



**THE ROLE OF E-COMMERCE IN FIVE-STAR HOTELS IN THE CAPE TOWN
METROPOLE**

by

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Signed

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ABSTRACT

Electronic commerce, popularly referred to as e-commerce, is the latest catchphrase surrounding the Internet and its many functions. In the past, the Internet was solely used for information seeking, but the 21st century has brought a new global economy to the fore – one that is conducted online. Tourism is seen as a driver of economic growth, contributing both to the Gross Domestic Product (GDP) of South Africa (SA) and creating jobs in the hospitality sector. E-commerce does not only provide a platform for business to be conducted online but also an opportunity for consumers to interact directly with industry. Many studies have been done previously about the perceived benefits of e-commerce in the retail sector, yet none in Cape Town and at five-star hotels in particular. It is well known that holidaymakers conduct an online search prior to booking accommodation; some of those potential guests in turn choose to finalise their bookings online. The purpose of the study was to investigate the role of e-commerce in five-star hotels in the Cape Town Metropole. The main objective of this study was to define what e-commerce is for five-star hotels in the Cape Town Metropole and determine if the hotels are using e-commerce as a booking method. Online questionnaires were used to gather primary data and a literature review was presented as secondary data. The findings of this study showed that all the hotels surveyed use online bookings and half of the respondents believe Online Travel Agents (OTAs) generate more revenue than traditional methods of room reservation. When asked to rank methods of room's reservations, there was a slight difference between telephone bookings and e-commerce as number one. This could mean that while electronic methods are popular, they have not completely replaced traditional methods. The researcher recommends that five-star hotel managers train the rooms' division staff to respond to negative reviews on social media, as this was one of the findings. The hotels should also learn how to effectively use their social media presence to increase room sales.

(Keywords: e-commerce, tourism, hospitality, OTAs)

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ABBREVIATIONS AND ACRONYMS

ADSL	Asymmetric Digital Subscriber Line
ARPANET	Advanced Research Projects Agency Network
ATM	Automatic Teller Machine
B2B	Business to Business
B2C	Business to Consumer
BBC	British Broadcasting Corporation
CATHSSETA	Culture, Arts, Tourism, Hospitality, Sports Sector Education Training Authority
CERIAS	Center for Education and Research in Information Assurance and Security
CERN	European Organization for Nuclear Research
CPUT	Cape Peninsula University of Technology
CRS	Central Reservation System
CTIA	Cape Town International Airport
EC	Electronic Commerce
EDI	Electronic Data Interchange
EFT	Electronic Funds Transfer
FIFA	Fédération Internationale de Football Association
GDP	Gross Domestic Product
GDS	Global Distribution System
ICT	Information and Communications Technology
IT	Information Technology
MC	Mobile Commerce
ORTIA	Oliver Reginald Tambo International Airport
OTA	Online Travel Agent
SAA	South African Airways
SMS	Short Message Service
TGCSA	Tourism Grading Council South Africa
WESGRO	Western Cape Destination Marketing, Investment and Trade Promotion Agency
WOM	Word of Mouth
WWW	World Wide Web

GLOSSARY

- The **Dotcom Bubble** refers to a period in the late 1990s when the American stock market was fuelled by the rise of the Internet and the technology industry. The bubble was caused by the growth of Internet users and investors pouring money to finance start-up Internet-based companies without any caution as to whether these companies would turn a profit or not. When the dotcoms failed to report a profit, the bubble burst which triggered a mild economic recession (*Business Dictionary*, 2015).
- **E-commerce** can be defined as commercial transactions conducted electronically on the Internet (*Oxford Dictionaries*, 2015).
- **E-procurement** refers to the online purchasing of goods and services. Using a web browser, buyers are able to review product catalogues, identify vendor services, conduct price comparisons, place orders and settle transactions (Kasavana & Cahill, 2007:225).
- **Groupon** is a special type of coupon website that offers group deals to a group of customers. Groupon offers a substantial discount to a group of people who want a particular product or service (Investopedia, 2015).
- The **Hospitality** Industry is defined by Mill (2008:103), as the provision of accommodation, food and drink for people away from home, for reward.
- **Internet** is defined by *Business Dictionary* (2015:1) as a means of connecting a computer to any other computer, anywhere in the world, via dedicated routers and servers.
- **Mobile Commerce** refers to the business activities conducted via wireless telecommunication networks (Zhang et al., 2012:1902).
- **Online Travel Agents** (OTAs) provide flight, hotel, car and cruise reservations on a website. All transactions are transmitted electronically (Wulf, 2012).
- **Social Media** are defined by *Oxford Dictionaries* (2015), as websites or applications that allow users to create or share content or participate in social networking.
- **Social Networks** can be described as a network of social interactions and personal relationships which enables users to communicate with each other by posting information, comments, messages and images (*Oxford Dictionaries*, 2015).

- A **Tablet** is defined by *PC Mag* (2015a) as a general purpose computer contained in a touchscreen panel. Modern tablets are operated by your fingers.
- **Tourism** can be described as the sum of the relationships arising out of the activities of persons travelling to and staying in places outside their environment, for a period of less than one year, for leisure, business and other purposes. (McCabe, 2009:2).
- **Travel Agents** are travel intermediaries who disseminate information and sell airline, hotel, cruiseline, lodging and car rental products and services (Dedrick et al., 2006:64).
- **World Wide Web** (www) is defined by Webopedia (2015) as a system of Internet servers that support specially formatted documents.

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CHAPTER 1

INTRODUCTION TO THE RESEARCH

1.1 INTRODUCTION

Davison et al. (2008:1396) claim tourism is one of the world's largest industries and a natural partner for the Internet, where it is also the world's largest online industry. Tourism is also growing fastest in developing countries, where it is a major component of most economies. According to the World Travel and Tourism Council (2014:1), the direct contribution of the travel and tourism sector to the world economy grew by 3.1% in 2013, contributing US\$2.2 trillion to the world gross domestic product (GDP) of 9.5% and 101 million jobs. Compared with other global sectors such as manufacturing, retail and distribution, public services, and financial and business services, the Travel and Tourism sector outperformed these areas from 2012–2014.

Kleinrock (2004:193-207), an American engineer and computer scientist, states that the Internet has fundamentally changed our institutions and business practices and has made it possible for communities of people to communicate and interact quickly, inexpensively, easily and widely. The number of Internet users worldwide is a testament to this statement. According to Internet Live Stats (2014), Asia (48.4%), North and South America (21.8%) and Europe (19%) have the highest number of users compared with Africa at 9.8% and Oceania at 0.9%.

Maswera et al. (2006:59) state that the emergence of the Internet has also created a dynamic, electronic marketplace, where a new species of e-commerce organisation is being established. Abd Halim et al. (2013:169) describe e-commerce as a business methodology that uses an electronic medium to perform entire business transactions.

Much has been written about the importance of Information and Communications Technology (ICT), particularly on how the use of ICT in the lodging industry is growing exponentially; this enables hotels to reconsider the way they are doing business (Mndzebele, 2013:63). Richard (2013:49) explains that suppliers and customers meet in a virtual space to perform transactions using Internet technology as it has the potential to add substantial value to business operations and competitiveness of a business. Richard (2013) further argues the potential value ICT offers needs to be exploited to raise corporate performance and competitive position.

The Statistic Brain Research Institute (2013) reports that 57% of all travel reservations are made on the Internet and 148.3 million travel bookings are made on the Internet each year. The top three visited travel sites include Booking.com, Expedia.com and Hotels.com. Brand websites had a 65.4% share of bookings, merchant websites 19.5%, opaque websites 11.3% and retail websites 3.7% share of all bookings. *Business Dictionary* (2015) defines merchant

websites as wholesalers or retailers who buy goods from any source and sell them at a profit. The researcher understands a brand website to be owned by a specific hotel. For example, Mercedes-Benz is a brand of car; therefore the Mercedes-Benz company will have its own website. An opaque website is described by InnLink (2015) as a website which offers heavily discounted rates to customers who can search the website by location and rates; the disadvantage is the customers do not know at which hotel they are booking until they finish the booking process.

While the preceding information shows positive utilisation of the Internet by tourism and hospitality providers, the question remains: what is the role of e-commerce in five-star hotels in Cape Town, South Africa (SA)?

1.2 PURPOSE OF THE STUDY

Studies in this area have been conducted on the perceived benefits of e-commerce, with dissimilar results. Maswera et al. (2008:188-189) contend that e-commerce has not only changed the way business is conducted, but has increased the revenue of organisations tremendously, in particular that of the travel and tourism industry. Li and Buhalis (2006:155-156) note that the hospitality sector in China uses the Internet as a marketing tool for providing information on hotels; however, of those properties who received online reservations, Internet sales represented a small proportion of total revenue.

This research study aims to fill the gap by contributing to the literature and conducting a study in the tourism and hospitality industry in SA within the Cape Metropole. The study assesses the role of e-commerce in five-star hotels in Cape Town. Therefore, the components of the study measure e-commerce and methods of room reservation.

The study focuses on five-star hotels, in particular within the Cape Town Metropole. The *New York Times* (Khan, 2014) recently voted Cape Town as their number 1 city to visit in 2014. Khan (2014) and Cohen (2014) in the *Mail & Guardian* commented as follows: "While strikes shutter South African platinum mines and the poor protest about access to water and housing, the city's 22 five-star hotels are enjoying their best season since the boom that accompanied the hosting of the 2010 soccer World Cup."

For tourism and hospitality marketers to successfully communicate with their customers and to implement effective online marketing activities, these markets need to study the behaviour of consumers. If managers are aware of how consumers make online purchasing decisions,

managers can adapt their marketing plans and strategies to fit this new mode of business (Cobanoglu et al., 2006:56).

1.3 PROBLEM STATEMENT

It is not known if five-star hotels in the Cape Town Metropole are aware of the role of e-commerce.

1.3.1 Sub-problem 1

Five-star hotels in the Cape Town Metropole do not know what e-commerce is.

1.3.2 Sub-problem 2

E-commerce is not used in five-star hotels in the Cape Town Metropole.

1.3.3 Sub-problem 3

Five-star hotels in the Cape Town Metropole are unaware of the most common booking websites, for example, Booking.com.

1.3.4 Sub-problem 4

Five-star hotels in the Cape Town Metropole are unfamiliar with the difference between e-commerce and other methods of room reservation.

1.3.5 Sub-problem 5

Reservation managers of five-star hotels in the Cape Town Metropole are not aware of the use of e-commerce in their hotel.

1.4 RESEARCH OBJECTIVES

The study investigates the role of e-commerce in five-star hotels in the Cape Town Metropole as part of an investigative study and presents recommendations to the above problems.

The objective of the study is to ascertain the following:

1.4.1 Sub-objective 1

Define what e-commerce is for five-star hotels in the Cape Town Metropole.

1.4.2 Sub-objective 2

Recommend the use of e-commerce at five-star hotels in the Cape Town Metropole.

1.4.3 Sub-objective 3

Determine the most common booking website at five-star hotels in the Cape Town Metropole.

1.4.4 Sub-objective 4

Define e-commerce and other methods of room reservation to facilitate comprehension.

1.4.5 Sub-objective 5

Recommend reservations managers at five-star hotels in the Cape Town Metropole have an online presence across the e-commerce and social media spectrums.

1.5 RESEARCH DESIGN AND METHODOLOGY

Research design is the overall plan for connecting the conceptual research problems to the pertinent (and achievable) empirical research. The research design articulates what data is required, what methods are going to be used to collect and analyse this data, and how all of this is going to answer the research question (Van Wyk, 2012:4).

1.5.1 Research design and type

To investigate the role of e-commerce in five-star hotels in Cape Town, a deductive approach is used. The study is descriptive in nature, using quantitative methods such as the use of online questionnaires.

1.5.2 Research methodology

Data was collected by using quantitative techniques. The quantitative data was collected from revenue managers, reservations managers and online marketing managers of 15 five-star hotels in the Cape Town Metropole by using an online questionnaire. The attributes of online surveys are illustrated in Table 1.1.

Table 1.1: Attributes of online surveys

Attributes of Online Surveys	
Major Strengths	Major Potential Weaknesses
Global reach	Perception as junkmail
B2B-B2C Appeal	Skewed attributes of Internet population: upscale, male, etc.
Flexibility	Questions about sample selection and implementation
Speed and timeliness	Respondent lack of online experience
Technological innovations	Technological variations
Convenience	Unclear answering instructions
Ease of data entry and data analysis	Impersonal
Question diversity	Privacy issues
Low administration cost	Low response rate
Ease of follow up	
Controlled sampling	
Large sample easy to obtain	
Control of answers	
Go-to capabilities	
Knowledge of respondent vs. non-respondent	

Source: Evans and Mathur (2005:197).

1.5.3 Sampling and related issues

The research study focuses on the role of e-commerce in five-star hotels in the Cape Town Metropole. The population comprises revenue managers, reservations managers and online marketing managers working at these five-star hotels in the Cape Town Metropole.

The researcher compiled a list of 15 five-star hotels from the website of the Tourism Grading Council of SA (TGSA). The reason for selecting this website, is that the TGCSA is the only

officially recognised quality assurance body for tourism products in SA (Tourism Grading Council of South Africa, 2013a). All these hotels have been graded by set criteria for them to be rated five star.

Table 1.2: 15 Five-star hotels in the Cape Town Metropole

15 Five-Star Hotels in the Cape Town Metropole	
1	Andros Boutique Hotel
2	Belmond Mount Nelson Hotel
3	Cape Royale Hotel
4	Dock House Boutique Hotel
5	Ellerman House
6	Greenways Hotel
7	One & Only Cape Town
8	Queen Victoria Hotel
9	Steenberg Hotel
10	Sugar Hotel & Spa
11	Alphen Boutique Hotel
12	Cellars-Hohenort
13	Marly Boutique Hotel
14	Table Bay Hotel
15	Twelve Apostles Hotel & Spa

Source: Tourism Grading Council of South Africa (2013)

The number of graded five-star hotels in the Cape Town Metropole is small and therefore the researcher chose to survey the entire population. It is important to note that the respondents answering the questionnaire are not the sample.

1.5.4 Data-collection instruments

Primary and secondary data were collected. The secondary data comprised literature from sources such as academic journals, publications, textbooks, reports, articles, previous surveys, and historical information related to the study. The primary data was collected in the form of a survey.

Multiple sources of information were utilised. The researcher used a combination of literature review and questionnaires, ensuring the credibility and reliability of the study.

1.5.5 Data analysis and procedures

Quantitative data was obtained through the use of online questionnaires and analysed using a statistical software program called Statistical Package for the Social Sciences (SPSS) for Windows, Version 23.

1.5.6 Ethical considerations

In accordance with the research policy of the Cape Peninsula University of Technology (CPUT), the researcher sought ethical approval prior to carrying out this research.

The researcher obtained permission from the participants of the five-star hotels surveyed. Their participation was completely voluntary and no financial or sensitive information was solicited.

1.6 LIMITATIONS OF THE STUDY

Owing to the nature of the research, there were certain limitations that could have affected the outcome of the study. The sample is only an indication of what is happening in the Cape Town Metropole and is small. There was also a lack of information in this field as e-commerce is generally a new concept in SA, and has only become popular in recent years. Owing to the sensitive nature of certain information, some hotels were reluctant to share it with the researcher, until they were informed of the purpose of the study. Online reservation systems are also very complex and data collected could not be collected from all staff, but only from those directly involved in room sales.

1.7 SIGNIFICANCE OF THE RESEARCH

This research study will assist in the role that e-commerce plays in room reservation bookings in five-star hotels in the Cape Town Metropole. From a broad perspective, this study will contribute to the general body of knowledge pertaining to e-commerce in the tourism and hospitality industry in SA.

Similar studies have been conducted in other countries and in different areas. Therefore this research should fill a gap by conducting a study in the South African context. This was achieved by investigating how e-commerce is utilised by five-star hotels.

By identifying the role e-commerce plays in this rapidly growing industry, the research should be able to offer some insight into the use of the Internet by hospitality organisations and tourism providers in five-star hotels in the Cape Town Metropole. The researcher believes this marketing and sales tool is vital for managers to grasp, as tourism is an important growth sector in SA and can contribute to many areas, namely, entrepreneurship and small businesses, job creation, and hospitality. If one area of the tourism sector does well, the result has a domino effect on the other areas mentioned.

1.8 CHAPTER OUTLINE

The study consists of five chapters. The content of each chapter is outlined below.

- **Chapter 1: Introduction**

Chapter 1 consists of an introduction and background to the research problem.

- **Chapter 2: Literature Review**

Chapter 2 consists of a literature review, highlighting international studies and contexts with particular emphasis on e-commerce. The various types of e-commerce and Internet distribution channels available for use by hospitality organisations are also reviewed in respect of the relationship between the two.

- **Chapter 3: Research Methodology**

Chapter 3 concentrates on the research methodology and design applied to the research study.

- **Chapter 4: Data Presentation**

Chapter 4 focuses on presentation of the results as produced by SPSS.

- **Chapter 5: Findings, Recommendations and Conclusion**

Chapter 5 concludes the study by offering recommendations and drawing conclusions from the findings of the research.

1.9 SUMMARY

The researcher has provided an overview of the study in Chapter 1. In Chapter 2, the researcher embarks on a literature review to further examine concepts mentioned in this chapter. The researcher has designed a theoretical framework, shown in Figure 2.1, to present the secondary data in a logical flow and comprehensive manner.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

In Chapter One, the researcher provided a background to the study with reference to e-commerce in the tourism and hospitality industry. The researcher elaborates on these themes in this chapter for the reader's complete understanding.

From the 1980s, Information and Communications Technologies (ICTs) have transformed business strategies and practices in the tourism and hospitality industry (Wang et al., 2014:35). Berné et al. (2015:188) note that the expansion of the use of ICT in the tourism industry has created a more competitive environment, and ICT has become an indispensable element of business development. The tourism sector has been at the forefront in harnessing ICT since the 1990s. Kim et al. (2009:266) note that the emergence of the Internet and the increasing growth of e-commerce in the tourism sector can be attributed to the airline industry's use of frequent flyer programmes in the 1990s, which gave them access to detailed customer information.

According to Ping (2011:849), the Internet can be used to promote tourism products and services for tourism enterprises as it provides, at modest cost, an unprecedented level of connectivity and the ability to communicate efficiently and effectively directly with tourism customers. Liu and Zhang (2014:71) note more and more travellers use the Internet for information search and travel arrangement, while Kim et al. (2011:256) state that many tourism companies now actively use Internet sites as key marketing and sales vehicles for their products and services. According to Taylor and Strutton (2010:950), as Internet usage spread "from Silicon Valley to Main Street", Internet marketing was absorbed into marketing's mainstream and many leading marketing journals began publishing prescient, forward-looking articles about the Internet's transformational potential as a driver of marketing activities. The remarks from the above-mentioned authors relate not only to e-commerce as a marketing tool, but also to the sales component, which is the focus of this study.

Özturan and Roney (2004:259) observe that marketing on the Internet is not limited only to information distribution; it also has direct selling potential. Terzi (2011:746) adds that these processes, the Internet and e-commerce, alter the roles and relationships of various parties, fostering new supply networks, services and business models, thus resulting in efficiency improvements, better asset utilisation, faster time to market, reduction in total order fulfilment

and enhanced customer service. Constantinides (2014:40) agrees that media proliferation, market globalisation and the emergence of a new generation of ICTs (the Internet being the most prominent) are changing marketing rules and market dynamics.

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

To gain an understanding of the Internet's contribution to marketing and sales in tourism and hospitality, the following concepts are elaborated on in the sections that follow. E-commerce is defined and South African tourism within the global market is highlighted.

The researcher discusses how hospitality fits under the tourism umbrella and explains sectors such as hotels and restaurants. The role of e-commerce in tourism is described within the scope of this study and different types of reservations methods are noted. The types of e-commerce with relevant websites as examples are outlined to provide clarification.

Owing to the technical nature of the study, the researcher has designed a framework of themes for discussion as shown in Figure 2.1. Each part of the framework is explained to contextualise the literature. Table 2.1 accompanies Figure 2.1, with an accompanying key to the logos.

