Factors Affecting the E-Commerce Adoption by Small Hotels: A Comparative Case Study

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ABSTRACT

Information and communication technologies (ICTs) are spreading rapidly and affecting almost all aspects of daily life, including businesses. The tourism and hospitality industry have been largely affected by advancements in ICTs. ICTs offer both opportunities and challenges for SMEs in the tourism and hospitality industry. Although large companies have been quick to adopt ICTs with rich resources, SMEs have been slow to adopt these technologies in general for various reasons, especially in developing countries. In this article, the authors explore the factors affecting the adoption of e-commerce by small hotels. To attain this purpose, a comparative case study was conducted in two small hotels, and their use of the Internet and the Web was explored. Conclusions derived from this study provide a meaningful contribution to the understanding of e-commerce adoption in small businesses in the tourism and hospitality industry.

Keywords: E-Commerce, Information and Communication Technologies (ICTs), Internet, Small Hotels, Tourism and Hospitality Industry

1. INTRODUCTION

Internet use has grown and spread rapidly around the world during the last decade. ICTs are increasingly becoming necessary in almost all aspects of life. Today, computers and the Internet have become an indispensable part of the modern society. It is estimated that there are approximately 2 billion (28.7% of the world’s population) Internet users in the world. From 2000 to 2010, the number of Internet users around the world increased by 444.8% (Internet World Stats, 2010) and Internet use in all areas of life has become more common over time. The use of Internet for commercial purposes has also greatly increased. Computers and the Internet have changed the way we live, the way we communicate, the way we get education, and the way we make business (Lee & Chan, 2008). Today, many businesses depend on computers and Internet for their daily operations.

The Internet has many benefits and advantages to small businesses. It serves the small businesses in many ways. As a means of trans-
action, the Internet serves as a marketplace to bring sellers and buyers together for conducting sales; as a communication medium, the World Wide Web provides an inexpensive, easy and fast way for interacting with customers, suppliers and other businesses, and a company’s Web presence helps enhance credibility, gather feedback, improve customer service, and facilitate business process (Chen et al., 2003).

SMEs face various challenges when adopting the Internet and e-commerce. These difficulties are mainly related with SME’s structure and their surrounding environment (Al-Qirim, 2007). Small businesses usually lack the technical knowledge, the financial power, the know-how, and the experience (Al-Hawari, Al-Yamani, & Izwawa, 2008). Overall, the literature suggests that Internet use is not prevalent among small enterprises (Karanasios, 2007), especially in developing countries.

Since the tourism and hospitality industry is very important for developing countries to prevent unemployment and to achieve economic development, tourism is the top national priority for economic development in many developing countries, and because of its relatively low start-up costs and its high potential to attract foreign capital, e-tourism is being promoted (Bui, Le, & Jones, 2006). The vast majority of hospitality businesses around the world are small and medium sized, belong to local entrepreneurs, are run by family, and generally employ members of the local society (Main, 2002). Because small and medium sized hospitality organizations provide stable employment opportunities and support the integration of local economies in peripheral areas, even during recession periods, despite their size, these organizations are very important (Buhalis & Main, 1998).

The tourism and hospitality industry has relied mainly on information, while tourism services are produced and consumed in a physical world in a regional or local context, purchase decision 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 (Braun, 2006, p. 234). In this case, the ICTs, especially the World Wide Web, can provide the information to customers looking for data as part of their purchase process.

The tourism and hospitality enterprises can obtain a wide range of benefits from using the ICTs. These technologies can reduce costs, enhance operational efficiency, help to access international markets and most importantly to improve service quality and customer experience in tourism and hospitality enterprises (Law, Leung, & Buhalis, 2009). The Internet can create a direct link between the members of the hospitality industry and consumers, and also websites can provide information about the services and create an instant confirmation response to an inquiry such as room availability (Braun, 2006, p. 234). Despite these apparent benefits and advantages, the small hospitality business owners do not use the Internet and Web to its full advantage (Lituchy & Rail, 2000; Hudson & Gilbert, 2006).

The main aim of this paper is to examine factors affecting the adoption of e-commerce by small hotels by using a comparative case study approach with investigating the cases of two small hotels in a small Turkish city.

2. LITERATURE REVIEW

From the literature reviewed several factors were identified as having considerable influence on the adoption of e-commerce among small businesses. These factors can be summarized as follows: organizational factors, technological factors, individual factors, management factors and environmental factors (Al-Qirim, 2007; Upadhyaya & Mohanan, 2009; Rogers, 2003; Cloete, Courtney, & Fintz, 2002). These affecting factors could be briefly summarized as follows: Organizational factors: user involvement, external/internal communications, quality of internal information technology (IT) systems and capability, top management support, size, information intensity of products, specialization; Technological factors: observability, trialability, relative advantage, cost, complexity, compatibility, image; Individual
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