

**The impact of e-commerce usage on business performance of
Hotels in Sri Lanka**

by

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Declaration of Supervisor

I certify that the above statement made by the candidate is true and that this research is suitable for submission to the university for the purpose of evaluation.

Mr. Mahesh Fernando

Signature:



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ABSTRACT

The adoption of e-commerce in the tourism sector has become one of the main business improvement areas in the hotel industry that seems unavoidable in competing and even surviving in a highly competitive industry. This study focuses on the impact of e-commerce usage on business performance of hotels in Sri Lanka. It was found that many firms attempted to adopt e-commerce to upgrade their competitive capabilities but it seems e-commerce related businesses performance has not improved significantly over the years. In order to review this problem in the Sri Lankan tourism sector, the modified E-Value model was used as the conceptual framework. A cross sectional survey was carried out on 44 Sri Lankan hotels which are registered with the Sri Lankan Tourists Board and limited to the managerial position above the three star level category and structured questionnaire was sent through e-mail.

Partial Least Square Structural Equation Method (PLS-SEM) analysis results indicated that technology competence, web technology investment, innovative culture, front end functionalities and back end integrations statistically significantly influenced e-commerce usage. Further, Front end functionalities better described the level of backend integration. Also e-commerce usage significantly influenced business performance of the firms. This research is limited to the tourism sector in Sri Lanka and views it only from the management perspectives of e-commerce adoption.

Managers and decision makers in tourism organizations will be benefitted by this study in enhancing their knowledge in the diffusion of e-commerce in the tourism industry.

Academics and researchers too will be benefited by further investigation of technological innovations and diffusion streams.

The Origin of this research could be traced to Malaysia to investigate the impact of e-commerce usage on business performance and this model was further developed by adding innovative culture. Through the modified E-Value model the research was carried out to investigate the influences on e-commerce usage and business performance.

Key Words – Electronic Commerce, Business performance, Tourism industry, Sri Lanka.

CHAPTER 1

INTRODUCTION

1.1 Background

Tourism remains the fastest growing service industry in the economies of most of developing countries and plays an important role in the economic and technological development of nations. Further, the tourism industry is considered as one of the biggest industries, which generates approximately 11% of world Gross Domestic Production, employing 200 Million people and serves 700 Million tourists worldwide. International tourist arrivals are forecast to be a total 1,581,250,000, generating an expenditure of USD1, 934.8billion, an increase of 4.2% pa (World Travel and Tourism Council, 2013).

The development of the tourism sector is a very important part of the economy of Sri Lanka. With reference to the economic contribution, it is vital to understand the economic significance of the tourism sector and therefore it is necessary to focus on the areas of development. Many countries prepare their strategic plans by establishing certain targets to accelerate the growth of tourism. The important indicator of the role of international tourism is its generation of foreign exchange earnings. Tourism is one of the top five export categories for as many as 83% of countries and is a main source of foreign exchange earnings for at least 38% of countries (Machel and Prudence (2001) cited by Buhalis and Deimezi (2011)).

Tourism in Sri Lanka is a major branch of the country's economy, accounting for approximately 14% of the GDP and generating annual revenue amounting to 6,600 million rupees (Ministry of Tourism, 2012).

The Sri Lankan tourism industry has been growing steadily as a promising sector for economic development, subject to periodical setbacks especially the civil war prevailed that in Sri Lanka, world terrorist attacks and natural disasters. According to the World Travel and Tourism Council rankings, (WTTC Country report (2013)) Sri Lanka is 43 in long term (ten years) growth and 27 in real growth.

The official government institutions for the development of the Sri Lankan tourism industry are the Sri Lanka Tourism Development Authority and Sri Lanka Tourism Promotion Bureau under the Ministry of Tourism. In order to achieve their targets, they have expanded their online brands and marketing activities across the world and offer the whole scope of the internet services such as information, communication, relationship, transaction and entertainment services, to catch the market in India, United Kingdom and other countries and have specialized in the high end niche market, cultivated now and popularized by the internet savvy travelers (Ranasinghe and Deshapriya (2011))

The Sri Lankan tourism sector is a tour operator dominated sector, private and public both operating the tourism industry. The private sector is rather insecure in its attempts to move away from being almost totally dependent on foreign tour operators and to engage more actively in a multi-channel communication and distribution policy. The larger companies especially are in the process of enhancing their online branding, marketing and the look-to-book ratio. Hotels wish to become less dependent on local travel agents or national guides to bring business in return for very high commissions.

There is the growing awareness that Information and Communication Technology has drastically changed tourism worldwide; it is of vital importance to acquire the skills and tools to engage in a multi-channel strategy to reach the final customers reducing the