Figure 2.1: Theoretical framework of e-commerce and hospitality

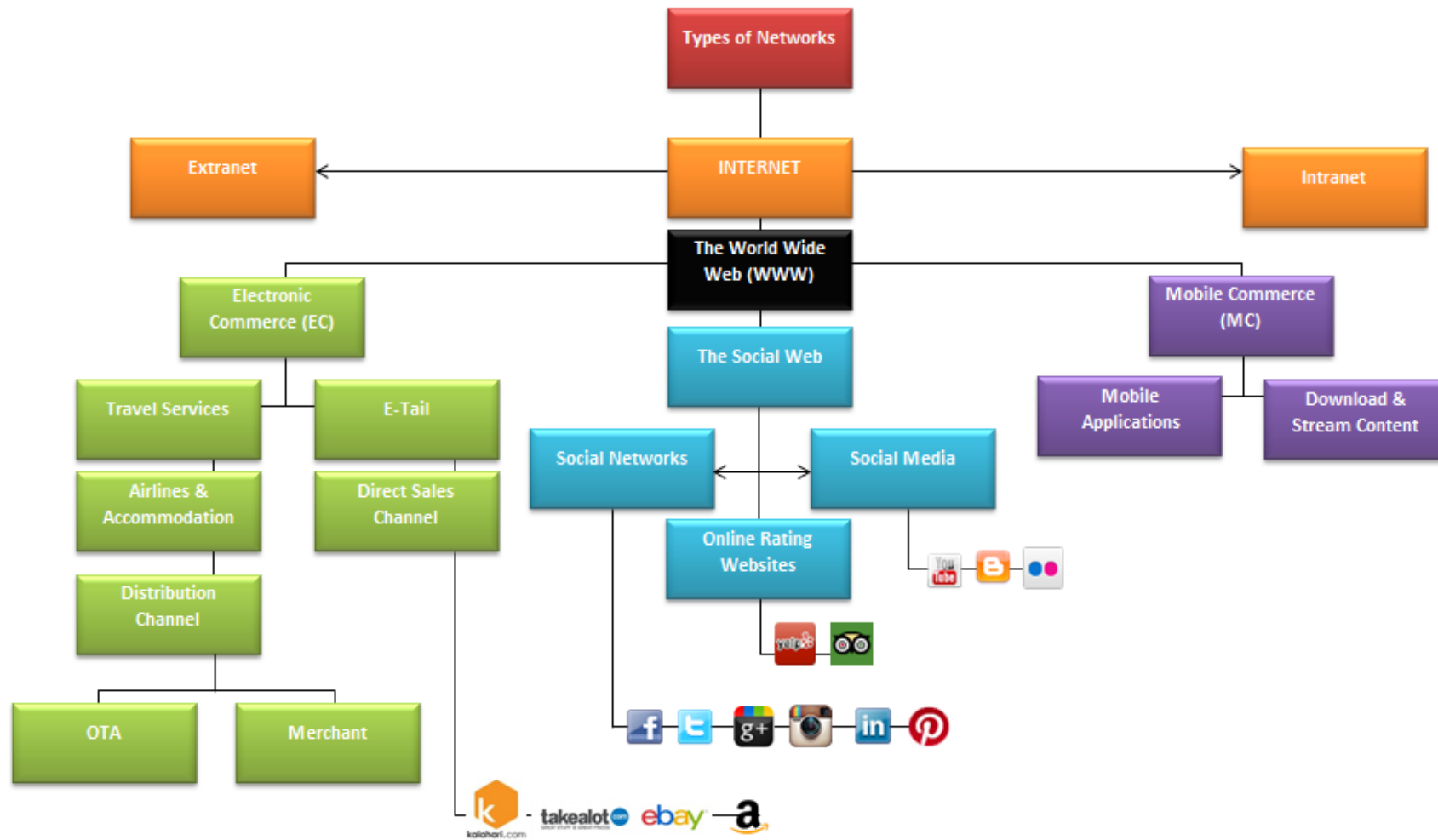

















Table 2.1: Key to applications software logos

SOCIAL NETWORKS		
LOGO	WEBSITE ADDRESS	DESCRIPTION
	https://www.facebook.com	Facebook is a free social networking website that allows registered users to create profiles, upload photos and videos, send messages and keep in touch with friends, family and colleagues (Dean, 2014).
	https://www.twitter.com	Twitter is a free social networking micro-blogging service that allows registered members to broadcast short posts called <i>tweets</i> . Twitter members can broadcast tweets and follow other users' tweets by using multiple platforms and devices (McMahon, 2010).
	https://plus.google.com	Google+ (pronounced <i>Google plus</i>) is a Google social networking project. The Google+ design team sought to replicate the way people interact offline more closely than is the case in other social networking services, such as Facebook and Twitter (Rouse, 2011).
	https://www.instagram.com	Instagram is a free online program and social network that enables users to take, edit and share photos with other users via Instagram's own platform, e-mail, and social media sites, including Twitter, Facebook and Flickr (McLaughlin, 2012).
	https://www.linkedin.com	LinkedIn is a social networking site designed specifically for the business community. The goal of the site is to allow registered members to establish and document networks of people they know and trust professionally (Rouse, 2015).
	https://www.pinterest.com	Pinterest is a social curation website for sharing and categorising images found online. The site's name is a portmanteau of the words 'pin' and 'interest' (Wigmore, 2012).

ONLINE RATING WEBSITES		
LOGO	WEBSITE ADDRESS	DESCRIPTION
	https://www.yelp.com	Yelp's purpose as stated on their website (Yelp, 2015) is to connect people with great local businesses. In addition to this, the website offers a rating service. Users can create profiles to rate the service of the business as well as leave a review of their experience (Consumer Reports, 2013).
	https://www.tripadvisor.com	TripAdvisor is described as the world's largest travel site, enabling travellers to plan and book the perfect trip. TripAdvisor also offers advice from travellers and a wide variety of travel choices and planning features with seamless links to booking tools that check hundreds of websites to find great hotel prices (TripAdvisor, 2015a).
SOCIAL MEDIA		
LOGO	WEBSITE ADDRESS	DESCRIPTION
	https://www.youtube.com	YouTube allows billions of people to discover, watch and share originally created videos. YouTube also provides a forum for people to connect, inform and inspire others across the globe and acts as a distribution platform for original content creators and advertisers large and small (YouTube, 2015).
	https://www.blogger.com	Janssen (2015a), defines Blogger as a blog-publishing service. The online <i>Oxford Dictionaries</i> (2015) defines a blog as a regularly updated website or web page that is typically run by an individual. It is usually written in an informal or conversational style.
	https://www.flickr.com	Flickr describes itself as the best online photo management and sharing application in the world and has two main goals: to help people make their photos available to the people that matter to

		them and to enable new ways of organising photos and videos (Flickr, 2015).
ELECTRONIC RETAIL		
LOGO	WEBSITE ADDRESS	DESCRIPTION
	https://www.kalahari.com	Kalahari (2015a) describes itself as SA's favourite online shop. Their Facebook page (2015b) describes kalahari.com as SA's leading online retailer, offering millions of books, e-books, electronics, cameras, CDs, DVDs, games, and more at the click of a mouse. <i>The author acknowledges that although Kalahari was a huge online retail channel, it has now merged with Takealot.com.</i>
	https://www.takealot.com	Takealot (2015) describes itself as one of SA's largest, most innovative e-commerce retailers on the African continent, as stated on its website.
	https://www.ebay.com	According to eBay Inc. (2015a), eBay delivers one of the world's largest online marketplaces to customers via any connected device, connecting people with the things they need and love. eBay can also be described as an online auction service used to buy and sell items (<i>Business Dictionary</i> , 2015).
	https://www.amazon.com	<i>Business Dictionary</i> (2015) defines Amazon.com as one of the largest online shopping websites in the world. According to their website (2015), they strive to be the earth's most customer-centric company and endeavour to offer the lowest prices.

2.2 FRAMEWORK OF LITERATURE

2.2.1 Types of networks

Figure 2.1 shows the three main networks used in information technology (IT). These are: Intranet, Extranet and Internet. The British Broadcasting Corporation (BBC) (2015:1), refers to an intranet as a private network, operated by a large company or organisation, which uses

internet technologies, but is insulated from the global Internet by a firewall (a system designed to prevent unauthorised access). An extranet, however, is an intranet that is accessible to some people from outside the company or possibly shared by more than one organisation but is accessed with a username and password (Webopedia, 2015).

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

2.2.2 The World Wide Web (www)

Webopedia (2015) defines the World Wide Web (www) as a system of internet servers that support specially formatted documents. The documents are written in a mark-up language called HTML (hypertext mark-up language) that support links to other documents, graphics, audio and video files. According to the World Wide Web Foundation (2015), Sir Tim Berners-Lee invented the World Wide Web in 1989 while working as a software engineer at CERN (European Organization for Nuclear Research). He documented what was to become the World Wide Web with the submission of a proposal specifying a set of technologies that would make the Internet truly accessible and useful to people. He specified the three fundamental technologies that remain the foundation of today's Web (these appear on parts of a Web browser): HTML, URI, and HTTP.

Webopedia (2015) defines HTML, URI and HTTP as the following:

- HTML is explained as Hyper Text Mark-up Language – the language used to create documents on the WWW.
- URI is defined as Uniform Resource Identifier, the generic term for all types of names and addresses that refer to objects on the WWW.
- HTTP stands for Hyper Text Transfer Protocol, which defines how messages are formatted and transmitted and what actions web servers and browsers should take in response to various commands.

The World Wide Web Foundation (2015), of which Berners-Lee is a founder, declares that he wrote the first web page editor or browser, which is what society uses to access the Internet. Examples of web browsers include Microsoft Explorer, Google Chrome and Mozilla Firefox.

2.2.3 E-commerce

In Figure 2.1, e-commerce is shown as a function of the Internet. Within e-commerce, specifically relating to this study, travel services and commercial e-tail (electronic retail) are two sectors that are discussed. Travel services are categorised into Accommodation and Airlines, as these two components constitute a large part of the hospitality industry. This research study is focused on room sales, therefore the distribution channels used for this purpose will be explained, namely, Online Travel Agents (OTAs) and merchant sites. An example of an OTA is www.expedia.com and an example of a merchant site is www.tsogosunhotels.com. Expedia sells flights as well as hotel rooms and car rentals. The website for Tsogo Sun Hotels only has information about hotels in the Tsogo Sun Hotel group and only sells rooms in the Tsogo Sun Hotel group. An OTA will sell a variety of products and service many brands.

An electronic retail (e-tail) website can be a platform for brick-and-mortar businesses to conduct transactions, as well as a platform for new businesses to enter the market. Examples of e-tail websites are www.kalahari.com and www.takealot.com. Descriptions can be found in the key provided. These sites sell a variety of products such as books, DVDs, CDs, electronics, appliances, and toys, as well as beauty products.

2.2.4 The social web

The researcher has placed the social web in the middle of Figure 2.1 as supported by Tech Terms (2015a) that refers to this function of the Internet that can be linked to all other functions of the Web and is solely seen as a feature of Web 2.0 or the new generation of the Web. PC Mag (2015b) describes Web 2.0 as the second generation of the World Wide Web, which focuses more on user-generated content.

Getting (2007) contends most of these online communities are free and are growing at a rapid rate. Web 1.0, on the other hand, was 'read-only', which meant that information found could only be read. There was very little user interaction or content contribution. The researcher has identified three main categories of the social web: social networks, social media, and online rating sites.

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

Bennett (2014) and Duggan et al. (2015) report the most popular examples of social networks are Facebook, Twitter, Google+, Instagram, LinkedIn and Pinterest. There are more examples of social networks but the researcher has chosen these as they are the most popular. Descriptions of these social networks can be found in the key provided in Table 2.1.

Social media are further defined by *Oxford Dictionaries* (2015) as a website or application that allows users to create or share content or participate in social networking. Examples of social media are YouTube, Blogger and Flickr. Descriptions of these social media sites can be found in Table 2.1.

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

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

In a study of a major OTA in China, Ye et al. (2011:634) found that the prevalence of traveller reviews had a significant impact on the online sales of hotel rooms and that hotel managers should seriously consider the impact that online reviews of their hotels on these websites have on the consumer. One challenge of eWOM is that companies do not have control over the type of information that is disseminated into the World Wide Web.

Jalilvand et al. (2011:44) concur that this can be both an advantage and disadvantage. eWOM allows consumers to not only obtain information related to goods and services from the few people they know, but also from a vast, geographically dispersed group of people, who have experience with relevant products or services. One disadvantage is trust, as reviews can also intentionally mislead or misinform customers.

Reviewers make subjective judgements based on their experience which is hard to measure as everyone has his or her own set of criteria when reviewing a product or service.

2.2.5 Mobile commerce

The last item in Figure 2.1 to be discussed is mobile commerce. Mobile commerce, also known as m-commerce, refers to business activities conducted via wireless telecommunication networks. Zhang et al. (2012:1902) discuss m-commerce as a new stage of e-commerce, which has plenty of unique advantages over the latter, such as instantaneity, ubiquity, localisation, personalisation and identification. Kuppelwieser et al. (2014:156) found that younger users usually engage in these types of activities. This could be attributed to 'Millennials' or 'Generation Y' users, born from the 1990s – 2000s, and who grew up with computer technology compared with their older counterparts who did not. Their research showed that younger users are more likely to use m-commerce for transaction-based activities.

Smartphone usage is not a new concept and is still growing in developing countries and bringing with it a new customer base and potential revenue. The researcher has split m-commerce into two parts in Figure 2.1, namely, mobile applications and mobile content (download & stream).

Wigmore (2013) defines a mobile application (mobile app) as a software application developed specifically for use on small, wireless computing devices, such as smartphones and tablets, rather than desktop or laptop computers. Mobile apps frequently serve to provide users with similar services to those accessed on personal computers (PCs). Mobile apps are generally small, individual software units with limited functions.

Janssen (2015b) attributes this use of software to Apple Inc., which is an American multinational corporation that designs, develops, and sells consumer electronics, computer software, online services, and Apple Mac desktop and laptop computers, amongst others. An example of a mobile app is WhatsApp, which has been described as one of the most disruptive forces in telecommunications history by Olson (2015). An application called WhatsApp allows their users to exchange instant short messages with one another without having to pay for SMSs (Short Message Service), but rather making use of data.

Ring (2012) defines mobile content as any form of media (pictures, music, text, videos) that can be used on a mobile device, such as a cell phone or tablet. Content such as music or videos can be downloaded (the content can be copied and saved permanently on the user's device) or streamed where the content can be viewed on the user's device without having to copy it.

Gonzalez (2015) elaborates that TV shows and movies downloaded for a fee from the Internet are 'bought' and are available without time limit. You 'own the movie or music file the same

way you would own a DVD (Digital Video Disc) or CD (Compact Disc) purchased from a store. If you had to 'rent' content it would only be available for a limited amount of time. Not all types of content require payment; there are free types of content available, but this is usually more limited or of lesser quality. Now that the framework of themes has been explained, the researcher elaborates on e-commerce in the sections to follow.

2.3 WHAT IS E-COMMERCE?

In the framework compiled by the researcher, e-commerce is represented as one of the new functions of the Internet. There are many components of e-commerce; however the researcher focuses specifically on the sales aspect and only briefly mentions its marketing capabilities.

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

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

According to Niedorf and Niedorf (2001:4) there are three most common retail sales channels – brick-and-mortar, catalogue and the Web – across the elements that characterise the shopping and business ownership experience. The online *Merriam-Webster Dictionary* (2015) defines brick-and-mortar as a traditional business serving customers in a building as opposed to an online business store. Dictionary.com (2014) describes an electronic business (e-business) as any business conducted using electronic media or any business that makes some or all of their revenue using internet technology.

Leon (2008:95) is of the opinion that e-commerce is an extremely important facet of e-business, but in practice the two terms are often used interchangeably. Dedrick et al. (2006:64) add that e-commerce can be used by adaptive integration which is when firms incorporate technology as an extension of their existing strategies and business models. For decades, airlines, cruise lines, the lodging sector and car rental industry had been heavily dependent on travel intermediaries (e.g. travel agents) to disseminate information and sell their products and

services. Amaro and Duarte (2015:64) caution: with a new distribution channel these travel suppliers have found a way to bypass intermediaries and reach customers directly, while saving money. E-commerce having been defined, the researcher further clarifies e-commerce concepts.

2.4 THE DEVELOPMENT OF E-COMMERCE IN THE 20TH CENTURY: INNOVATION

E-commerce is an extremely complex function that the Internet provides to the user. To understand how it is used today, the researcher provides a historical background of its evolution into its current role, commencing with the birth of the Internet.

Tapeh and Rahgozar (2008:946) note e-commerce commenced with the introduction of Electronic Data Interchange (EDI) between companies and ATMs for banking. Roos (2008) explains how a company's computer system could share business documents (invoices, order forms, shipping confirmation) with another business's computer over telephone lines. Zhou (2004:17) identifies the birth of the Internet occurring in the early 1960s, during the Cold War, when the American RAND Corporation was entrusted to develop a strategic communications system that would continue to operate during and after a nuclear war.

According to Joseph (2012:10), the Defense Department was concerned about the inherent risk a single channel method for connecting computers via telephone lines posed, so their researchers developed a different method of sending information through multiple channels by breaking down files and information into packets and labelling them electronically with codes about their origin and destination. RAND Corporation (2014) identifies Paul Baran, a researcher at RAND for developing this concept. He later tested the network with funding from ARPANET (Advanced Research Projects Agency Network) on their users (mostly researchers and scientists) who wanted to share information on one another's computers remotely. However, within two years the researchers had turned it into a high-speed electronic post office for exchanging everything from technical to personal information. Strickland (2007:4) reports the military ran ARPANET until 1990, once the goals of the organisation had been met and the network spanned the globe.

In 1989, Berners-Lee invented a global hypertext program that allowed people to communicate, collaborate and share information using the Internet. Today, his invention – the World Wide Web – is ubiquitous and specifications he developed for the web are embedded in every Web address – the http:// for hypertext transfer protocol, and how information is exchanged over the Web (Lambert et al., 2005:15). The software Berners-Lee designed

simplified the Internet by making it friendlier and more accessible for users, essentially allowing users to present information in a concise but user-friendly fashion (Rice, 2012:312).

Now that the birth of the Internet has been explained, the next section discusses how it has transformed businesses and traditional business practice.

2.5 THE DEVELOPMENT OF E-COMMERCE IN THE 20TH CENTURY: TRANSFORMATION

In the past 55 years, there has been a rapid advancement of IT. It would be reasonable therefore to suggest that this has had a significant influence on human behaviour.

Many authors have mentioned Information Technologies' (ITs') dramatic transformation of business (Kim et al., 2009:267; Wang et al., 2014:35; Xiang et al., 2015:244). Akincilar and Dagdeviren (2014:264) point out that the rapid development of IT in general and the Internet in particular, has dramatically changed the tourism industry. Botha et al. (2005:8) have two contrasting opinions regarding e-commerce: one approach maintains that the new economy is exactly the same as the old economy. The only difference is that business will be conducted on a new platform where processes will become more efficient and organisations will have more reach – it is the same as commerce, just on a larger scale. The second approach is a more radical one. The Internet will change everything – it will redefine the world of business and established technology markets will constantly be challenged.

2.6 THE FUTURE OF E-COMMERCE IN THE 21ST CENTURY

In this section, the researcher summarises the phases of e-commerce before discussing the future developments of e-commerce. The researcher has noted through reading that future advancements in IT will focus on social media and smartphone technology.

Kalakota and Robinson (2001:4) summarise the phases of e-commerce as follows: in the first phase, e-commerce (1994–1997) was about presence, making sure everybody had a website; even though people were not sure why they were doing it, they knew they had to be online.

The second phase (1997–2000) of e-commerce was transaction: buying and selling over digital media. Without much focus, this phase of the Internet did not produce profit necessarily but was more about matching buyers and sellers who would not have found each other in the past.

Today, e-commerce is in the third phase (2000–present) and the focus is on profitability. Ingham et al. (2015:44) contend the challenge for retailers is to attract the attention of the digital natives (consumers who have grown up in the digital world) and persuade them to spend

more, as well as to attract digital immigrants (consumers who are presumed to resist new technology or at least have trouble accepting it) to this way of shopping.

Enginkaya and Yilmaz (2014:219) note in today's competitive environment, interaction and attainable knowledge resources are more vital than ever for brands and for e-commerce business. Social media can increase communication for a website and create brand awareness. This was seen during the collapse of the dotcom bubble between 2000 and 2001, when many firms were forced to re-examine their strategies in order to develop a better understanding of customer behaviour, customer loyalty and customer retention (Gonçalves Curty & Zhang, 2013:261).

Rawat and Divekar (2014:627) declare that social media are driven by word-of-mouth and if done properly can improve positioning in the market. Besides social media, Sumita and Yoshii (2010:217) observe that the potential of the Internet has expanded substantially by a new generation of mobile devices, giving rise to the growth of m-commerce. Like that of social media, the impact of mobile devices on e-commerce is still new.

2.6.1 Social networks

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

The *Merriam-Webster Dictionary* (2015) defines social media as forms of electronic communication through which users create online communities to share information, ideas, personal messages and other content. Hajli (2015:183) notes that the popularity of social technologies and platforms such as social network services (SNSs) is one of the main reasons for advancement in Web 2.0 technologies and developments in e-commerce.

The new features of the Web refer to functionality that was not available in the past. It does not refer to a new section of the Web, but rather to a series of technological improvements.

Some examples of Web 2.0 include social networking and blogs (Tech Terms, 2015a, 2015c). A blog is short for “Web Log” (Tech Terms, 2015c), a website on which someone writes about personal opinions, activities and experiences (*Merriam-Webster Dictionary*, 2015).

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

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

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

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

In a study conducted by Hochmeister et al. (2013), the authors mention significant roles ‘destination expert’ community members have on sites such as TripAdvisor.com by contributing user-generated content, as this influences intentions to take such content into

consideration when planning travel. Enginkaya and Yilmaz (2014:220) agree that consumers have become the storytellers and are the new brand ambassadors.

2.6.2 Smartphones

Research conducted by Budd and Vorley (2013:41) indicates within the last few years, hand-held mobile devices, including smartphones, tablet computers and satellite navigation systems, have become familiar features of Western society. Wireless local area networks (LANs), smartphones, Wi-Fi hotspots, and software apps (applications) have quickly entered the lexicon of contemporary business and social interaction. Ngai and Gunasekaran (2007:3) report that in the past these technologies were regarded as a luxury for individuals; however this situation has changed as Haig (2002:xiii) notes: “Mobile phones are always with us, they are the most personal device we own.”

Ngai and Gunasekaran (2007:4) concur and believe when users conduct e-commerce such as e-banking or purchase products, they do not need to use a personal computer (PC). They can simply use a mobile phone to conduct various e-commerce activities.

eMarketer (2014) reports that by 2015, 15 countries worldwide will have seen more than half of their populations adopt smartphones. The embrace of this technology among the approximately 500 million people in these countries (using smartphones) will have a significant influence on media usage, e-commerce and marketing. Low (2014) identifies Asians as the most prevalent users of smartphones to go online, rather than using computers. Singapore and South Korea boast the highest smartphone adoption in the world, at 85% and 80% respectively. According to *Our Mobile Planet* (2013), SA has half of that percentage with a 39.8% smartphone penetration rate, which means that almost 40% of the population has a smartphone. This is a tremendous increase from 2011 when the rate was 15%.

According to *Oxford Dictionaries* (2015), a smartphone is a mobile phone that performs many of the functions of a computer, typically having a touchscreen interface, internet access and an operating system capable of running downloaded apps. It is the most advanced of all three types of phones shown in Figure 2.2. Ehrlich (2012) describes a multimedia phone as a phone with the ability to handle pictures, music, videos and access the Internet, whereas a feature phone is seen as a traditional telephone that can make calls. Figure 2.2 shows the smartphone ownership in the BRIC (Brazil, Russia, India & China) market by type of device to compare SA with four emerging markets. Note that SA joined BRICS in 2010 (*Economist*, 2013).

