerings of individual sites, lack of price competitiveness and disappointment with customer services. Weber and Roehl (1999) revealed some important online shopping features for online travel purchases. The most important feature is ‘security of sensitive information’, followed by ‘quality of information about purchase choices’ and ‘Internet vendor’s reliability’.

The revolutionary developments in ITs, which have been experienced through the proliferation of the Internet since 1990s, illustrate that consumers increasingly rely on the Internet for travel information. They utilize commercial and non-commercial Internet sites for planning, searching, purchasing and amending their travel.

2.10.3. Online tourist behaviour

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.

Hoffman and Novak (1996) observed that consumers engage in two general categories of behaviour in computer-mediated environments like the
Web: goal-directed and experiential. Goal-directed behaviour corresponds to a directed search mode of network navigation in which the consumer is extrinsically motivated to find a particular site or piece of information on a site. On the other hand, experiential behaviour is intrinsically motivated and corresponds to a non-directed, exploratory search mode.

Liu (2005) suggested that the Internet leads both to new ways to meet changing consumer behaviour – they are less loyal; tend to make more but shorter vacations; and the time between decision making and consumption decreases - and to an ‘informatization’ of the entire tourism value chain. Not only processes are changed but also new services can be designed, extending the range of options to customize and configure products. Customization describes the process of individualizing products or services, based on IT enabled mass-customization. Configuration refers to the bundling of different product or service components to integrated offerings. Companies combine their core products with layers of additional services.

Walle (1996) has indicated that there is an increasingly available supply of travel and tourism resources on the Internet encompassing a broader base of users and potential users. In general, the Internet can be used in two distinct (but not mutually exclusive) ways: first, as a source of data by which the user accesses resources purely to get information; and second, as a means of marketing and thereby facilitating business transactions.

Smith (2004) concluded that consumers visit commercial websites for at least two reasons; they are either searching for information on a particular product or service, or they want to purchase something in particular. Consumers have traditionally relied upon on travel agencies for the management of these travel plans. Increasingly, the typical e-travel consumer wants to take more control of his/her own travel plans.
Peterson *et al.* (1997) found that consumers are able to gather information about products and services on the Internet. But the information gathering capability of the online consumer can profoundly affect behaviour through changes in market dynamics (Clark and Wright, 2005). Traditional Economics of Information theory (Nelson, 1970; Darby and Karni, 1973) states that as consumers are not perfectly informed about all alternatives available in the market, their perceptions of price dispersion (variations in pricing for the same products in different markets) or information variation will drive them to search behaviour during the decision-making process. In addition, the extent to which consumers are willing to search for information will be dictated by the perceived benefits versus costs of the search and their previous experience and knowledge. The more consequential the purchase decision, the more time and effort consumers are willing to expend to search for information that they believe will lead to a good decision (Beatty and Smith, 1987). However, for online consumers, factors such as lower search costs and greater availability of information can increase the extent of searching done and the amount of information gathered, allowing the online consumer to consider more alternatives than his/her terrestrial counterpart. Biswas (2004) suggested that over time, this activity could actually reduce price dispersion among vendors, who traditionally relied on information asymmetries to maintain differential pricing. This leads to online consumers becoming less price-conscious as they benefit from factors such as personalisation and brand loyalty, and consequently are more willing to pay a premium for higher levels of service, customised offerings, recognised brands and so on.

Beldona *et al.* (2005) have evaluated the relationship between consumer purchase motivations across low and high complex travel products and concluded that the low complex product purchases were driven by transactional contexts and the high complex product purchases by informational contexts.
In a study of Internet usage among the international travellers, Heung (2003) concluded that understanding how travellers behave is of critical importance to travel marketers in formulating appropriate marketing strategies so as to fully exploit the developing potential of the Internet as a new business channel. 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. On the Internet, consumers can self-build a combination of various complementary travel products with relatively less difficulty when compared to the traditional context. 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. For example, accommodations can be bought from accommodation sites, intermediaries, airlines and even destination sites. Of course, the level of detail provided by each of these websites varies based on what the core and secondary offerings are. As Werthner and Klein (1999) argue, the need for assistance in travel reservation task increases when the complexity of product is high and the knowledge of the customer is low.

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 is 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. Attempts to study purchase reluctance and abandonment can help understand how to turn surfers into shoppers by making them enter into continuous interaction with this environment (Berthon, 1996).

Buhalis (1994; 1997a) has suggested that ITs improve the service quality and contribute to higher guest/traveller satisfaction. Increasingly,
ITs enable travellers to access reliable and accurate information as well as undertake reservations in a fraction of the time, cost and inconvenience required by conventional methods. Customer satisfaction depends highly on the accuracy and comprehensiveness of specific information on destinations' accessibility, facilities, attractions and activities (Buhalis, 1994). This is because the gap between consumers' expectations and perceived experiences is smaller and thus, unpleasant surprises from the destination or principals are minimized (Buhalis, 1997a).

2.11. Chapter Conclusion

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 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. This chapter has presented a review of the extant literature on the Internet impact on the marketing function, tourism industry, SME sector and tourists. The review of literature highlighted the avenue for this research and clarified certain under-investigated or unsettled areas of study. An appropriate framework for marketing evaluation of SMTE websites has been identified for this study after perusing through the website evaluation frameworks/model put forth by various researchers in this area.