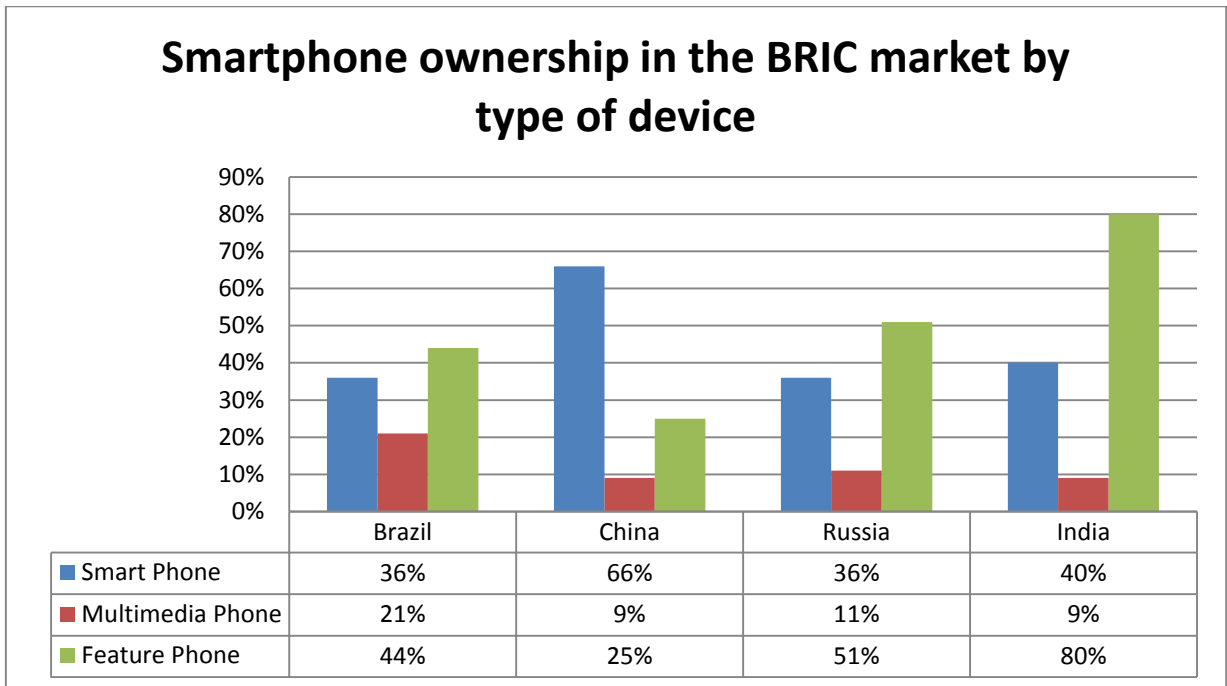


Figure 2.2: Smartphone ownership in the BRIC market by type of device

Source: Nielsen (2013).

Chong (2013:523) reports the growth in the number of mobile phones represented in the figure above is driven by the lower cost of mobile devices and presents potential opportunities to m-commerce. Mahatanankoon et al. (2005:357) predict that new and even more innovative applications will arise as more people are connected to the Web through mobile devices.

Having provided a comprehensive understanding of e-commerce, the researcher can outline tourism in SA and focus specifically on why this study in Cape Town in the Western Cape.

2.7 SOUTH AFRICAN TOURISM WITHIN THE GLOBAL MARKET

In this section, South African tourism within the global market is discussed.

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

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

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

2.7.1 Western Cape vs. other South African provinces

According to the provincial tourism statistics report by the Western Cape Destination Marketing, Investment and Trade Promotion Agency (WESGRO, 2012), the highest number of tourist arrivals to SA was in the third quarter of 2012, entering SA from Gauteng, and totalling 1 036 413. This was an increase of 6.2% in tourist arrivals from the previous year.

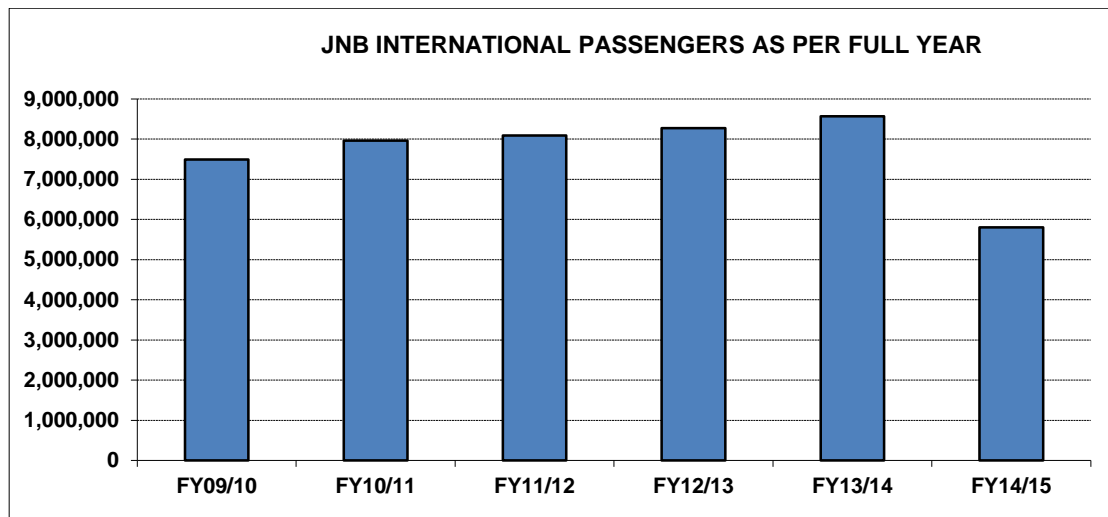


Figure 2.3: International passenger arrivals at OR Tambo International Airport (ORTIA)

Source: Airports Company South Africa (ACSA) (2014).

Figure 2.3 shows that ORTIA received approximately 8.5 million arrivals from 2013–2014 compared with Figure 2.4, which shows Cape Town International Airport (CTIA) arrivals of 1.3 million for 2013–2014. A reason for this difference could be that Gauteng includes Pretoria, the capital of SA, and more international flights and passengers arrive at ORTIA than at CTIA. While many international tourists visit Cape Town, they enter from domestic arrivals, having gone through immigration at ORTIA as reflected in statistics on the ACSA website (2014).

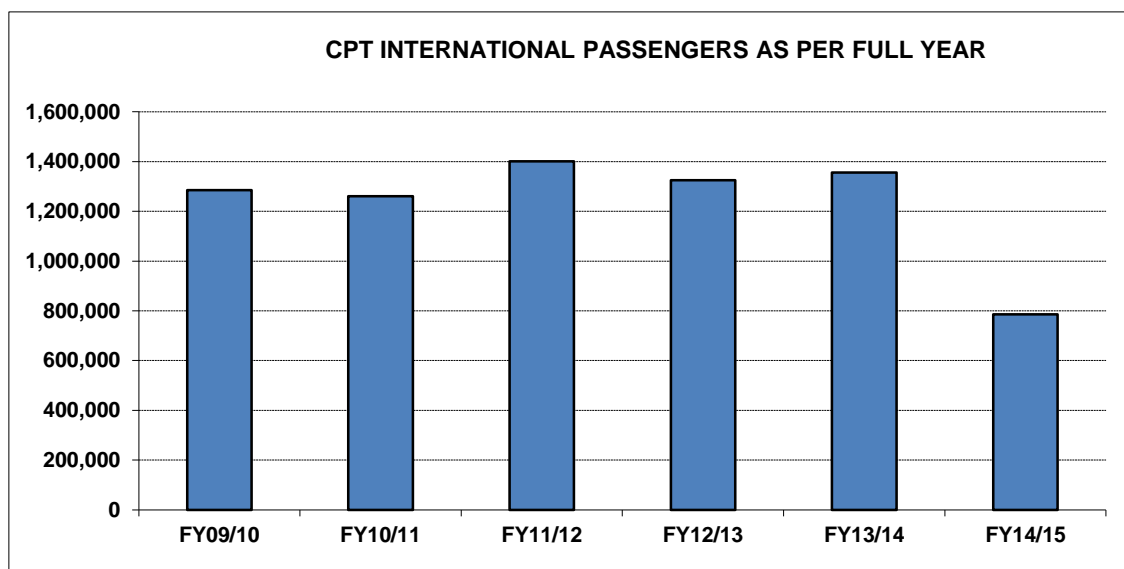


Figure 2.4: International passenger arrivals at CTIA

Source: ACSA (2014).

Cape Town is SA’s second-richest city, in terms of GDP per capita, after Johannesburg which is known as the ‘City of Gold’ (City of Cape Town, 2014a). Cape Town is also the second

largest city in SA, situated in the Western Cape, which is one of the country's nine provinces, and is commonly referred to as the 'Mother City'. It boasts numerous tourist attractions, such as Table Mountain, Robben Island, excellent beaches, the winelands, first- class hotels and restaurants (George, 2003:575).

2.7.2 The greater Cape Town area

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

The Cape West Coast is a popular destination for holiday makers and stretches from Blaauwberg in the south to Namaqualand in the north. It comprises 44 small towns along the south-western coast of SA within the Western Cape province. It is well known for the annual wild flower display, whale watching and quaint seaside towns (Cape Town Tourism, 2015c).

The Cape Winelands boast the legendary Cape wines, many of which were planted hundreds of years ago. The Winelands abound in classic Cape Dutch homes, mountainous surroundings and sumptuous restaurants (Cape Town Tourism, 2015d). Paarl, Franschoek, Stellenbosch, Wellington, and Robertson all comprise the Cape Wine Route (Cape Town Tourism, 2015e).

The Cape Overberg – also known as the Whale Coast – occupies the southern most region of SA, and is well known for unsurpassed whale watching, attracting thousands of visitors between July and November each year (Cape Town Tourism, 2015b).

2.7.3 Cape Town Metropole

The City of Cape Town is a large urban area with high population density, an intense movement of people, goods and services, extensive development, and multiple business districts and industrial areas (Western Cape Government, 2013). 'Metropole' is defined by *Oxford Dictionaries* (2015) as the parent state of a colony. The City of Cape Town Metropolitan Municipality is situated in the southern peninsula of the Western Cape province. It stretches from Gordon's Bay to Atlantis and includes the suburbs of Khayelitsha and Mitchell's Plain. It is also bounded by the Atlantic Ocean to the south and west (*Local Government Handbook*, 2015) as indicated on the map in Figure 2.5.



Figure 2.5: City of Cape Town metropolitan municipalities

Source: *Local Government Handbook* (2015).

The City of Cape Town's Draft Tourism Development Framework for 2013–2017 (City of Cape Town, 2013:6) describes Cape Town as a coastal leisure destination with striking and unique natural characteristics. The city's key attraction is its unique natural resources combined with a range of nature-based activities, adventure tourism and leisure activities that have developed around these natural resources. The city also boasts a rich cultural heritage.

In terms of natural resources, Cape Town is home to Table Mountain, a South African icon and one of the New 7 Wonders of Nature (New 7 Wonders of Nature, 2013). Cape Town also has the largest number of pristine beaches in the country, with 27 awarded the international Blue Flag stamp of approval (Stander, 2014), an international award given to beaches that meet excellence in the areas of safety, amenities, cleanliness and environmental standards (City of Cape Town, 2014b).

Another popular tourist attraction is the Victoria and Alfred (V&A) Waterfront, which boasts an assortment of retail, hotel and residential developments (Nombembe, 2015). It lies on the edge of the harbour and has the iconic Table Mountain as its backdrop. The V&A Waterfront has contributed close to R200 billion to the South African economy over the past ten years; statistics show almost all foreign visitors to Cape Town visit the V&A Waterfront at least once. Historically, Robben Island (along with Alcatraz Island) is possibly the most well known island

prison in the world and was a temporary home to one of the world's most famous prisoners, statesmen and leaders – Nelson Mandela – who spent 18 of his 27-year incarceration imprisoned on this World Heritage Site (Cape Town Tourism, 2015f). There are few places in SA that bear the weight and sheer historical importance of Robben Island, which not only gives insight into SA's jarring political past, but is also testimony to the resilience of the human spirit (Cape Town Big 6, 2014:1).

A discussion of hospitality's role within the tourism industry now follows.

2.8 HOSPITALITY'S ROLE WITHIN TOURISM

To understand and relate e-commerce to the hospitality industry, it is important to note how the industry has evolved from the time of Mary and Joseph in Biblical times.

As the Bible depicts, Mary and Joseph were refused accommodation in Bethlehem because there was no room at the inn (Search & Go, 2014). Stagl (1995:47) notes that the earliest form of or need for travel was pilgrimage. Pohl (1999:4) describes hospitality as a monastic tradition. Offering accommodation and food to the poor, sick and pilgrims was seen as a fundamental expression of the gospel. O'Gorman (2007:30) notes that it is "inherent in human nature to offer hospitality, and that the societies, and any contemporaneous religious teachings, support and reinforce this trait".

The earliest travellers walked or rode domesticated animals and the invention of the wheel and the sail provided new modes of transportation that increased individuals' opportunities to travel as technology improved (Hammersley, 2014). Chon and Maier (2010:6) reason that viewing the industry through the lens of history is helpful because it reveals the strong relationship between the shape of hospitality and the needs and expectations of different societies. Enz (2010:xvii) states the hospitality industry is often difficult to define but the word 'hospitality' comes from the Latin root meaning 'host' or 'hospice' (Search and Go, 2014).

Mill (2008:103) defines the hospitality industry as the provision of accommodation, food and drink for people away from home, for reward. Phillips and Moutinho (2014:97) provide a broader view of the hospitality sector as freestanding operations (hotels and casinos), with leisure venues (casinos and sports stadiums), operations in travel venues (airports and railways) and subsidised hospitality (workplaces and education). *Oxford Dictionaries* (2015) provides a more concise definition of tourism as the commercial organisation and operation of holidays and visits to places of interest.

Anand (1997:41) notes one of the earliest definitions of tourism is that of Austrian economist Herman von Schullard who in 1910 defined tourism as the sum total of operators, mainly of an economic nature, which directly relate to the entry, stay and movement of foreigners inside and outside a certain country, city or region.

McCabe (2009:2) defines tourism as the sum of the relationships arising out of the activities of persons travelling to and staying in places outside their environment for not more than one consecutive year for leisure, business and other purposes. O’Shannessy and Minett (2008:11) note the tourism industry is an umbrella term used to describe the three interconnected sectors of travel, hospitality and visitor services. Table 2.2 depicts these three sectors.

Table 2.2 :Tourism sectors

Hospitality	Travel Operations	Visitor Services
Accommodation venues	Retail travel agents	Attractions (built and natural)
Restaurants	Tour operators	Special events organisers
Cafés/bars	Tour wholesalers	Government tourism commissions
Reception centres	Airlines	Regional tourist associations
Fast food outlets	Cruise lines	Visitor information centres
Caravan parks	Railways	Duty-free shops
Entertainment venues	Coach operators	Souvenir outlets
Institutions – hospitals, schools, corrective services	Car rental companies	Recreation/sports facilities
Gaming facilities		
Conference facilities		
Catering facilities		

Source: O’Shannessy and Minett (2008:12).

O’Shannessy and Minett (2008:12) further note the intrinsic link between hospitality, tourism and many other industries; this means there is a strong reliance on one another for survival. Each of the services and industries has a direct and indirect impact on the other in monetary terms. O’Shannessy and Minett describe this as a multiplier effect. As money is passed from one business to another, it is not difficult to appreciate the contribution tourism makes to the economy. The sections that follow focus on two sectors within hospitality, namely, hotels and restaurants.

2.8.1 Hotels

Sandoval-Strausz (2007:1) maintains that despite the ubiquity of the hotel, relatively little is known about its history. The online website *Oxford Dictionaries* (2015) defines a hotel as an establishment providing accommodation, meals and other services for travellers and tourists by the night. Manco (2013) notes some of the earliest inns were built by monasteries in centres of pilgrimage, while Andrews (2007:45) states this also included the private homes of husband

and wife teams who provided large halls for travellers to roll out their own beds and sleep on the floor, often sharing the space with their livestock and other travellers.

According to Jayapalan (2001:210), during the Roman Empire many such inns were established which provided food, drink and also entertainment to weary travellers. George (2011:686) notes excavations of the ancient Roman city of Pompeii revealed that the Romans had developed the concept of hospitality into a trade. Levy-Bonvin (2003) maintains the start of the hotel industry can be attributed to the beginning of the fifteenth century in France, when the law required that hotels keep a register of guests – a practice which is still used today.

Lamsal (2010) notes that no significant improvement was made to the structure of inns and taverns, which were not very suitable for aristocrats, until the Industrial Revolution of the 1700s. This led to the construction of luxurious structures with private rooms and sanitation. After the French Revolution in 1789 and the introduction of the railroad in the eighteenth century, the New World introduced a modern hotel industry, which is what many of us know today (Kim, R.M.H.K, 2013, slide 2).

2.8.2 Restaurants

While public eateries have existed since the Middle Ages, restaurants as commonly known today are generally credited to eighteenth-century France (Olver, 2000). People in the Western world have eaten away from home for centuries, but the restaurant as opposed to the inn, foodstand or other modest convenience or necessity, has existed for merely 250 years (Freedman, 2007:9). *Oxford Dictionaries* (2015) defines a restaurant as a place where people pay to sit and eat meals that are cooked and served on the premises. Its etymology is the French word *restaurer*, which means to ‘restore to a previous state’.

The word ‘restaurant’ is linked to a Frenchman named Boulanger, attributed to opening the first restaurant in 1765 in Paris after he served a soup that was supposed to ‘restore’ health (Civitello, 2011:208). Customers ordered from handwritten menus and were served at small individual tables, and thus the restaurant was born (Koutsky et al., 2003:1).

It is worth mentioning that Cape Town was recently voted the third best ‘food city’ in the world by *Condé Nast Traveler* (Condé Nast Traveler Editors, 2015).

2.8.3 Tourism Grading Council

The Tourism Grading Council of South Africa (TGCSA) is the only officially recognised quality assurance body for tourism products in SA (TGCSA, 2013a). International and domestic tourists look for the Tourism grading star symbols on properties as they plan their trips (Nel, 2015). According to News24 (2013), a hotel is an establishment that provides formal accommodation with full or limited service to the travelling public. A hotel has a reception area, and offers a dining facility. A hotel must have a minimum of six rooms but is more likely to exceed 20 rooms.

The minimum requirements for a hotel star grading are (TGCSA, 2013b):

- On site representative must be contactable 24 hours, 7 days per week.
- All meals (breakfast, lunch and dinner) and beverages must be provided from outlets within the complex (may/may not be operated by the property).
- Servicing of rooms seven days a week (this includes linen/towel change, removal of rubbish and cleaning).
- Formal reception area must be provided.
- Bathroom facilities must be en suite.
- Onsite parking with security for guests.
- Universal accessibility (Wheelchair access for guests with disabilities).

Additional requirements for four- and five-star hotels are (TGCSA, 2010):

- Concierge, portage and luggage handling.
- Central business centre must be provided.
- A range of other miscellaneous services provided, e.g., baby/child-minding services, message service, shoe polish, delivery of newspapers, etc.
- Full housekeeping and laundry services provided.
- Universal accessibility (Wheelchair access for guests with disabilities).

2.8.4 Five-star hotels

'Five star' is defined by *Oxford Dictionaries* (2015) as having five stars in a grading system, which denotes the highest standard. According to the TGCSA, establishments can be graded from one-star to five-star hotels, with a one-star hotel being very basic in the facilities it offers compared with a five-star hotel, which is an establishment boasting luxury features (TGCSA, 2013c). *Collins English Dictionary* (2015) defines a five-star hotel as a top-quality hotel offering

exceptional luxury. According to the TGCSA, five-star facilities and service offerings must be of outstanding quality. From the service to the furniture, everything is expected to meet the best international standards. Breakfast is guaranteed to encompass all tastes and includes seated and in-room dining. Room service can be ordered 24 hours a day (News24, 2013). The role of e-commerce in tourism is addressed below.

2.9 THE ROLE OF E-COMMERCE IN TOURISM

E-commerce has many uses in business, including in the tourism industry.

In an increasingly competitive market place, tourism products require an effective distribution strategy for a firm to reach its target tourists and local markets (Huang et al., 2009:733). E-commerce mainly helps in the generation of leads, presenting information about the tourism product to the customers, and facilitating the transaction process electronically using the World Wide Web (Hoontrakul & Sahadev, 2005).

The Internet is an ideal platform for the tourism industry because of the characteristics of tourism products: 1) they are intangible, 2) their production and consumption cannot be separated, 3) they are perishable, and 4) they are seasonal (Ponte et al., 2015:286). Maswera et al. (2009:13) note that e-commerce could help achieve the potential of the African tourism industry and recommend methods to overcome barriers associated with e-commerce to increase revenue.

In the context of the hospitality industry, the main stream of revenue for the business is the responsibility of the front office, which is the department responsible for selling hotel rooms (McCleskey, 2010). Ling et al. (2014:234) note from a survey conducted in Hong Kong of 249 leisure travellers, 80% searched for hotel information using Web tools, with more than half making their bookings through hotel host websites or third-party websites (i.e., online travel agencies). Establishing co-operation with an OTA could result in a more favourable position among search results on a web page (a higher ranking).

Peng et al. (2013:280) state that online travel booking is the specific business-to-consumer (B2C) transaction in the context of online tourism. E-commerce allows the tourism consumer to purchase tourism products and packages online and act as his or her own travel agent by building personalised travel packages and eliminaitaing the need for traditional processes (Werthner & Ricci, 2004:101). From a hotel business perspective, e-Procurement is a good example of the innovative use of technology in the lodging industry (Kothari et al., 2005:370).

E-procurement can be defined as a business-to-business (B2B) tool that supports the buying process (Centobelli et al., 2014:9).

A study conducted by Gunasekaran and Ngai (2008:173) found that implementing e-procurement has become an important enabler for achieving a flexible and responsive supply chain. They contend that there are many advantages to hotels' implementation of this process, such as cost reduction and productivity enhancement, as systems become more efficient. An example of e-procurement or a business-to-business transaction would be a hotel's selling its rooms to OTAs on a wholesale or commission basis.

The lasting effects of e-commerce technology in tourism can be seen as improved information accessibility, a higher level of competition and provision of a larger market of consumers and businesses around the globe (Mamaghani, 2009:365). According to Sábio (2014), e-commerce in the modern tourism and hospitality industry is important because the Internet is the lowest cost hotel-booking channel, most travellers research hotel reservations on the Internet, and social media and online hotel reviews are an increasingly important decision factor.

2.9.1 E-commerce vs. alternative reservation methods

There are a variety of ways in which a guest can make a reservation: in person, by telephone, by letter, by fax and by e-mail (Blackman et al., 2005:289). According to Wan-Salman and Radzi (2015:151), the traditional method is considered ineffective and sometimes costly for both parties – the customers and hotel organisations. The Internet has become a valuable channel for consumers that enables them not only to browse and purchase online, but to do this without geographical boundaries and time-limit constraints (Qi et al., 2013:76).

In a study conducted by Sambhanthan and Good (2014:1), most of the hoteliers in developing countries used IT as a support tool for tourism promotion. El-Gohary (2012:1256) notes that using IT is still a new concept, particularly in developing countries with limited resources that cannot afford to make unwise decisions.

Kim's (2006) study in Korea found that small and medium-sized tourism enterprises (SMTEs) face more stringent impediments to the adoption of new IT, in particular e-business. Kim's view of the problem relates to the scale and affordability of IT as well as its implementation in rapidly growing and changing organisations that cannot afford to keep up with technological changes.

Cezar and Öğüt (2012:972) contend there are significant differences between traditional and online channels, for example, in addition to star rating, customer rating is another quality

measure in online hotel booking. Online channels allow the potential customer to see the location details and compare hotel prices easily, as well as read online reviews which have a wider reach and are less ephemeral than traditional word-of-mouth reviews. Cezar and Ögüt conclude that customers prefer to use online sites to buy goods and services as the Internet has become the main sales and marketing channel for many industries. As hotel rooms are an example of 'experience goods', consumers seek quality information before making a purchase decision.

Castillo-Manzano and López-Valpuesta (2010:639) note that while these changes undermine the traditional intermediary role of travel agencies, most people still prefer the security of a travel agency and if the Internet is used to make bookings, it is most likely for small, low-cost trip components like car rentals.

Tse (2003:456) notes travellers are pragmatic and their bottom line is where they can get the same room at a cheaper price. They do not consider loyalty in their decision-making process, thus travel agents need to re-intermediate themselves by providing value-added services. Golmohammadi et al. (2012:85) state online customers are affected by past experience, perceptions of service, online commentaries and recommendations.

Figure 2.6 shows how the Internet fits into various methods of booking channels in relation to more traditional methods.

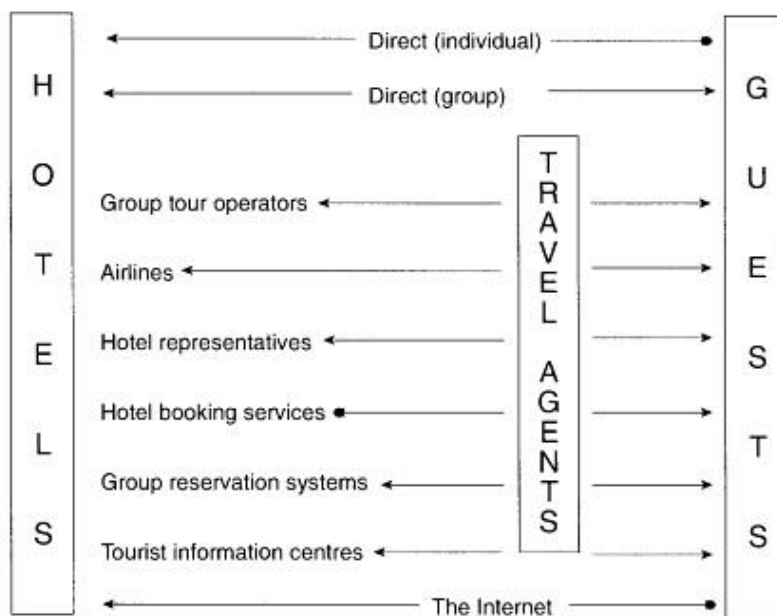


Figure 2.6: Booking channels

Source: Abbott and Lewry (1999:118).

Figure 2.6 further illustrates the direct booking channel guests have to hotels via the Internet. Compared with using travel agents, who are intermediaries, the Internet removes one step in the booking process, making it faster and cheaper as indicated in the literature.

2.9.1.1 Travel agents

Kim et al. (2009:266) state that traditionally travel products have largely been handled in the distribution network activated by travel agencies. From the development of the Central Reservation System (CRS) in the 1960s to the Global Distribution System (GDS) in the 1980s and the advent of the Internet in the early 1990s, the tourism industry has always been confronted with the rise of new technological developments that posed both opportunities and challenges (Xiang et al., 2015:244).

The history of travel agents can be linked to the growth of the airline industry; as travel agents were seen as a direct booking channel for many airlines, a computerised system was created to manage the large volume of customers and thus the GDS was born (Joyce, 2013). A GDS is a web provider that brings products and services geographically dispersed to the doorstep of consumers anywhere in the world. The most well known GDS systems are Sabre, Galileo and Amadeus (Andrews, 2009:151).

The traditional tourism distribution system was based on a linear model where products and services moved from the supplier to the consumer, either directly or indirectly (Lubbe, 2005: 385), but the rapid growth of online travel agencies caused traditional indirect distribution channels through tourism intermediaries to decline (Tsai et al., 2005:788).

2.9.1.2 Telephonic reservations

Guests can make hotel room reservations without the involvement of intermediaries, by contacting the hotel directly by telephone, or via a central reservations department and its central reservations system (CRS) (Wood, 2013:46). Andrews (2009:154) defines a CRS as a computerised system used to store and retrieve information and conduct transactions related to travel.

CRSs were originally designed and operated for airlines but were later extended for use by travel agencies. CRS and GDS seem to have the same functions, but the major difference is CRS mainly provides information for airlines, whereas a GDS is a major CRS operation that

books and sells tickets for multiple airlines as well as hotels and car rentals (Mensah & Mensah, 2013:400).

Computerised CRSs of hotels have evolved over 30 years, replacing the blackboards and reservation charts used previously with full inventory management where room rates and precise availability of rooms is made available to give instant room confirmation (Andrews, 2007:137). CRS numbers are usually toll free, making it easier for travellers to make a booking via the telephone (Andrews, 2009:211).

2.9.1.3 Walk-in reservations

Gough and Gough (2008:129) define a walk-in as customers who have not made a booking. It can also be defined in the hotel industry as a term for a guest who arrives without a reservation (*Business Dictionary*, 2015).

Having discussed the various methods of room reservation, it is important to consider the different types of e-commerce that relate to this study.

2.10 TYPES OF E-COMMERCE

In this section, the researcher elaborates on different types of e-commerce and will use specific retail and travel websites as examples to contextualise the study within the literature.

There are different kinds of electronic markets that relate to this study, namely Business-to-Consumer (B2C) and Business-to-Business (B2B). A market usually means a group of people with the need to buy the product or service, the financial ability to buy it, the willingness to make that purchase and the authority to do so (Botha et al., 2005:122).

2.10.1 Business-to-Business (B2B)

B2B is an abbreviation for business-to-business and denotes trade conducted via the Internet between businesses (*Oxford Dictionaries*, 2015). B2B e-commerce is the umbrella term used to refer to transactions between businesses conducted online, and the business networks and supply chains that make these transactions possible. While B2B transactions have always taken place, the Internet brings with it a new framework. B2B companies no longer need to depend on the traditional one-to-one model for business transactions (Haig, 2001b:1).

2.10.2 Business-to-Consumer (B2C)

B2C is an abbreviation for business-to-consumer and denotes trade conducted via the Internet between businesses and consumers (*Oxford Dictionaries*, 2015).

A brief explanation of the South African e-tail sector follows.

2.11 SOUTH AFRICAN E-COMMERCE WEBSITES

Christian (2011) reports that e-commerce began to be implemented in 2005, when South Africans started adopting ADSL (Asymmetric Digital Subscriber Line) from dial-up internet. The Center for Education and Research in Information Assurance and Security explains the fundamental difference between dial-up and ADSL as the manner in which the connection is made from a personal computer (PC) to the Internet. A dial-up service connects to the Internet through a telephone line, while ADSL runs through a telephone line but splits the connection into two, allowing one to remain connected to the Internet as well as to make telephone calls at the same time, which one cannot do with dial-up (Center for Education and Research Information Assurance and Security, 2015). In 2010, R2 billion was spent online in SA and this was expected to reach R2.8 billion in 2011. Christian further mentions that there were nearly 5.3 million users online in SA in 2011 and 17% of them made online purchases. Rode (2011) reports that SA is showing a positive increase in the number of people engaging in online shopping coupled with progressive developments in terms of e-commerce technology; the potential for growth in this industry is huge but as promising as this seems, South Africans still prefer physical shops as opposed to buying goods online, according to PricewaterhouseCoopers.

In 2014, the value of online retail sales in SA was R5.3 billion and is projected to reach R9.5 billion in 2018. While this figure sounds impressive, it is not even over 1% of total retail sales in this country. Regarding why people bought online, 57% said it was because they could shop 24 hours a day, while 50% said there was no need to travel to a physical store and 36% preferred online shopping because they could get lower prices. Cellular phones are increasingly making it easier for retailers to interact with customers regularly, as 59% of South African shoppers research products on their phones and 63% use them for price comparisons. It was also mentioned that Kalahari and Woolworths had the biggest share of the online shopping market in 2014 at 6.6% each, as reported by the South African Press Association (2015).

2.11.1 Bid or Buy

Bid or Buy was launched in 1999 and brings sellers and buyers together to trade through online auctions and fixed price sales (Bid or Buy, 2015). The website is ranked number 23 in SA by Alexa.com and is the only website of its kind in the top 25 (Alexa.com, 2015). Bid or Buy follows the eBay model, which is represented in Figure 2.7.



Figure 2.7: E-bay business model

Source: Team Caffeine (2012).

According to the model in Figure 2.7, a seller or reseller lists an item on eBay. Using the auction or fixed-price method, the highest bidder wins and the buyer pays for the item, as well as for shipping and handling fees set out by the seller through PayPal, which is an online payment system owned by eBay Inc. The seller then packages the item and ships it to the buyer via various services such as the postal system or a courier service. In some instances buyers can collect directly from the seller, for example, if the item is a car.

The buyer can leave feedback after the transaction has taken place for the seller, and rate the transaction by awarding 1 to 5 stars, which means the service is rated from poor to excellent. This process informs prospective buyers if the seller can be 'trusted'. Through personal experience of the researcher, Bid or Buy also utilises EFT (Electronic Funds Transfer) payments as well as bank deposits on its website, unlike eBay which only uses PayPal. PayPal is a secure method of making payments online and can be linked to credit cards, bank accounts or one's PayPal account balance. Many other online shopping websites use this service and

PayPal has quickly become a global leader in online payment solutions with more than 153 million accounts worldwide (PayPal, 2015).

2.11.2 Takealot/Kalahari

Takealot was originally formed in 2002, when it was known as Take2 and was acquired by an international hedge fund company called Tiger Global Management in 2010 (Tech Central, 2011). Kalahari.com was established in 1998 and is one of SA's largest online retailers and is seen as a pioneer in the South African e-commerce industry (Takealot, 2014). In 2014 these two online retailers merged, subject to the approval of the Competition Commission of South Africa, which they received in 2015 (Van Zyl, 2015). Kalahari's holding company, Naspers, jointly owns a 41% stake in the firm with Tiger Global (Le Cordeur, 2014).

Takealot owns a majority stake in Mr Delivery which was rebranded to Mr D (a delivery service) in 2013 as well as a 100% stake in Superbalist (an online curated design and lifestyle e-commerce platform). These acquisitions mean that Takealot is becoming an influential heavyweight in the South African e-commerce industry (Skade, 2014).

2.12 SOUTH AFRICAN BOOKING SITES

After an extensive search on the Internet for information on South African booking sites, it is apparent that most OTAs are just extensions of brick-and-mortar businesses in SA. As the market for online travel agents is still quite small, there is little information on these OTAs. The following is an attempt to describe some of these booking sites, namely, Travelstart.com, Flysaa.com (South African Airways which is SA's national carrier) and Kulula.com, a low-cost airline.

2.12.1 Travelstart

Nageh (2013), describes www.travelstart.com as Africa's leading OTA as it is the largest and fastest growing OTA in Africa. Stephan Ekbergh founded Travelstart.com in 1999 in Sweden. In 2005 he relocated to Cape Town, SA. Travel Start simplifies the way people search for and book travel deals. When searching for flights, for example, users get results from all the major and low-cost carriers displayed on one page so they can compare prices. Nageh notes about half of Travel Start's transactions are for domestic travel and half international, with 40 percent business travel and 60 percent leisure. The business is mainly focused on providing a comparison service for airfares. Recently Travel Start was nominated in the category of

'Africa's Leading Online Travel Agency 2015' in the World Travel Awards as stated on their website (Jarvis, 2015).

2.12.2 Airlines

The researcher has chosen to focus on two airlines: www.kulula.com and www.flysaa.com. According to their website, Kulula.com was launched in 2001 and had their first flight later that year (Kulula.com, 2015). The Kulula brand is owned and operated by South African aviation company, Comair Limited, which has a licence agreement with British Airways PLC. At the time, Kulula.com was SA's first low-cost airline (Comair Limited, n.d.). With a humorous marketing strategy, it is popular opinion that Kulula is a favourite among local travellers (Nigam, 2012).

South African Airways (SAA) is SA's national carrier and operates from Johannesburg, SA to 38 destinations worldwide according to its website [Fly SAA.com](http://FlySAA.com) (2015). The history of SAA dates back to 1934 when the South African government took over the assets and liabilities of Union Airways. After the outbreak of World War II, the airline was split into two – a defence wing and a commercial wing. During apartheid, economic sanctions were imposed on the country and the United States as well as Australia withdrew their landing rights to SA but these were later lifted after 28 years ([Fly SAA.com](http://FlySAA.com), 2015). It is also worth mentioning SA's second low-cost airline, Mango, is a state-owned subsidiary of SAA that operates domestic budget services (*Flight International*, 2007).

The next sections focus on international e-commerce, e-tail and travel websites.

2.13 INTERNATIONAL E-COMMERCE WEBSITES

This section discusses popular international e-commerce websites that were an anomaly in the dot.com bust and paved the way for similar websites.

2.13.1 Amazon

Amazon is the world's largest online retailer and was started in 1995 by Jeff Bezos, a New York City hedge fund analyst, when he realised the commercial potential of the Web and started to ship books from his garage (Internet Conference, 2014). According to Alexa.com (2015), Amazon is ranked at number 7 in SA and number 6 in the world. Amazon implements both B2C and B2B models in its e-business. Amazon allows businesses to sell directly through

Amazon to its customers (B2B) as well as offering its own new and used products for sale (B2C) (Charles, 2013).

2.13.2 eBay

Pierre Omidyar was working on a site called Auction Web, concurrently with Amazon in the 1990s, to establish if people would buy each other's used goods. By the end of 1996 Auction Web became www.eBay.com and had sold US\$7.2 million worth of goods (Internet Conference, 2014). According to Alexa.com (2015), eBay is ranked at number 53 in SA and number 19 in the world.

eBay first pursued an auction model for collectibles but with growing demand and more listings, eBay added new categories, market segments and pricing schemes such as fixed price (Steiner, 2005:88). Over time eBay has pioneered and internationalised automated online person-to-person auctioning (All Business, 2015), with an elegantly simple business model – it is not a retailer but rather a conduit for buyers and sellers to find one another without ever touching costly inventory (Baribeau, 2013). eBay has 149 million active buyers globally and more than 700 million items are listed on eBay, which makes it the world's largest online marketplace (eBay inc, 2015b).

2.14 INTERNATIONAL BOOKING SITES

OTAs provide flight, hotel, car and cruise reservations. The major websites are Priceline (Booking.com is owned by Priceline), Expedia, Orbitz and Travelocity. Other companies like Kayak and TripAdvisor provide information but handle bookings through other channels as well (Wulf, 2012). Table 2.3 shows the top online travel booking sites for January 2014.

Table 2.3: Top Online Travel Booking Sites (January 2014)

Rank	Site	Estimated visits in Jan. '14	Time on site (HRS/MIN/SEC)	Page views per visit	Leading country
1	Booking.com	166 million	0:07:21	5.85	United States 15.36%
2	TripAdvisor Family	159.5 million	0:04:26	3.7	United States 62.05%
3	Expedia Family	59.3 million	0:06:42	5.67	United States 86.35%

Source: Ali (2014).

As indicated in Table 2.3, Booking.com is first among the online booking sites, with the TripAdvisor family (United States, United Kingdom, France, Italy, Canada, Spain, Brazil, India

and Germany) second, making up the total of 159.5 million visits. The Expedia family is third and consists of United States, United Kingdom, Canada and Germany. As stated in numerous reports, a large percentage of travellers are from these countries (South African Tourism Strategic Research Unit, 2014:7; United Nations World Tourism Organization, 2014).

These firms rely primarily on the Internet to distribute and package travel services for users. They initially offered online shopping and selling of airline services, then expanded to lodging, rental cars and other destination services. OTA activity and growth have caused a channel shift in distribution away from both traditional travel agents and suppliers (Diaz-Bernardo, 2010:582).

2.14.1 Booking.com

Booking.com was established in 1996 in Amsterdam but has been owned and operated by Priceline, an American company, since 2004. They claim on their website (2015) that over 800 000 rooms are booked each day. Booking.com also guarantees the best available prices, which ensure they are ranked as one of the top online sites. Schaal (2012) notes the reason for booking.com's success is due to their business model.

Booking.com uses an extranet, where hotels can set their own rates and room allocations and collect payment from guests at the property. Commissions to the website start at 12% compared with other OTA margins set at 25–30%. Further reasons for its success are simpler processes and fewer negotiations having to take place between the hotel and website. Birger (2012) states that booking.com is responsible for taking Priceline from a loss of \$19 million in 2002 to a profit of \$1.1 billion in 2011.

2.14.2 Tripadvisor.com

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

Table 2.4 explains TripAdvisor's key features.

Table 2.4: TripAdvisor key features

Key Feature	Description
Instant booking	This platform allows users to conveniently make a hotel booking through TripAdvisor booking partners without leaving the TripAdvisor site experience. The ability to book instantly is currently available to US travellers on the TripAdvisor app and mobile website.
'Just for You' personalisation	The Just for You feature provides more personalised hotel recommendations to TripAdvisor users based on their individual preferences and travel research on the site.
Hotel price comparison	This feature allows users to see real-time hotel room prices and availability from booking partners, all on one page.
Candid traveller photos	With more than 29 million on the site, traveller photos give a 'behind-the-scenes' view of hotels, restaurants, and attractions around the world.
Forums	Enables members to ask for and share their opinions, advice, and experiences in interactive discussions with the community.
Tours feature	When travellers visit attractions on TripAdvisor, such as the Eiffel Tower or the Taj Mahal, they are presented with up to three tour options, such as small-group, private or skip-the-line options, along with descriptions and prices for each. Once travellers have identified the tour that best fits their travel preferences, they may click to book their tour of choice through Viator.
Trip Advisor Flights	The TripAdvisor flights search product is the first to offer comprehensive in-flight insights, amenities information and candid traveller photos coupled with the ability to scan for the lowest prices for airlines globally.
Vacation Rentals	TripAdvisor Vacation Rentals offer travellers access to extensive details and images of more than 650,000 vacation rental home listings around the world, as well as traveller reviews of rental properties.
Maps	Makes finding the perfect hotel, at the right price, in exactly the right location, incredibly simple. TripAdvisor combines hotel popularity, price and availability with a dynamic mapping tool.
TripWatch	Offers customised e-mail alerts on the specific hotels, attractions and destinations requested by the traveller, in the first personalised, time-sensitive e-mail newsletter for trip planners.

Source: TripAdvisor (2015b).

The benefits of using sites such as TripAdvisor are well documented, and there is ample proof it is in the hospitality industry's best interest to reply to online reviews, especially when there is a negative review. However, according to a 2014 Hotel Benchmark Study, only 56% of hoteliers respond to TripAdvisor reviews. If hoteliers wish to harness the potential relationship management websites like these offer, they cannot afford to neglect the importance of an online presence (*Hospitality News*, 2015).

2.14.3 Expedia.com

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

2.15 SUMMARY

As a result of an extensive investigation into available literature, the researcher has identified and explained the technical concepts related to e-commerce and how it relates to hospitality as a sector of tourism. The Internet has become an integral part of everyday life. In order for businesses to be sustainable, they need to have an e-commerce presence (Polychronidou et al., 2014:433). Leidner (2010:69) affirms ICT enables managerial control over vast global supply chains, it is a service that can be readily offered to global markets and it can become a trade platform joining suppliers and buyers from around the world.

Aydin and Savrul (2014:1267) point out that globalisation has created a new global economy which provides firms with access to new markets and contributes to global production networks as well as triggering social, political and cultural changes. Maity and Dass (2014:34) echo these sentiments: with technological advancements, firms are increasingly reaching out to their customers through a variety of channels such as e-commerce, m-commerce and brick-and-mortar establishments. Heinemann and Schwarzl (2010:1) contend online retail today is taking place at a higher level of evolution than in the initial years of e-commerce.

Terzi (2011:745) believes that the gains from e-commerce are likely to be concentrated in developed countries in the short run, but developing countries will have more to benefit in the

long run. In terms of limitations, there are technical and non-technical aspects associated with e-commerce such as lack of knowledge, lack of trust, confidence problems and high costs related to its use (Savrul et al., 2014:44).

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

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

In Chapter 2, the researcher elaborated on e-commerce, tourism in SA, more specifically in the Western Cape, and presented a theoretical framework of literature in Figure 2.1. In this chapter, the researcher outlines the research methodology and design for this study. To do this, it is important to understand why research takes place.

Kothari (2004:1) states that research refers to a search for knowledge. He adds that one can define research as a scientific and systematic search for pertinent information on a specific topic. Goddard and Melville (2001:1) see research as a way of answering unanswered questions or creating that which does not exist. They agree that good research is systematic in that it is planned, organised and has a specific goal.

Khan (2008:1) notes that every aspect of human behaviour or facet of life has a problem and the purpose or aim of research is to find out answers to those problems. Kumar (2014:8) elaborates: to qualify to be called research, the process must have certain characteristics and fulfil some requirements. It must, as far as possible, be controlled, rigorous, systematic, valid and verifiable, empirical and critical. Panneerselvam (2004:2) notes research methodology is therefore a system of models, procedures and techniques used to obtain results emanating from a research problem.

In the next section the researcher describes the type of research design used for this study.

3.2 RESEARCH DESIGN AND METHODOLOGY

In this section, the researcher details the strategy followed in this study.

Van Wyk (2012:4) describes research design as the overall plan for connecting the conceptual research problems to the pertinent (and achievable) empirical research. The research design articulates what data is required, what methods are going to be used to collect and analyse this data, and how all of this is going to answer the research questions. Ary et al. (2010:94) note an advantage of a written plan is that you can give it to others for comments and criticism.

3.2.1 Research design and type

De Vaus (2001) claims a research design does not merely constitute a work plan. The function of a research design is to ensure that the evidence obtained enables the researcher to effectively address the research problem logically and as unambiguously as possible. Therefore, the researcher chose a descriptive research design with a deductive approach. A quantitative study through the use of self-administered and online questionnaires was used as empirical evidence to support the literature.

Nebeker (n.d.) points out that the main aim of descriptive research is to provide an accurate and valid representation of the factors that pertain to the research question. Information is collected without changing the environment as this is the best way to demonstrate relationships and describe the world as it exists. Monsen and Van Horn (2008:5) also note that descriptive research illustrates a relevant but nonquantified topic involving a well-researched research question. In Van Wyk's (2012) view, this type of research design is more structured than exploratory design.

Quantitative research that starts with a conceptual framework or theory from which the hypothesis will be tested is called the deductive method (Solomon & Draine, 2010:33). Reyes (2004:23) adds that a hypothesis and problem statement permit the application of deductive reasoning. In this research study the problem to be investigated was: What is the role of e-commerce in five-star hotels in the Cape Town Metropole? According to Reyes (2004:24), to test a problem, it must be supported by empirical evidence collected as primary data.

3.2.2 Research methodology

Creswell (2014:xxiv) remarks that quantitative methods involve the processes of collecting, analysing, interpreting and writing the results of the study. Therefore data was collected using quantitative techniques as this type of research is based on the collection of considerable data from representative samples of a larger population for a few variables (Black, 2005:9). Stangor (2011:14) adds that quantitative research is descriptive research that uses more formal measures of behaviour, including questionnaires designed for statistical analysis

Quantitative data was collected from rooms division managers, reservations managers, revenue managers, and general managers of graded five-star hotels in the Cape Town Metropole through the use of an online questionnaire. The online questionnaire was compiled by using Google Forms. A link to the survey was e-mailed to the respondents to elicit

responses. Prior to sending these e-mails, the researcher telephoned the hotels to obtain the respondents' permission to send them the link to the questionnaire.

The reason for using this approach of data collection were: the online questionnaire did not inconvenience the respondents.

3.3 SAMPLING

In this section, the researcher outlines the sampling procedure undertaken for this study.

Thompson (2012:1) states that sampling consists of selecting some part of a population to observe so that one may estimate something about that whole population. Lohr (2010:3) notes a sample is a subset of a population. The population for this study consists of rooms division managers, revenue managers, reservations managers, and general managers of five-star hotels in the Cape Town metropole. The population size was $N=15$, as the researcher used one person per hotel and owing to this population size, no sampling took place as it comprises the entire population and surveying the entire population is feasible (Clow & James, 2014:226).

While there are numerous luxury hotels in Cape Town, the researcher limited the study to those officially graded as five-star establishments by the TGCSA. This means that these establishments met the criteria set by the TGCSA for them to be five-star establishments. Som (1996:4) remarks that this should be done to maintain a sense of validity, and in the current study, all the hotels were measured by the same criteria. With a smaller number of observations, it was also possible to provide results much faster than in a complete enumeration.

Figure 3.1 indicates the population area.

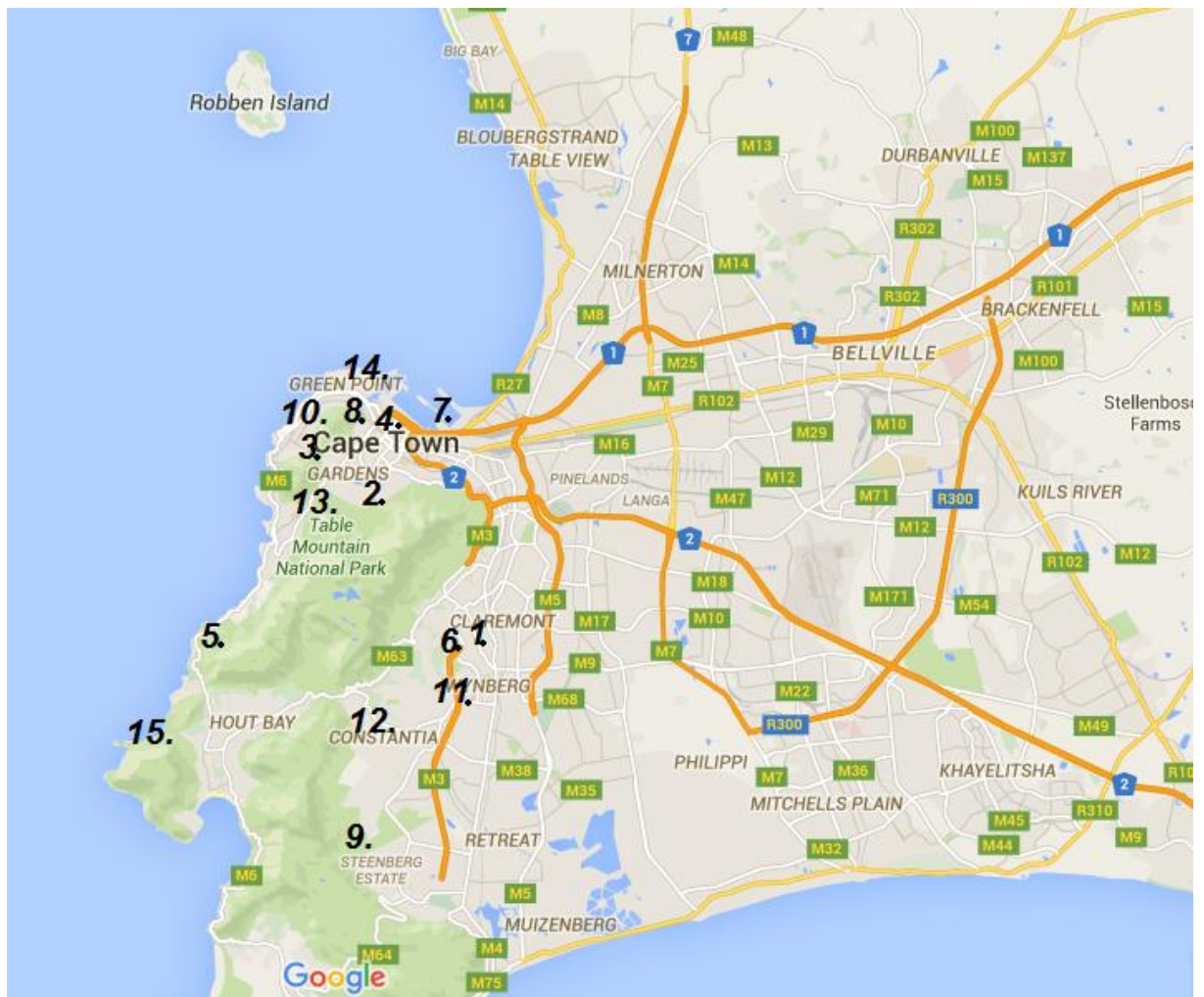


Figure 3.1 Population area with five-star hotels shown

Source: Google Maps (2015).

Key: 1. Andros Boutique Hotel, 2. Belmond Mount Nelson, 3. Cape Royale Hotel, 4. Dock House Boutique Hotel, 5. Ellerman House, 6. Greenways Hotel, 7. One & Only Cape Town, 8. Queen Victoria Hotel, 9. Steenberg Hotel, 10. Sugar Hotel & Spa, 11. Alphen Boutique Hotel, 12. Cellars - Hohenhort, 13. Marly Boutique Hotel, 14. Table Bay Hotel, 15. Twelve Apostles Hotel & Spa.

3.4 DATA-COLLECTION INSTRUMENTS

Punch (2006:52) describes quantitative data-collection instruments as questionnaires, standardised measuring instruments, rating scales, or observation schedules. Hall and Williams (2008:148) observe questionnaires are by far the most widely used instruments for data collection and the most commonly used in surveys.

Anderson (2002:170) contends if well constructed, a questionnaire permits the collection of reliable and reasonably valid data in a simple, inexpensive and timely manner. Self-administered questionnaires are instruments used to collect information from people who complete the questionnaire themselves. Bourque and Fielder (2003:2) add that self-administered questionnaires can be completed in the presence of the surveyor or supervisory personnel and are called interview schedules.

In Miller and Brewer's (2003:156) view, interview schedules are highly structured in the form of a printed document which is essentially a list of questions. The researcher will ask a set of pre-determined questions and the subject will select a response from several suggestions made by the interviewer.

Goodwin and Goodwin (1996:88) are more explicit: the interview questions and format are fixed and an interview schedule conducted in quantitative research should not be confused with an interview conducted in qualitative research. Gillham (2000:1) defines an interview (qualitative) as a conversation, usually between two people, where the interviewee is asked open-ended questions by the interviewer. Brace (2013:3) notes the role of a questionnaire in quantitative data collection is to provide a standardised interview across all subjects to provide accurate data.

Sapsford and Jupp (2006:103) propose that in some instances a pilot study can be conducted which is a small-scale trial before the main investigation. This intends to assess the adequacy of the research design and instruments to be used for data collection. Ary et al. (2010:95) state that unanticipated problems that appear can be solved at this stage, thereby saving time and effort later. Blessing and Chakrabarti (2009:114) believe participants in a pilot study should be asked to be particularly critical and provide for feedback on their experiences. For the reasons that were mentioned, the researcher conducted a pilot with one of the hotels in the V&A Waterfront, as it was beneficial to the study. The researcher approached the online marketing and reservations manager of the Queen Victoria Hotel to evaluate draft questions for the online questionnaire. After receiving feedback in the form of an informal interview which was recorded, the researcher made necessary changes before distributing the questionnaire to the population.

3.5 PRIMARY DATA AND ETHICS

Primary data was collected in the form of a survey. The questionnaire was directed at reservations managers, revenue managers, and general managers of five-star hotels in the Cape Town Metropole. The researcher chose these respondents as many studies have been

done that focus on the consumer's point of view in respect of e-commerce. This study was aimed at the hotels to establish businesses' perspectives on the role of e-commerce.

Telephone numbers were easily obtained from an internet search of the hotels' websites. Once the researcher had a list of telephone numbers, she telephoned each hotel and asked to speak to the reservations or revenue managers. When the researcher obtained their e-mail addresses, a link to the questionnaire was forwarded by e-mail for them to complete. As soon as a questionnaire had been completed on Google Forms, the researcher sent an e-mail to thank the respondent. Telephoning each hotel was a relatively easy task. Most of the respondents were friendly and interested in helping.

A few of the respondents were hesitant to speak to the researcher in the beginning, but once the researcher had explained the purpose of the questionnaire, they were more forthcoming.

One of the challenges of data collection was the time it took between the telephone call to the respondent and the actual receipt of the completed questionnaire. In most cases the researcher had to e-mail the respondents two or three times to remind them to complete the questionnaire. From the population of 15 (*N*) hotels, 14 agreed to complete the questionnaire. The one hotel that did not respond was undergoing renovation and was closed for a period of time. Therefore the researcher was not able to make contact with the reservations manager.

This means there was a 93.3% response rate, which is an acceptable rate for establishing valid results from a questionnaire.

3.5.1 Primary data

Driscoll and Brizee (2010:1) describe primary research as collecting data about a given subject directly from the real world. Wiid and Diggins (2009:84) define primary data as data that did not previously exist. In other words, primary data is collected to address a specific problem. The types of primary data are: demographic and socioeconomic characteristics; psychological and personal characteristics, attitudes, opinions, awareness, knowledge, intentions, and motives; and the behaviour of people and/or enterprises. Shah and Jha (2009:4) classify methods of collecting primary data in a statistical investigation as the following: direct personal inquiry; indirect oral inquiry; information from local agents and correspondents; and mailed questionnaires and questionnaires to be completed by the investigator.

The researcher carefully chose a form of mailed questionnaires, namely online questionnaires. Kothari (2004:101) claims the merits of this form of data collection as the following: low cost,

free from bias of the interviewer, respondents have adequate time to answer questions, and respondents who are not easily approachable can be accessed. Kothari also mentions the demerits of this system: low rate of return, control is lost once the questionnaire is sent, and the possibility of ambiguous replies or incomplete questionnaires.

The researcher asked a selection of nominal, ordinal, interval and ratio questions. There were no open-ended questions as the study was not qualitative in nature. Mason (2014) classifies these types of questions as the following:

- Nominal scales require respondents' characteristics, such as their age.
- Ordinal scales place attributes of a variable into an order, for instance highest to lowest or best to worst.
- Interval scales are equal points between one another, namely the use of 'strongly agree', 'agree', 'neutral', 'disagree', 'strongly disagree'. These points can be converted easily into numerical value. The researcher chose a four-point Likert scale to force the respondents to choose either a positive or negative side and omitted neutral as an option.
- Ratio scales are more open ended but still give the respondents a choice, for example: How many rooms does this hotel have?

There were three sections to the questionnaire. The first section asked general questions about the respondents' hotel/place of work. The reason for putting these questions first was to allow the respondents to ease into the questionnaire with questions that did not require much effort. At the end of the general questions there was a qualifying question that determined which sections the respondents would complete. If they answered 'yes' to the qualifying question, they would need to complete both Section A and Section B. If they answered 'no' to the qualifying question, they could still complete the questionnaire but only Section B. Section B contained ordinal questions about managers' perceptions of e-commerce and OTAs, as well as their perceptions of the importance of different types of reservation methods.

The researcher met with the pilot study respondent and recorded the interview. No other recordings were made.

3.5.2 Ethics

According to the British Broadcasting Corporation (2014:1), the term 'ethics' is derived from the Greek word *ethos*, which can mean custom, habit, character, or disposition. *Oxford Dictionaries* (2015) notes various schools of thought in Western philosophy, inter alia, that of Aristotle, and notes that the virtues people possess (such as justice, charity and generosity) are dispositions to act in ways that benefit both the person possessing them and that person's society. Penslar (1995:13) defines research ethics as a kind of applied or practical ethics, meaning that it attempts to resolve not merely general issues but also specific problems that might arise in the conduct of research.

O'Hara et al. (2011:110) posit that following a code of ethics ensures that the research has integrity and credibility, while Israel and Hay (2006:2) state that ethical behaviour helps protect individuals, communities and environments, and offers the potential to increase the sum of good in the world.

In terms of ethical guidelines for this study, participation was completely voluntary. The researcher requested permission prior to approaching the sample groups to complete the questionnaire. Their names remained anonymous and no financial information from the hotels was required or requested in order to complete the questionnaire. The researcher obtained ethical clearance from the Faculty of Business and Management Sciences' Research Ethics Committee, subsequently ratified by the Higher Degrees Committee of the Cape Peninsula University of Technology (CPUT) prior to the study's commencement. With this in mind, the researcher felt that ethical considerations were maintained to the highest degree.

3.6 LIMITATIONS OF STUDY

The population the researcher contacted to complete the questionnaire could have answered incorrectly since the researcher was not there to guide them through the questionnaire as it was based online. Following up on the respondents posed a problem as the researcher could only rely on them checking their e-mails.

3.7 SIGNIFICANCE OF RESEARCH

This research study aims to assess the role that e-commerce plays in room reservation bookings in five-star hotels in the Cape Town Metropole. From a broad perspective, this study should contribute to the general body of knowledge pertaining to e-commerce in the tourism and hospitality industry in SA.

Similar studies have been conducted in other countries and in different areas. Therefore this research endeavours to fill the gap by conducting a similar study in the South African context. This was done to establish how e-commerce is utilised by five-star hotels.

By identifying the role e-commerce plays in this fast-growing industry, the research should be able to offer some insight into how utilising the Internet aids hospitality organisations and tourism providers in terms of revenue generation.

3.8 SUMMARY

In this chapter, the research design and methodology were presented. The researcher outlined the process followed in gathering primary data for this study. The numerical data collected from this process in Chapter 3 is presented in Chapter 4.

CHAPTER 4

DATA PRESENTATION

4.1 INTRODUCTION

In Chapter 2, the literature showed that the Internet has become an integral part of everyday life. E-commerce is seen as a tool that can, in an increasingly competitive marketplace, offer an effective distribution strategy for a firm to reach its target tourists and local markets (Huang et al., 2009:733). E-commerce mainly helps in the generation of leads, presenting information about the tourism product to the customers, and facilitating the transaction process electronically through the World Wide Web (Hoontrakul & Sahadev, 2005).

In Chapter 3, the researcher discussed what methods were to be used to undertake this research study. In this chapter, the researcher presents the results of the primary data gathered in Chapter 3. Twenty-seven questions were posed to respondents. The researcher now clarifies the questions and explains the rationale behind each question.

The researcher used the Statistical Package for the Social Sciences (SPSS) for Windows, Version 23 to compile the coded data. All ethical procedures and regulations were adhered to. The following results were obtained from the survey.

4.2 RESULTS

The population for this survey was $N=15$ hotels. In total $n=14$ hotels answered the questionnaire and there were 16 individual respondents from these hotels. This was due to two extra responses from the same hotel. Only one hotel did not respond because the hotel was closed for renovation and the researcher was unable to contact the general manager.

4.2.1 Question 1: Which hotel are you from?

Rationale: Owing to the survey being conducted online, the researcher asked this question to keep track of the respondents. Therefore, once a questionnaire was completed, the researcher would know whom to remind or e-mail again. The options given were in a dropdown list and consisted of the names of the 15 graded five-star hotels.

Table 4.1 Statistics output: Which hotel are you from?

		Frequency	Percent	Cumulative Percent
Valid	Andros	1	6.3	6.3
	Mount Nelson	1	6.3	12.5
	Cape Royale	1	6.3	18.8
	Dock House	1	6.3	25.0
	Ellerman	1	6.3	31.3
	One & Only	1	6.3	37.5
	Queen Victoria	3	18.8	56.3
	Steenberg	1	6.3	62.5
	Sugar	1	6.3	68.8
	Alphen	1	6.3	75.0
	Cellars	1	6.3	81.3
	Marly	1	6.3	87.5
	Table Bay	1	6.3	93.8
	Twelve Apostles	1	6.3	100.0
Total		16	100.0	

Result: Each hotel responded once, except the Queen Victoria, which responded three times.

4.2.2 Question 2: What position do you hold in the hotel?

Rationale for question: To determine who was answering the questionnaire. The options given were: reservations manager, room division manager, front office, and other.

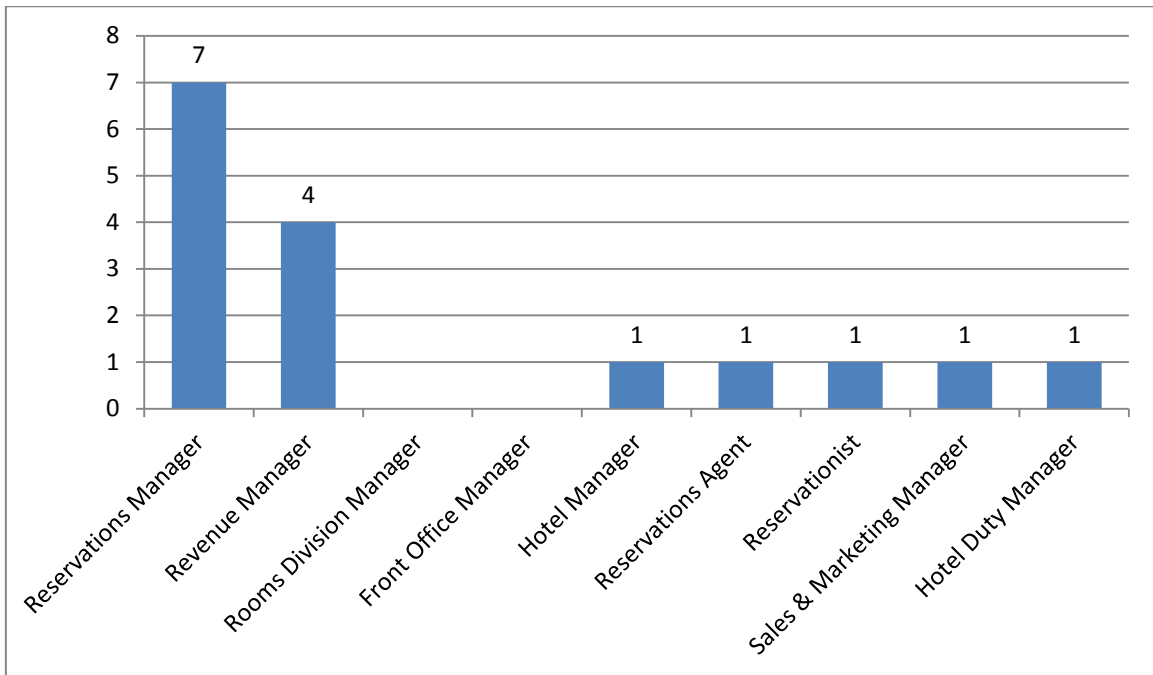


Figure 4.1: Question 2: What position do you hold in the hotel?

Result: There were seven responses from reservations managers, four from revenue managers and five from various positions such as hotel manager (1), reservations agent (1), reservationist (1), sales & marketing manager (1), and hotel duty manager (1).

Analysis: The researcher had specifically asked for a reservations manager when phoning each hotel for e-mail addresses. Therefore the high response from that position was expected. If a reservations manager was not available the researcher asked to speak to a revenue manager.

4.2.3 Question 3: How many years have you been in this position?

Rationale: This question was deemed necessary as the longer the period a person has been in a position, the more experience that person would have. The options given were: 3 years or less, 4–7 years, 8–11 years, 12–15 years and 16 years or more.

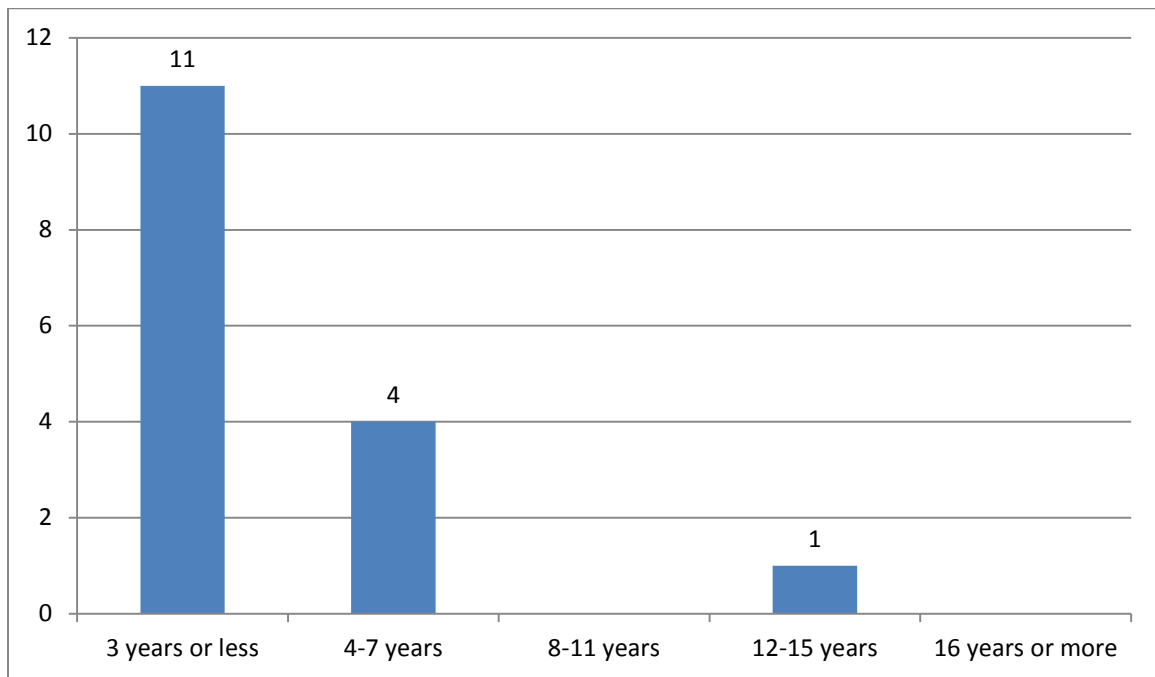


Figure 4.2: Question 3: How many years have you been in this position?

Result: From the total responses, 11 of the 16 respondents have been in their current position for 3 years or less. Four respondents answered 4–7 years, and only one respondent has been in the same position for 12–15 years.

Analysis: It is perceived that there is a high staff turnover in the hospitality industry and many people who work in the hospitality industry do not stay in the same position for very long. According to a research study conducted by Ebrahim (2014: iii) the following reasons influence high staff turnover: low salary, working conditions, opportunities for promotion, the quality of supervision and poor group relations.

4.2.4 Question 4: Which age category do you fit into?

Rationale: In Chapter 2, the literature mentioned that the younger generation adopt new technologies more quickly and easily than the older generation. The options given for respondents to choose from were: 24 years or younger, 25–30, 31–35, 36–40, 41–45, 46–50, 51–55 and 56 years or older.

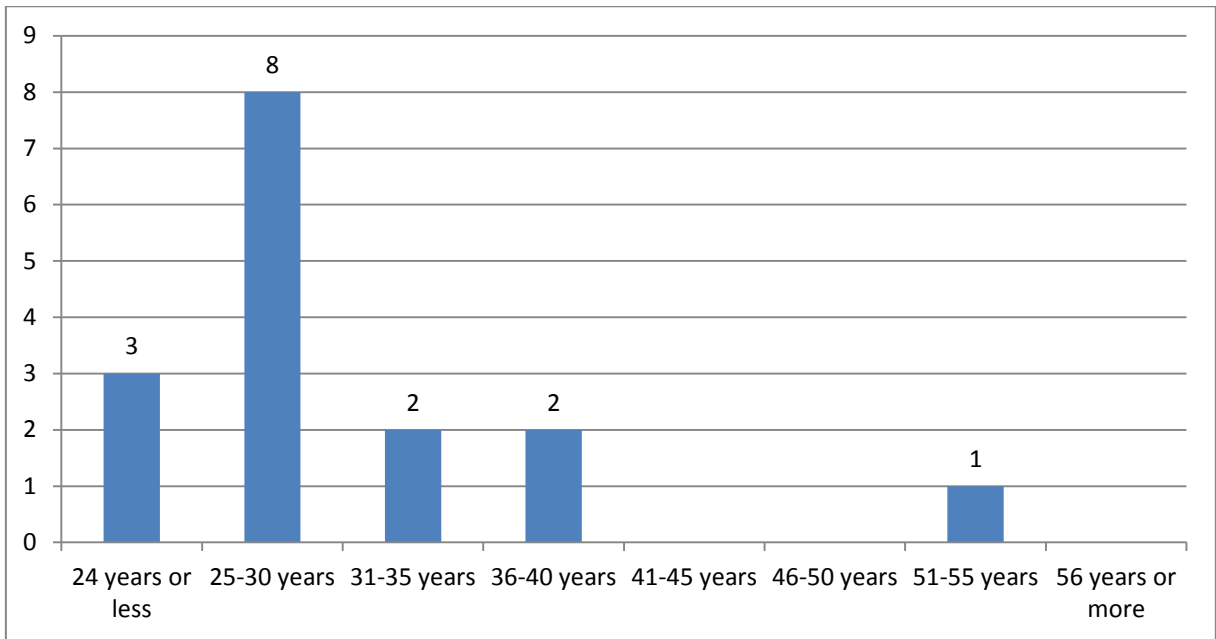


Figure 4.3: Question 4: Which age category do you fit into?

Result: Three respondents fell into the age category of 24 years or younger, eight respondents answered 25–30 years, two answered 31–35 years and 36–40 years, and one fell within the 51–55 age category.

4.2.5 Question 5: What methods of reservation do you currently receive when a guest makes a booking?

Rationale: This was asked to establish which methods (in addition to online reservations) are used at the hotel. The options given were determined from the literature review in Chapter 2. The options given were: telephone, walk-in, e-mail, travel agents, corporates, and tour operators.

Table 4.2: Question 5: What methods of reservation do you currently receive when a guest makes a booking?

Method	Frequency	Sample Percent
Telephone	16	100.00
Walk-in	15	93.75
E-mail	16	100.00
Travel agents	16	100.00
Corporates	16	100.00
Tour operators	16	100.00

Result: All respondents chose telephone, e-mail, travel agents, corporates and tour operators. Of the 16 respondents, only one respondent said they did not receive walk-in customers. All respondents received online reservations (asked in Question 9).

4.2.6 Question 6: I do not understand the role e-commerce plays in the tourism and hospitality industry.

Rationale: The researcher made this statement to determine the respondents' familiarity with e-commerce. This relates to Sub-Problem 5 in Chapter 1. The options given were: 'strongly disagree', 'disagree', 'agree' and 'strongly agree'.

Table 4.3: Statistics output: Question 6

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	11	68.8	68.8	68.8
	Disagree	2	12.5	12.5	81.3
	Agree	3	18.8	18.8	100.0
	Total	16	100.0	100.0	

Result: Thirteen of 16 respondents disagreed with this statement and three respondents agreed with this statement.

4.2.7 Question 7: How important do you perceive e-commerce to be in the tourism and hospitality industry?

Rationale: This question was posed to determine perceptions of e-commerce in the tourism and hospitality industry. The literature shows that on a global level e-commerce is an important and valuable tool to be harnessed by the tourism and hospitality industry. The options given to respondents were: 'very important', 'fairly important', 'important', 'slightly important' and 'not important at all'.

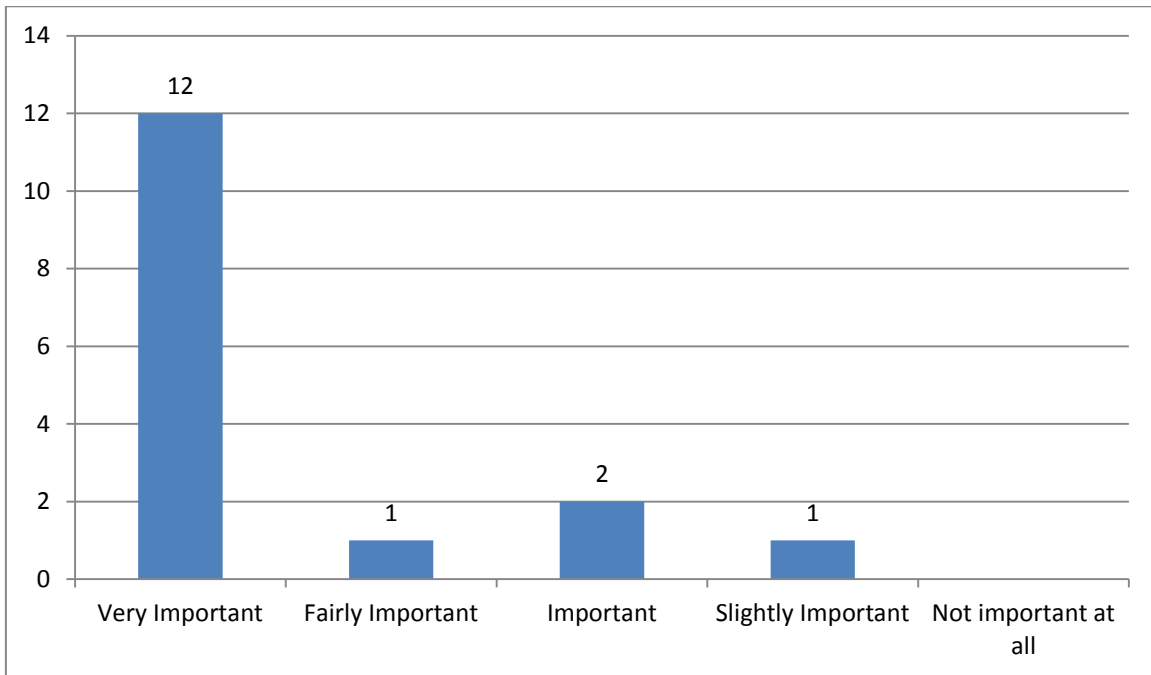


Figure 4.4: Question 7: How important do you perceive e-commerce to be in the tourism and hospitality industry?

Result: Twelve respondents believed that e-commerce was very important; one respondent thought that it was fairly important and one slightly important, and two believed that it was important.

4.2.8 Question 8: Social media channels like Facebook, Twitter and TripAdvisor add value to the organisation in terms of customer relationship management.

Rationale: The researcher asked this question as the literature in Chapter 2 showed a strong relationship between word of mouth on the perceptions customers have towards businesses. Actively managing online accounts with the above-mentioned social media channels to maintain customer relationships is seen as adding value to an organisation. The option given to the respondents was a four-point Likert scale, mentioned in Section 4.2.6.

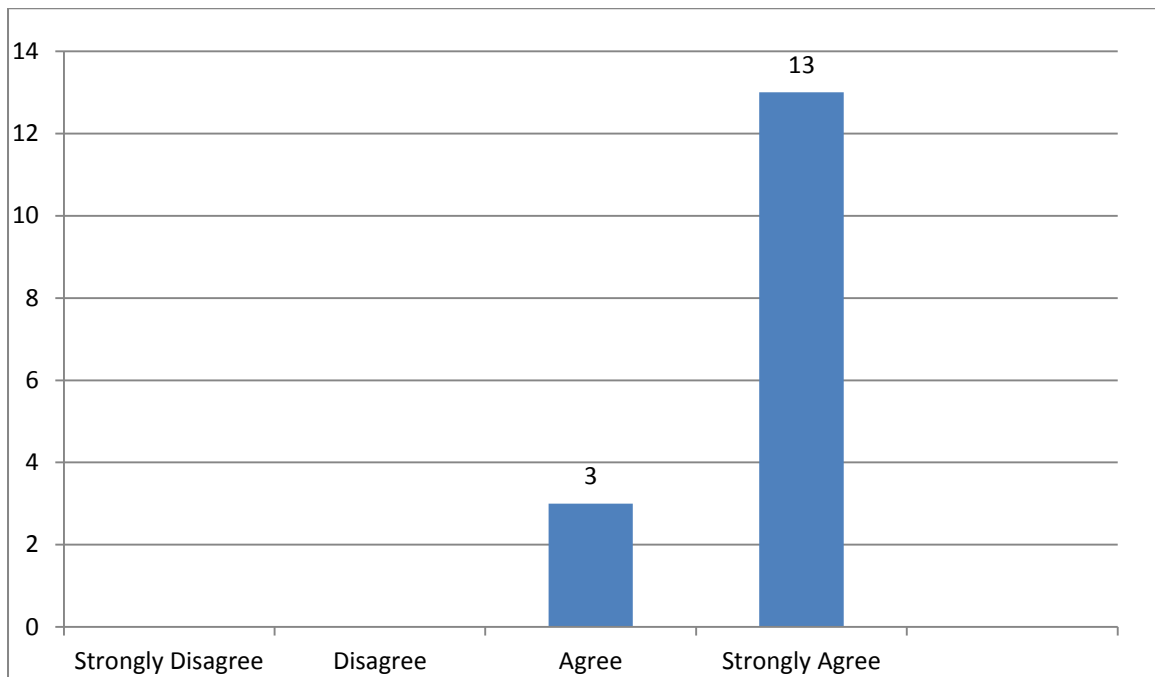


Figure 4.5: Question 8: Social media channels like Facebook, Twitter and TripAdvisor add value to the organisation in terms of Customer Relationship Management

Result: All 16 respondents agreed that social media channels add value to the organisation.

4.2.9 Question 9: Do you use online booking sites?

Rationale: This question was asked to determine if e-commerce was used in five-star hotels in the Cape Town Metropole, which fell under Sub-Problem 2. The options given were 'yes' or 'no'.

Table 4.4: Statistics output: Question 9

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	16	100.0	100.0	100.0

Result: All respondents answered 'yes' to this question.

4.2.10 Question 10: Online Travel Agents (OTAs) do not generate more revenue than traditional travel agents.

Rationale: This question was asked to gauge how much revenue is generated from online methods to determine the role of e-commerce in relation to hotel room sales. A four-point Likert scale was used, as noted in Section 4.2.6.

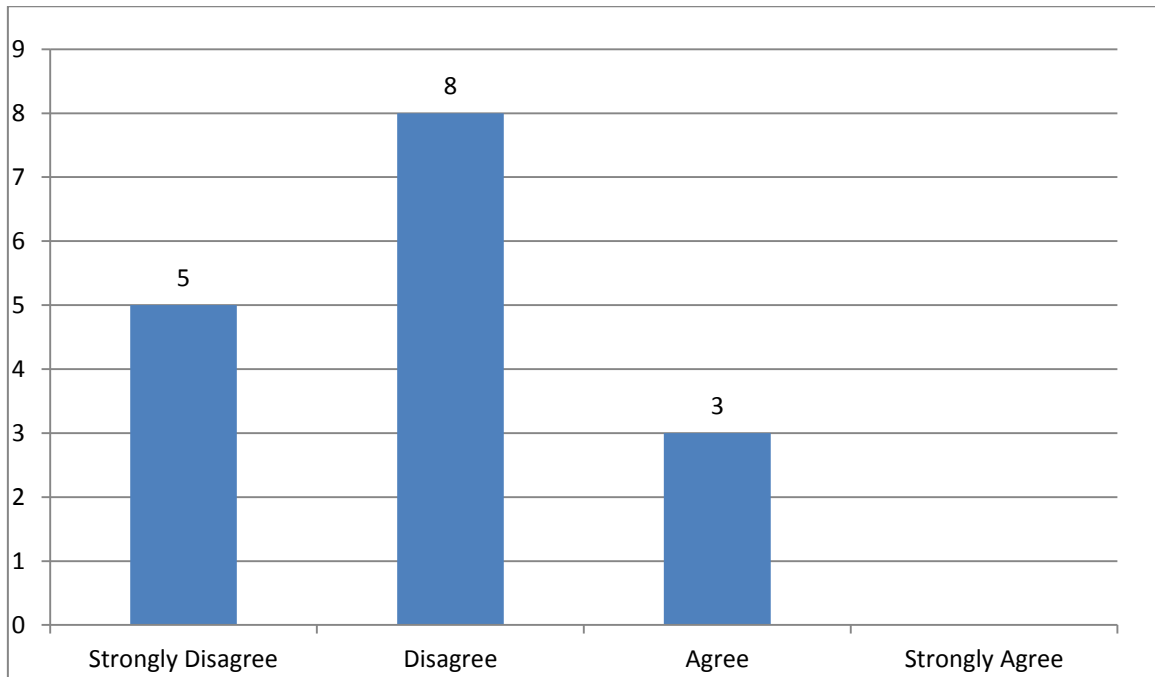


Figure 4.6: Question 10: Online Travel Agents (OTAs) do not generate more revenue than traditional travel agents

Result: Thirteen respondents did not agree with this statement. Only three agreed to the above statement.

4.2.11 Question 11: Online presence for a hotel is important in the tourism and hospitality industry.

Rationale: The researcher asked this question to answer Objective 5. This question established the perceptions that managers have regarding the use of the Web. Online presence in this case can be considered as having a website with the hotel's information, pictures and contact details and does not necessarily refer to e-commerce functions or facilities (making a purchase/booking). A four-point Likert scale was used, ranging from 'strongly disagree' to 'strongly agree'.

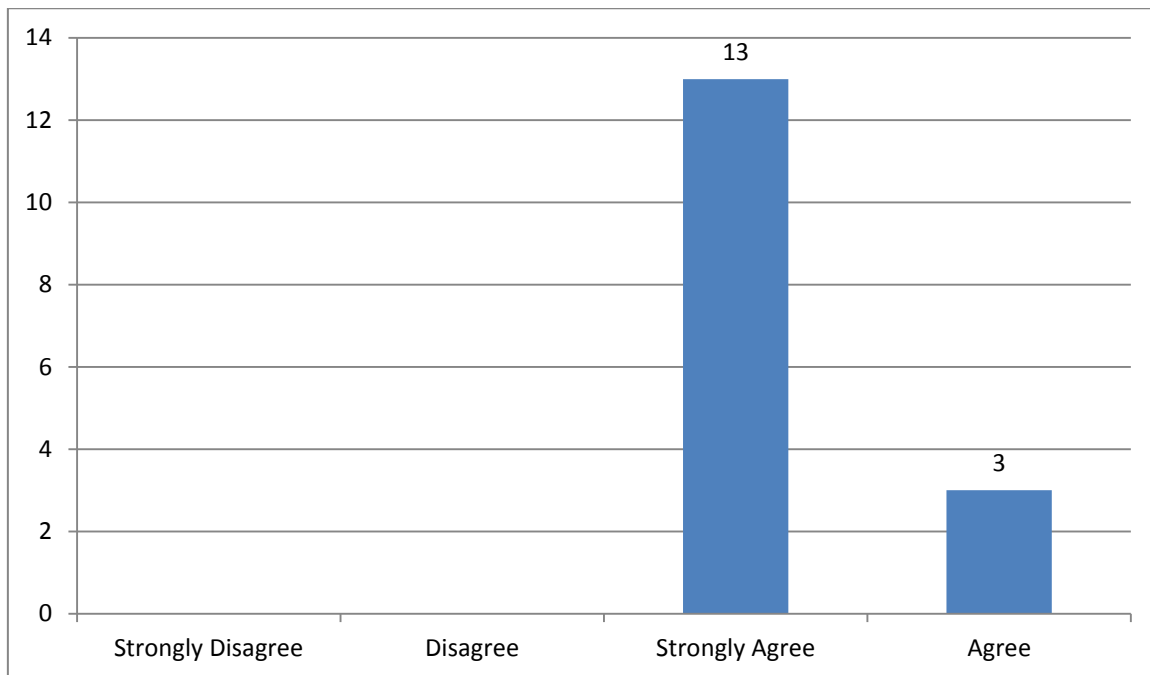


Figure 4.7: Question 11: Online presence for a hotel is important in the tourism and hospitality industry

Result: All 16 respondents agreed with this statement.

4.2.12 Question 12: Do you understand how e-commerce relates to the tourism and hospitality industry?

Rationale: This was asked to determine the respondents' understanding of e-commerce in their industry. The respondents could choose from the following options: 'yes', 'to some degree' and 'no'.

Table 4.5: Statistics output: Question 12

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	68.8	68.8	68.8
	To Some Degree	4	25.0	25.0	93.8
	No	1	6.3	6.3	100.0
	Total	16	100.0	100.0	

Result: Eleven of sixteen respondents answered 'yes', four answered 'to some degree' and one person did not understand how e-commerce relates to the industry.

4.2.13 Question 13: E-commerce is a user-friendly tool for the hotel from a room reservations perspective.

Rationale: This question was posed to determine if e-commerce is a user-friendly tool or not. A four-point Likert scale was used, ranging from 'strongly disagree' to 'strongly agree'.

Table 4.6: Statistics output: Question 13

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	6.3	6.3	6.3
	Agree	12	75.0	75.0	81.3
	Strongly Agree	3	18.8	18.8	100.0
	Total	16	100.0	100.0	

Result: Fourteen of sixteen respondents agreed with this statement and one disagreed.

4.2.14 Question 14: E-commerce is a cheap method of selling rooms.

Rationale: Slow adoption of e-commerce technology in developing countries is perceived as being expensive to implement. Therefore the researcher deemed this question important from a South African perspective. The respondents could choose from a four-point Likert scale ranging from 'strongly disagree' to 'strongly agree'.

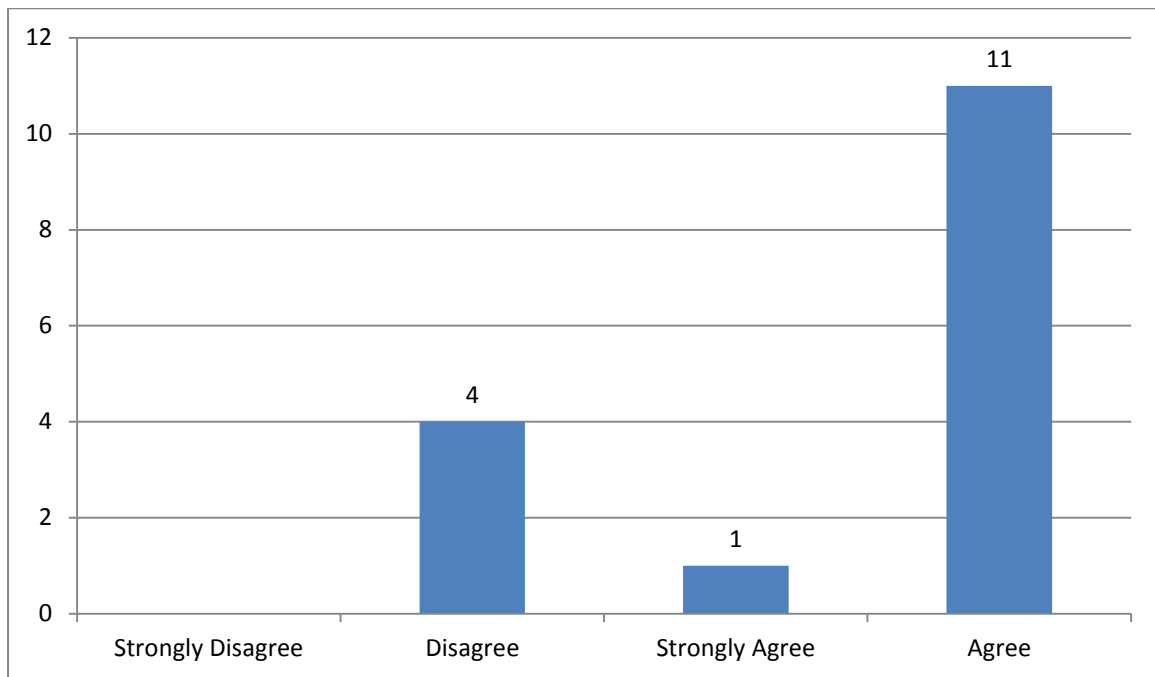


Figure 4.8: Question 14: E-commerce is a cheap method of selling rooms

Result: A majority of 12 out of 16 respondents agreed with this question, while four disagreed with the above statement.

4.2.15 Question 15: Social media channels like Facebook, Twitter and TripAdvisor are important for customer relationship management.

Rationale: Social media are important tools when using the Web for online purchases. The tourism and hospitality industry can utilise this tool for direct contact with their guests and gain first-hand knowledge of their guests' experiences. Consumers rely heavily on word-of-mouth, electronic or traditional feedback. Word of mouth is one way in which consumers use social media to voice their opinions. A four-point Likert scale was used.

Table 4.7: Statistics output: Question 15

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	6.3	6.3	6.3
	Agree	7	43.8	43.8	50.0
	Strongly Agree	8	50.0	50.0	100.0
	Total	16	100.0	100.0	

Result: Fifteen respondents believe that social media channels are important for customer relationship management. Only one respondent did not agree with this statement.

4.2.16 Question 16: Negative reviews on social media channels like Facebook, Twitter and TripAdvisor have a negative impact on room sales in a hotel.

Rationale: The literature mentioned that social media channels could have a significant impact on hotel room sales, especially in the hospitality sector as consumers rely heavily on word of mouth. The researcher asked this question to determine if managers are aware of this. A four-point Likert scale was used.

Table 4.8 Statistics output: Question 16

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	12.5	12.5	12.5
	Agree	9	56.3	56.3	68.8
	Strongly Agree	5	31.3	31.3	100.0
	Total	16	100.0	100.0	

Result: Fourteen of 16 respondents agreed with the above statement.

4.2.17 Question 17: Rank the following methods of reservation on a scale of 1–7 in order of importance for guests in your hotel. (Methods of reservation include: e-mail, a booking website, your hotel website, telephone, tour operators/travel agents, corporates/companies and walk-ins.)

Rationale: The researcher asked this question to determine which method of reservation is perceived as the most important. The understanding was that if, for example, a booking website were ranked the highest, that method of reservation would be the most popular for the guests or generate the most revenue. The respondents could rank the methods from 1–7 (Appendix A).

Result: See Table 4.9. There was one missing value for booking site, hotel website, telephone, tour operator, corporates, and walk-ins.

Analysis: The results of this question were quite difficult to analyse. The researcher looked at the mean value to differentiate the ranking. The smallest value is the highest rank and the largest value the lowest rank. The following table represents the booking types ranked from highest to lowest (1-7). This table tells the researcher that the differences between the ranks are small but that Telephone is ranked first and Corporates ranked last. As there was 1 missing value from this question, this question could have had a different outcome.

Table 4.9: Statistics Output: Question 17

		GUESTS E-mail	GUESTS Booking Site	GUESTS Hotel Website	GUESTS Telephone	GUESTS Tour Operator	GUESTS Corporates	GUESTS Walk-ins
<i>N</i>	Valid	16	15	15	15	15	15	15
	Missing	0	1	1	1	1	1	1
Mean		3.8750	3.6667	3.6000	3.4667	3.8667	4.7333	4.6000
Median		4.0000	4.0000	3.0000	3.0000	4.0000	6.0000	6.0000
Mode		1.00 ^a	4.00	3.00	3.00	4.00	6.00	7.00
Std Deviation		2.09364	2.12692	1.72378	1.72654	1.45733	1.98086	2.79796

^a. Multiple modes exist. The smallest value is shown

Table 4.10: Question 17: Rank the following methods of reservations on a scale of 1-7 in order of importance by guests in your hotel.

Booking Type	Average rank	Std Deviation
Telephone	3.4667	1.72654
Hotel Website	3.6	1.72378
Booking Site	3.6667	2.12692
Tour Operator	3.8667	1.45733
E-mail	3.875	2.09364
Walk-ins	4.6	2.79796
Corporates	4.7333	1.98086

4.2.18 Question 18: Rank the following methods of reservations on a scale of 1–7 in order of importance by room reservations staff in your hotel. (Methods of reservation include: e-mail, a booking website, your hotel website, telephone, tour operators/travel agents, corporates/companies and walk-ins.)

Rationale: The researcher asked this question to determine which method of reservation is perceived as the most important from the hotel staff's point of view.

Result: See Table 4.11. There were two missing values for booking site, and one missing value each for hotel website, telephone, tour operator, corporates and walk-in.

Table 4.11 Statistics output: Question 18

		STAFF E-mail	STAFF Booking Site	STAFF Hotel Website	STAFF Telephone	STAFF Tour Operator	STAFF Corporates	STAFF Walk-ins
<i>N</i>	Valid	16	14	15	15	15	15	15
	Missing	0	2	1	1	1	1	1
Mean		3.8125	4.0000	3.2000	3.0000	4.0667	4.5333	5.0667
Median		3.5000	4.0000	3.0000	3.0000	4.0000	5.0000	7.0000
Mode		1.00	4.00	3.00	1.00	4.00	6.00	7.00
Std. Deviation		2.48244	1.70970	1.52128	1.81265	1.57963	1.88478	2.46306

Table 4.12: Question 18: Rank the following methods of reservations on a scale of 1–7 in order of importance by staff in your hotel

Booking Type	Average rank	Std Deviation
Telephone	3.0000	1.81265
Hotel Website	3.2000	1.52128
E-mail	3.8125	2.48244
Booking Site	4.0000	1.70970
Tour Operator	4.0667	1.57963
Corporates	4.5333	1.88487
Walk-ins	5.0667	2.46306

4.2.19 Question 19: Which OTAs (Online Travel Agents) do you currently use for online bookings?

Rationale: This question was asked to determine if five-star hotels in Cape Town use the most popular booking websites as mentioned in Chapter 2. The respondents could choose from the following booking sites: Booking.com, Expedia.com, Hotels.com, Agoda.com. An 'other' option was also given.

Table 4.13: Question 19: Which OTAs do you currently use for online bookings?

Online Travel Agent	Frequency	Sample Percent
Booking.com	15	93.75
Expedia.com	16	100.00
Hotels.com	15	93.75
Agoda.com	13	81.25
Other (ReservHotel)	1	6.25

Result: Fifteen hotels use Booking.Com and Hotels.Com. All hotels use Expedia.com and 13 of 16 respondents use Agoda.com. Only one respondent uses other booking sites such as ReservHotel which was not mentioned in the literature review as it is a channel management B2B service, according to their website (ReservHotel.com, 2015).

Analysis: These results confirm what was mentioned in the literature review. The most popular booking sites are Booking.com and Expedia.com. Hotels.com is owned by Priceline which also owns Booking.com according to (Wulf, 2012).

4.2.20 Question 20: Do you make use of software packages to manage your hotel's online reservations?

Rationale: During the pilot study, the respondent informed the researcher that there are software packages available to manage online booking channels. The researcher included this question to determine if hotels were using these and which software packages were the most used. The options given to the respondents to choose from were 'yes' and 'no'.

Table 4.14: Statistics output: Question 20

Software Package					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	14	87.5	87.5	87.5
	No	2	12.5	12.5	100.0
	Total	16	100.0	100.0	

Result: Fourteen respondents use software packages to manage their online bookings and only two do not make use of software packages.

4.2.21 Question 21: If you answered 'yes' to the above question, which of the following software packages do you make use of?

Rationale: In Question 20, the researcher established which hotels were using software packages. In this question, the researcher asked the respondents to name the software packages they used. The options given to the respondents to choose from were: SiteMinder and RateTiger.

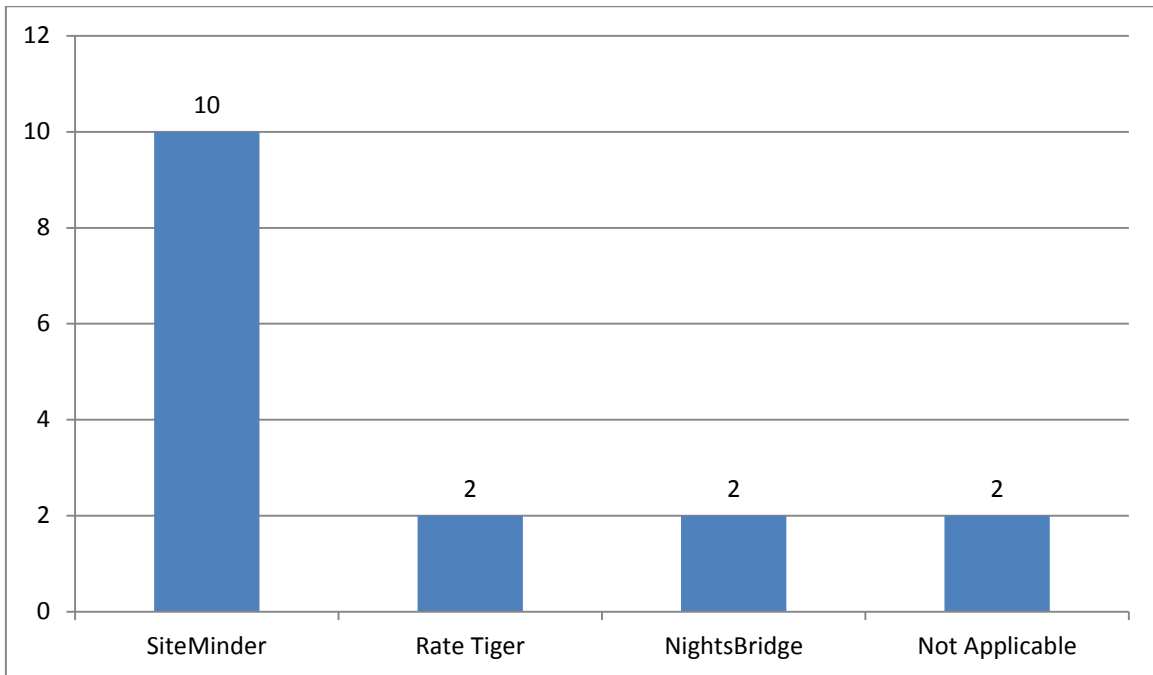


Figure 4.9: Question 21: Which software package do you make use of?

Result: Two respondents did not answer this question, as it was not applicable (refer to Question 20). Ten of the remaining 14 respondents use SiteMinder, two use RateTiger and two use NightsBridge to manage their online channel bookings.

4.2.22 Question 22: How many rooms does your hotel have?

Rationale: This question was a general question regarding the size of the hotel. The options given to respondents started from 10 rooms or fewer and increased in increments of 49 up to 451 rooms or more.

Table 4.15 Statistics output: Question 22

		Number of Rooms			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10 or fewer	2	12.5	12.5	12.5
	10–50	8	50.0	50.0	62.5
	51–100	3	18.8	18.8	81.3
	101–150	1	6.3	6.3	87.5
	151–200	1	6.3	6.3	93.8
	301–350	1	6.3	6.3	100.0
	Total	16	100.0	100.0	

Result: Half of the respondents' hotels consist of 10 to 50 rooms. Two answered ten or fewer, three 51–100 rooms and one response each for 101–150 rooms, 151–200 rooms and 301–350 rooms.

4.2.23 Question 23: What is the average occupancy for this hotel per year?

Rationale: This question was posed to determine if those hotels using online booking methods had a higher occupancy than those hotels that did not. The options given to respondents started from 25% or lower and increased in increments of 5% up to 100%.

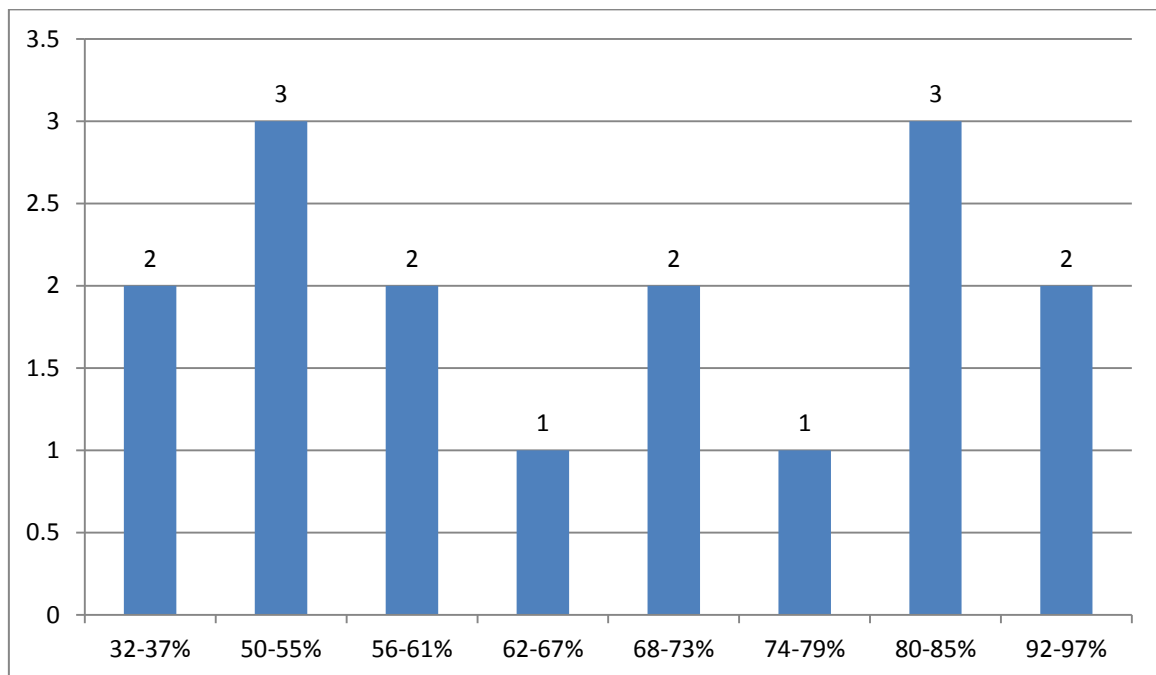


Figure 4.10: Question 23: What is the average occupancy for this hotel per year?

Result: The highest responses were 50–55% and 80–85%, with three responses each. The lowest occupancy chosen was 32–37% and had two responses, as well as 56–61%, 68–73% and 92–97%. There was one response each for 62–67% and 74–79%.

Analysis: The results were quite varied across all options. There was no definitive pattern to show that using online methods resulted in higher occupancy. As mentioned in Question Twenty-two, half of the respondent's hotel size was 10-50 rooms. Those respondents who had a very high occupancy rate (between 80-97%) had a room size of 10-50 rooms.

4.2.24 Question 24: Staff require experience to manage online bookings in a hotel.

Rationale: This question was asked to determine if staff felt they needed experience to manage online bookings in a hotel. A four-point Likert scale was given for respondents to choose from.

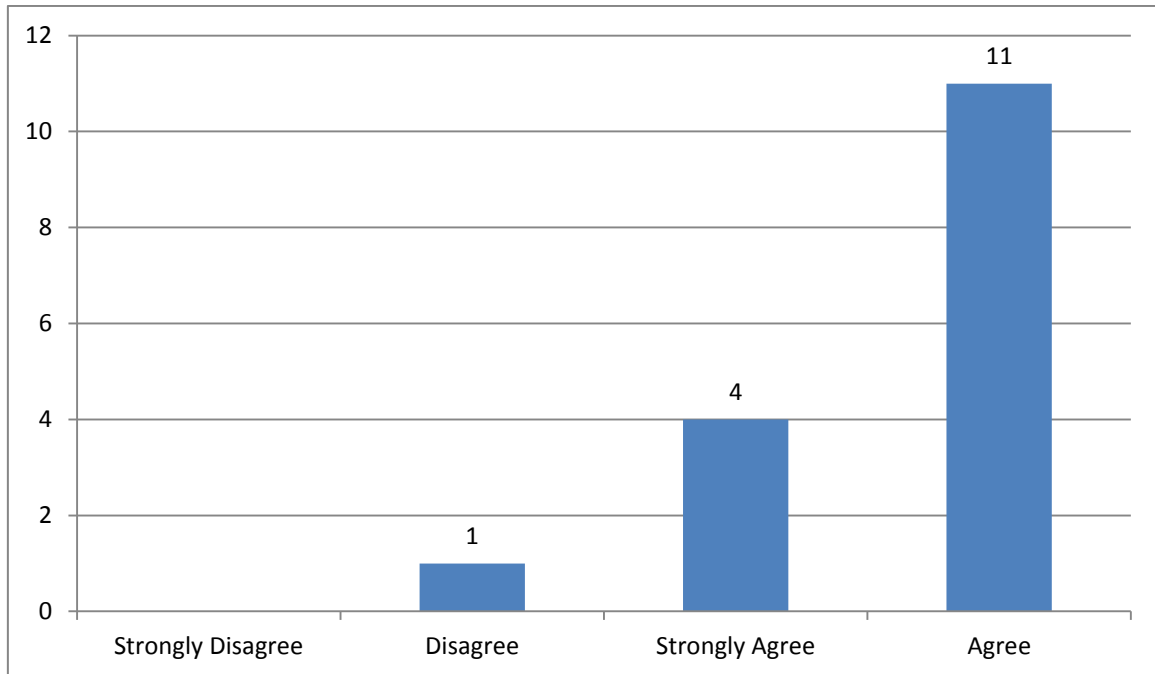


Figure 4.11: Question 24: Staff requires experience to manage online bookings in a hotel

Result: Fifteen respondents agreed with this statement and one respondent disagreed.

4.2.25 Question 25: Online bookings are not user friendly for hotel staff to use.

Rationale: This was asked to determine perceptions staff might have of e-commerce methods. A four-point Likert scale was used.

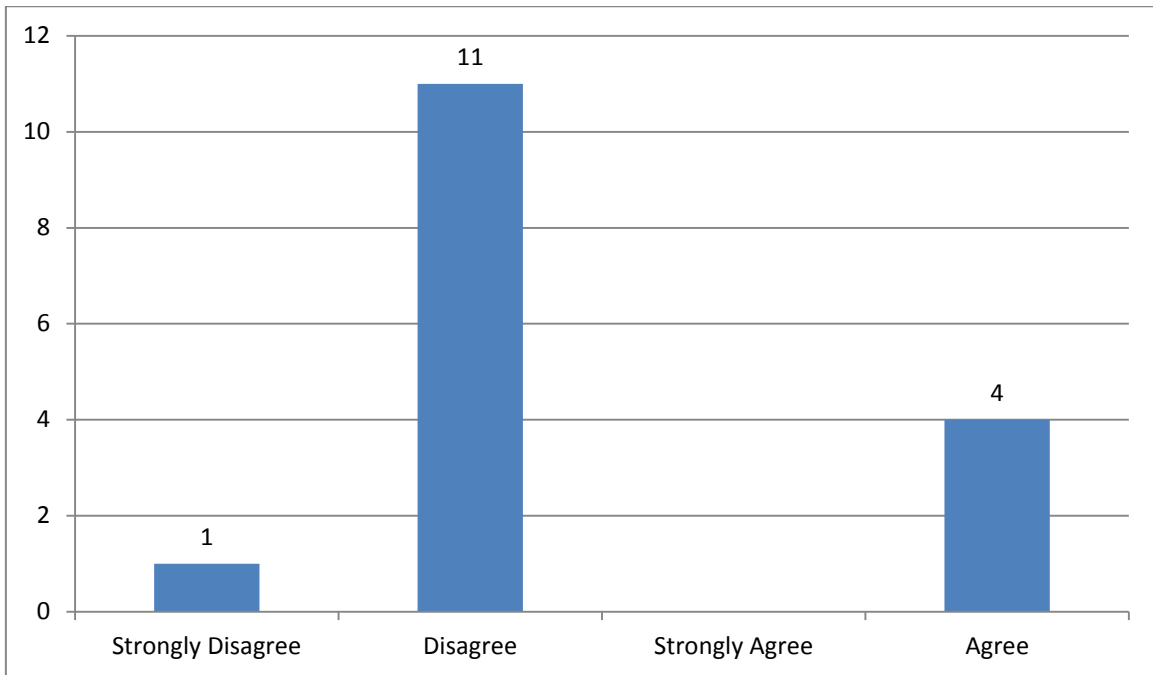


Figure 4.12: Question 25: Online bookings are not user friendly for hotel staff to use

Result: Twelve respondents disagreed with this statement and four agreed.

4.2.26 Question 26: Software packages managing online bookings are expensive to implement.

Rationale: In the pilot study, the researcher was made aware of the costs related to implementing e-commerce solutions for a hotel. A four-point Likert scale was used.

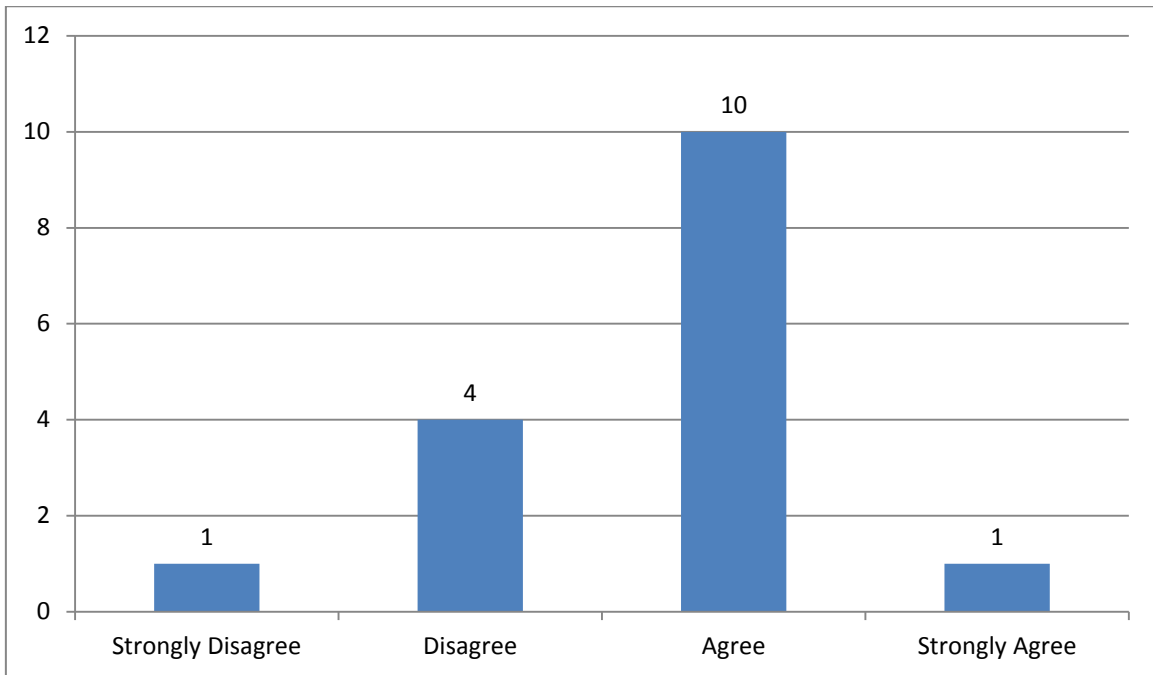


Figure 4.13: Question 26: Software packages managing online bookings are expensive to implement

Result: Eleven respondents agreed with the above statement and five disagreed.

4.2.27 Question 27: In your opinion, should a hotel implement a strong online booking presence?

Rationale: This question was asked to establish if after all the factors mentioned that might affect respondents' perceptions of e-commerce, they would still think it imperative to implement e-commerce in a hotel. The options given to the respondents to choose from were 'yes' and 'no'.

Table 4.16: Statistics output: Question 27

Strong Booking Presence					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	15	93.8	100.0	100.0
Missing	Missing	1	6.3		
Total		16	100.0		

Result: Fifteen respondents answered 'yes' to this question. One respondent did not answer this question.

Analysis: These results show the positive role EC has in the tourism and hospitality industry and reinforce the results from the other questions. After all the factors that could affect

perception and use regarding EC, 94% believe that a hotel should implement a strong online booking presence. The researcher has compiled a table to compare whether the hotels actually have an online presence. Through a quick Internet search by typing the hotel's name into the search engine Google, the following has been found in Table 4.16:

The table below indicates whether the surveyed hotels actually have an online presence. An internet search on Google established hotels' online presence, as depicted in Table 4.17.

Table 4.17: Hotel online presence

Hotel Name	Website	TripAdvisor	Facebook	Booking.com	Other (.com)
Andros Boutique Hotel	✓	✓	✓	✓	Hotels
Belmond Mount Nelson	✓	✓	✓	✓	Get a room
Cape Royale	✓	✓	✓	✓	Hotels
Dock House	✓	✓	✗	✓	Hotels Agoda
Ellerman House	✓	✓	✗	✓	Hotels
One & Only Cape Town	✓	✓	✓	✓	✗
Queen Victoria Hotel	✓	✓	✗	✓	Hotels Agoda Zomato
Steenberg Hotel	✓	✓	✓	✓	Agoda Zomato
Sugar Hotel	✓	✓	✗	✓	Agoda
Alphen Boutique Hotel	✓	✓	✓	✓	Agoda
Cellars Hohenhort	✓	✓	✗	✓	Agoda
Marly Hotel	✓	✓	✗	✓	Agoda
Table Bay Hotel	✓	✓	✗	✓	Get a room
Twelve Apostles	✓	✓	✓	✓	Twitter

4.3 SUMMARY

In summary, it is clear that e-commerce has a significant role to play in five-star hotels in the Cape Town Metropole. These outcomes support the objectives in Chapter 1. Most of the respondents agree that e-commerce is important and all the respondents agree that social media can add value to an organisation in terms of customer relationship management. Ninety-three percent of the population use online booking sites in their organisations and the majority of respondents believe that OTAs generate more revenue than traditional methods.

One of the most interesting responses which is worth mentioning is that the telephone is still perceived as more important than other methods of booking. The hotels receive all the different types of reservation methods cited in Chapter 2 (telephonic, walk-in, e-mail, travel agents, corporates and tour operators); however the telephone was ranked first in importance.

In terms of user friendliness, the majority of respondents believe e-commerce is a user-friendly tool but the majority also agree that staff members require experience to manage online bookings.

In the next chapter, the researcher provides an analysis of the findings and notes some recommendations, as well as providing concluding remarks about this research study.

CHAPTER 5

FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 INTRODUCTION

In this chapter the researcher presents a summary of the study. The purpose of this study was to investigate the role of e-commerce in five-star hotels in the Cape Town Metropole.

Literature has noted the numerous advantages of Information and Communications Technology (ICT) and studies in the tourism and hospitality arena have indicated that ICT is a tool particularly suited to this industry. ICT has integrated fully into our daily lives as well as created a new global economy and method of communication between parties that would normally not meet. The literature reviewed in Chapter 2 reinforces that to be relevant in today's business environment, an active online presence is essential.

The researcher chose a quantitative approach to collect information from five-star hotels in the Cape Town Metropole. Data was compiled using the software program SPSS, Version 23 for Windows. Tables and graphs presenting the outcome of the results were included, with a short analysis of each question posed in the questionnaire.

All respondents surveyed used online bookings in their hotel and half of the respondents believed that OTAs generate more revenue than traditional travel agents. While the majority believed social media were important for customer relationship management, only half of the hotels surveyed actually had a social media presence (on Facebook). While the respondents were quite positive towards e-commerce and its value in the hotel in terms of bookings, they perceived the telephone to be the most important method for both guests and staff. According to Bauer et al. (2006:105), five-star hotels pride themselves on offering immediate, special and personal service, which would explain why the telephone is ranked highly, as it is both immediate and personal.

5.2 FINDINGS

The researcher presents the findings from Chapter 4 according to each sub-problem noted in Chapter 1 and recommendations are given for each objective.

5.2.1 Sub-problem 1: Five-star hotels in the Cape Town Metropole do not know what e-commerce is.

The researcher found that this problem does not exist. According to the findings presented in Chapter 4, all respondents used e-commerce at their hotels as a reservation method or distribution channel. The majority of respondents believed that e-commerce was important and that social media channels such as Facebook, Twitter and TripAdvisor could add value to an organisation in terms of customer relationship management. These findings echo the data found in the literature review. The respondents also believed that negative reviews from guests on these social media channels could have a negative impact on hotel room sales. This result confirms the importance of social media and shows that the respondents are aware of the different functions of e-commerce and the effect social media can have on a business's image and potential revenue.

5.2.2 Sub-problem 2: E-commerce is not used in five-star hotels in the Cape Town Metropole.

This problem does not exist as all respondents surveyed used online bookings as a reservation method at their hotels. In the opinion of the respondents, e-commerce is perceived as a user-friendly tool and is also an inexpensive method of selling rooms. While the cost of software to manage e-commerce functions is high, the respondents still believed it to be relatively inexpensive. The respondents also believed OTAs generate more revenue than traditional methods of room reservation. This finding is very interesting as it proves that using an online distribution channel for room sales is an important tool for a hotel. To maximise a business's exposure to potential guests, an online presence is not only important, but non-negotiable.

5.2.3 Sub-problem 3: Five-star hotels in the Cape Town Metropole are unaware of the most common booking sites, for example, Booking.com.

This problem does not exist, as 94% of the respondents contended they use Booking.com, Expedia.com and Hotels.com. Only one hotel did not use one of these three booking sites. These results confirmed findings in the literature, as these websites are listed as the top three booking websites currently in use. Hotels.com is owned by Priceline, which also owns Booking.com (Wulf, 2012).

5.2.4 Sub-problem 4: Five-star hotels in the Cape Town Metropole are unfamiliar with the difference between e-commerce and other methods of room reservation.

The various methods of reservation were explained in the literature review in Chapter 2. The respondents were also asked to rank the various methods of reservation in the questionnaire according to importance. The telephone was ranked the highest out of seven different methods, including electronic methods such as e-mail. From the staff's perspective, these findings show that the staff receive many different methods of reservation at their hotels, but perceive telephonic reservations to be the most important. The staff also ranked the telephone as the most important method from the guests' perspective. This is an interesting finding, as most people perceive electronic methods to be preferable.

Only one respondent used a different booking site – ReservHotel, which was not mentioned in the literature review as it is a channel management B2B service, according to their website (ReservHotel, 2015). The researcher therefore believes that this problem does not exist.

5.2.5 Sub-problem 5: Reservation managers of five-star hotels in the Cape Town Metropole are not aware of the use of e-commerce in their hotel.

More than half (69%) of the respondents understand how e-commerce relates to the tourism and hospitality industry. Four (25%) respondents felt that they only understood how it relates to some degree and one person did not understand at all. The researcher does not believe this problem exists, as all respondents are aware of the use of e-commerce; however their understanding of how it relates to the tourism and hospitality industry could be improved. Also, this finding only shows their perceived understanding of e-commerce, as it did not actually measure the extent of their understanding.

5.3 RECOMMENDATIONS

5.3.1 Sub-objective 1: Define what e-commerce is for five-star hotels in the Cape Town Metropole.

The main objective outlined in Chapter 1 was to define e-commerce for five-star hotels in the Cape Town Metropole. The researcher undertook an extensive literature search to achieve this. The researcher also designed a theoretical framework that could be used outside of this study to explain and clarify the use of e-commerce in the tourism and hospitality industry and how it fits into more traditional methods of reservation.

5.3.2 Sub-objective 2: Recommend the use of e-commerce at five-star hotels in the Cape Town Metropole.

This problem did not exist, as the five-star hotels were using e-commerce at the time the respondents were surveyed. The researcher can only recommend that those respondents who did not understand the role of e-commerce or who did not perceive e-commerce to be important, undertake extensive training so they may be more informed. The researcher suggests proper training for hospitality staff to maximise their potential in e-commerce channels across all platforms such as social media. As evident in Chapter 4, hotels only used Facebook; however they should consider other social media channels also. The smaller hotels surveyed could benefit from this, especially as they can market themselves through social media to take advantage of their 'exclusivity'.

5.3.3 Sub-objective 3: Determine the most common booking site at five-star hotels in the Cape Town Metropole.

The researcher found that the most common booking sites in terms of use were: Expedia.com (100%), Booking.com (94%), Hotels.com (94%), and Agoda.com (81%). The researcher can only recommend that the hotels continue to use these websites as their use concurs with the findings in the literature review. The researcher did not establish how long the respondents had used e-commerce, but more research could be done on maximising the use of e-commerce methods at five-star hotels in the Cape Town Metropole. The researcher could not request financial information relating to how much revenue each booking site makes for the hotel, but future studies could be done to determine which booking sites are more profitable. The researcher can recommend that the five-star hotels do their own statistical analysis as they will have access to this information and can compare which booking sites give them more exposure.

5.3.4 Sub-objective 4: Define e-commerce and other methods of room reservation to facilitate comprehension.

The researcher believes that this task has been achieved, as shown in Chapter 2. After an extensive literature review, the researcher has defined e-commerce and other methods of room reservation. The researcher recommends that while e-commerce methods are perceived as being more modern, cost effective and efficient, five-star hotels in the Cape Town Metropole continue to use all methods of room reservation mentioned in this study, as there will always be a need for them. The telephone was ranked first in terms of importance by the staff of these five-star hotels. While communicating via electronic means has become

acceptable, it is considered impersonal. The aim of a five-star hotel is to make the guest feel at home and to experience personal service. A certain level of attention and care needs to be maintained when communicating with their guests and potential customers.

5.3.5 Sub-objective 5: Recommend reservations managers at five-star hotels in the Cape Town Metropole have an online presence across the e-commerce and social media spectrums.

The hotels believed social media channels are important and add value; however only half of the respondents had a social media presence (on Facebook). The hotels might not know how to utilise social media technologies to their advantage and would require further expertise. It is therefore recommended that a popular blogger can manage a hotel's Facebook or Instagram page for a weekend to showcase the facilities of the hotel.

The respondents also believed negative reviews on social media channels such as Facebook and TripAdvisor impact negatively on hotel room sales. Word of mouth is still very important in the hospitality industry and hotels need to have a policy regarding how to respond to online complaints and reviews. The rate at which information is shared on the Internet is unrivalled by any other means of mass communication. A negative review, and correspondingly a poor response from a hotel or restaurant can have far-reaching effects on a business, if not resolved in a fast and effective way. Therefore the researcher recommends that the five-star hotels learn how to properly manage these social media channels.

5.4 FURTHER RESEARCH POTENTIAL

As part of this study, further research could be done in the following areas:

- As only five-star hotels were surveyed, further research could include bed and breakfasts or three- to four-star hotels in the Cape Town Metropole.
- There are various factors that drive consumers to websites and influence purchasing decisions. While research has been conducted in this area internationally, a study in Cape Town could be conducted.
- Word of mouth is a powerful tool used by consumers for their opinions to be heard. Research can be conducted to establish the significance of this sales tool in South African hotels.

- A policy document could be developed for hotels and restaurants to help them respond to online complaints and reviews in an appropriate and effective manner.

5.5 CONCLUSION

After obtaining and reviewing the literature, surveying the population and analysing the results, the objectives of this study have been achieved. The researcher defined e-commerce in relation to hotel room sales through an extensive review of the literature. It was further established that e-commerce is used to make hotel room reservations and has an important role to play, according to managers of Cape Town Metropole five-star hotels. They believe that e-commerce is a user-friendly tool and generates more revenue than traditional travel agents.

They similarly think that it is important for a hotel to have a strong online presence and that social media channels such as Facebook, Twitter and TripAdvisor can add value to an organisation. The majority of the surveyed respondents believed that negative reviews on social media could have a negative impact on hotel room sales.

All hotels surveyed used online bookings as a method of reservation and considered this method to be an inexpensive way of selling rooms. While the results generally showed a positive perception of e-commerce, they also indicated that telephonic reservations are still preferred. This conveys that while e-commerce is important, it has not replaced traditional methods of room reservation or communication.

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APPENDIX A:
ONLINE QUESTIONNAIRE



The Role of E-Commerce in Five-Star Hotels in the Cape Town Metropole

Dear Respondent

As part of my master's degree, I would like to invite you to participate in a research study regarding the role of e-commerce in five-star hotels in the Cape Town metropole.

In order to facilitate honest answers, your anonymity will be ensured. Data collected is purely for research purposes and names of individuals and establishments will not be disclosed. The researcher has committed to a formal ethics committee to uphold this agreement.

IMPORTANT: Please complete all applicable questions. Do not leave any questions blank as this will have an impact on the validity of the data.

If you have any queries regarding the questionnaire or if you would like a copy of the results, you can contact me on e-mail: Banoobhai@cput.ac.za or by telephone: 072 317 4975.

Thank you for your willingness to assist with my research study.

Yours sincerely

Ilhaam Banoobhai-Anwar (Mrs)

Instructions:

Please tick the appropriate box. Only mark one item unless otherwise stated. Please answer all questions as directed. This survey will take you less than 10 minutes to complete.

General Questions:

1. Which hotel are you from?

2. What position do you hold in the hotel?

- Reservations Manager
- Revenue Manager
- Rooms Division Manager
- Front Office Manager
- Other:

3. How many years have you been in this position?

4. Which age category do you fit into?

5. What methods of reservations do you currently receive when a guest makes a booking?

(Tick all that apply)

- Via telephone
- Walk-in
- E-mail
- Travel agents
- Corporates/Companies
- Tour Operators
- Other:

6. I do not understand the role e-commerce plays in the tourism and hospitality industry.

7. How important do you perceive e-commerce to be in the tourism and hospitality industry?

8. Social media channels like Facebook, Twitter and TripAdvisor add value to the organisation in terms of Customer Relationship Management.

9. Do you use online booking sites?

If you answer Yes to Question 9, you will be directed to SECTION A and SECTION B.
If you answer No to Question 9, you will only be directed to SECTION B.

SECTION A:

Please indicate your agreement or disagreement with the following statements.
Answers are based on your experience in this position.

10. Online Travel Agents (OTAs) do not generate more revenue than traditional travel agents.

11. Online presence for a hotel is important in the tourism and hospitality industry.

12. Do you understand how e-commerce (EC) relates to the tourism and hospitality industry?

13. EC is a user-friendly tool for the hotel from a room reservations perspective.

14. EC is a cheap method of selling rooms.

15. Social media channels like Facebook, Twitter and TripAdvisor are important for Customer Relationship Management.

18. Please rank the following methods of reservations on a scale of 1–7 in order of importance by room reservations STAFF in your hotel.

1 = Highest 7 = Lowest

	1	2	3	4	5	6	7
E-mail	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A booking website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your hotel website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Telephone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tour operators/ Travel agents	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Corporates/ Companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Walk-ins	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

19. Which OTAs do you currently use for online bookings?

Tick all that apply. If you have more than one for 'Other', please separate them with a comma.

- Booking.com
- Expedia.com
- Hotels.com
- Agoda.com
- Other:

20. Do you make use of software packages to manage your hotel's online reservations?

21. If you answered Yes to the above question, which of the following software packages do you make use of?

- Siteminder
- RateTiger
- Other:

SECTION B:

22. How many rooms does your hotel have?

23. What is the average occupancy for this hotel per year?

24. Staff require experience to manage online bookings in a hotel.

25. Online bookings are not user friendly for hotel staff to use.

26. Software packages managing online bookings are expensive to implement.

27. In your opinion, should a hotel implement a strong online booking presence?

APPENDIX B:
PILOT STUDY QUESTIONNAIRE

QUESTIONNAIRE

Instructions:

Please mark the appropriate block with an **X** in the space provided. Only mark one item unless otherwise stated.

GENERAL QUESTIONS:

1. What position do you hold in the hotel?

ITEM	TICK	CODE
General Manager		1
Revenue Manager		2
Rooms Division Manager		3
Other (Please state):		4

2. How many years have you been in this position?

ITEM	TICK	CODE
3 or fewer		5
4–7 years		6
8–11 years		7
12–15 years		8
15 or more		9

3. What is your age?

ITEM	TICK	CODE
25 or younger		10
31–35		11
36–40		12
41–45		13
46–50		14
51–55		15
60 or older		16

4. What methods of reservations do you currently receive when a guest makes a booking?
(Tick all that apply)

ITEM	TICK	CODE
Telephone		17
Walk-in		18
E-mail		19
Travel agent		20
Other (Please State):		21

5. Do you use online booking sites?

ITEM	TICK	CODE
Yes		22
No		23

If you answered Yes to Question Number 5, please complete SECTION A and SECTION B. If you answered No, please answer SECTION B ONLY.

SECTION A:

Please respond to the following statements by indicating your degree of agreement / disagreement with an X	Strongly Disagree	Disagree	Agree	Strongly	CODE
	1	2	3	4	
6. Online prices are cheaper than hotel prices.					A1
7. Online Travel Agents (OTAs) do not generate more revenue than traditional travel agents.					A2
8. Online presence is not important in the tourism and hospitality industry.					A3
9. I understand the role of e-Commerce (EC) in the tourism and hospitality industry.					A4
10. EC is a user-friendly tool.					A5
11. EC is a cheap method of distribution.					A6
12. Social media channels like Facebook, Twitter and TripAdvisor are important for Customer Relationship Management.					A7

SECTION A CONTINUED

ITEM	%	CODE
13. For the past year (January 2014 – December 2014) What is the number of reservations made by online methods? (OTA/e-mail/website enquiry)		A8
14. For the past year (January 2014 – December 2014) What is the number of reservations made by telephone?		A9
15. For the past year (January 2014 – December 2014) What is the number of reservations made by walk-ins?		A10
16. For the past year (January 2014 – December 2014) What is the number of reservations made by travel agents?		A11
17. Which OTAs do you currently use for online bookings? (Tick all that apply)		
Booking.com		A12
Expedia.com		A13
Hotels.com		A14
Other (Please state)		A15
Other (Please state)		A16

SECTION B:

18. How many rooms does this hotel have?

ITEM	TICK	CODE
10 or fewer		B1
10–50		B2
51–100		B3
101–150		B4
151–200		B5
201–250		B6
251–300		B7
301–350		B8
351–400		B9
401–450		B10
451 or more		B11

19. What is the average occupancy for this hotel?

ITEM %	TICK	CODE
25 or less		B12
25–50		B13
51–60		B14
61–70		B15
71–80		B16
81–90		B17
91–100		B18

SECTION B CONTINUED:

Please respond to the following statements by indicating your degree of agreement / disagreement with an X	Strongly Disagree	Disagree	Agree	Strongly Agree	CODE
	1	2	3	4	
20. Online bookings require experience to manage.					B1 9
21. Online bookings are user friendly.					B2 0
22. Online bookings are expensive to implement.					B2 1
23. I do not understand the role e-Commerce plays in the tourism and hospitality industry.					B2 2
24. Social media channels like Facebook, Twitter and TripAdvisor add value to the organisation.					B2 3

Thank you for your time.