

Digital Marketing as a Strategy of E-Governance in Sri Lanka: Case study of Sri Lankan Hospitality Industry

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Abstract— Theoretically e-Governance is an ideal development strategy for under-developed nations as it can create SMART government. In fact countries like India has proven this fact by implementing e-Governance at regional level successfully. Electronic Commerce is accepted as an organizational strategy and approach that facilitates global market with unprecedented opportunities for organizations with remarkable cost savings. E-commerce is the best strategy and medium of instruction that are more efficient and flexible. As far as Sri Lankan hoteliers are concerned, it is evident that they are struggling on integrating e-commerce into their business process. As a result, online Travel Agencies (OTAs) like Booking.com are offering Sri Lankan hotel rooms at rock bottom prices while respective hoteliers charging higher prices from direct booking customers including domestic travelers. In this research a user centric approach was adapted. Main collection of data done through a web survey and web content analysis. Initial hypothesis testing was conducted based on the data collected through web survey. The navigation and navigation design features which prevent customers on transaction were highlighted in the web content analysis. Internet use, by competitors' especially online travel agents to research, promote and sell products or services is ever increasing, especially most international travelers' search the web before they decide to visit new destination quite often. It is readily available on the web site, since it has become a universal knowledge. Competitors will have easy access to information and to-the-minute price to both customers. This has turned into a net at the end rather than the price of a price cutter Equalizer.

Keywords—Electronic Commerce, Hospitality Industry, Sri Lanka, Sustainable Tourism Management

The travel and tourism industry is one of the world's largest industries with a global economic contribution (direct, indirect and induced) of almost seven trillion U.S. dollars in 2013. The direct economic impact of the industry, including

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accommodation, transportation, entertainment and attractions, was approximately 2.2 trillion U.S. dollars that year – (<http://www.statista.com/topics/962/global-tourism>). Even though Sri Lanka involved planned tourism for more than 5 decades country reaps only the meager benefits comparing with many other similar Asian countries. Since 1960's development of Tourism Industry was recognized as a panacea for economic ills and lack of development in Sri Lanka. A ten-year Tourism Development Master Plan covering the period 1967-1976 was formulated in 1967 which laid down the framework within which the tourist industry was to be developed in the country (Samaranayake, 2012), (Jayawardena, 2013). Tourism plays a vital role in the life and economy of Sri Lanka for more than 5 decades. Moreover, it is a significant contributor to the economy through income generation, employment and investment in businesses and regional development in the country. Tourism also drives community development through investment in infrastructure, the preservation of natural resources and cultural heritage while encouraging social development and understanding among communities.

In this context government attention focused on hospitality Industry to ease acute shortage of Balance of payment and in solving issues of unemployment in the country (Guruge, 2009). Under previous government more ambitious plan was drafted. Some key objectives of five year Tourism Strategy of the government estimated that by 2016 the industry is capable of creating 500,000 direct and indirect employments. It is also estimated that increased tourism arrivals from 650,000 to 2.5 million by 2016. Furthermore it has been suggested that to attract US \$ 3000 million as FDI within 5 years while increasing foreign exchange earnings from US \$ 500 million in 2010 to US \$ 2.75 billion by 2016 (MoED, 2010). The Travel and Tourism Competitiveness Index (TTCI) of World Economic Forum, in 2013 ranked Sri Lanka 14 among 25 countries in Asia Pacific and 67 among 140 countries in the world (www.weforum.org), (Jayawardena, 2013).

Sri Lanka has a long history of practicing modern day tourism. In fact, Sri Lanka has attracted the attention and curiosity of people from very early days (Attanayake et al, 1983). Even though Sri Lanka has been involved in planned

tourism for over six decades, the industry is under-performing, attracting less than one million tourists per annum. While the tourism industry in Sri Lanka is very promising and complex, it is one of the most under-studied industries at present. In this study we intend to learn more from the Sri Lankan experience in adopting e-commerce technologies for Tourism development in the country. It is also evident that tourism is reshaping in the knowledge economy applying strategies with immersing technologies. Networking has become more prominent feature of businesses in the new economy based on the Internet, having web presence of various natures. Network organizations in new economy are rely on relationships with other organizations in order to carry out their operations. Sri Lankan hospitality industry is rapidly embracing electronic form of tourism or e-tourism hand in hand with these new technologies.

Literature Review

In modern organization theory, technology involves the means of achieving something- a desired outcome, goal, or output, usually conceptualized as a product or service (Hatch, 1997). Past studies in this area have focused on several factors that affected the adoption propensity for new technologies. For instance, the effect of firm size on adoption propensity in different sectors was studied by Oster (1982), Hannan and McDowell (1984) and Rose and Joskov (1990). Levin et al. (1987) and Hannan and McDowell (1984) studied the effect of market concentration on the adoption propensity of firms. Nambisan and Wang (2000) studied the effect of knowledge barriers that exist within organizations on the adoption propensity of an organization (Sahadev and Islam, 2005). The success of e-commerce adoption depends on a range of implementation issues such as strategy, consumer e-readiness, and support from e-commerce developers and public policy (Ngai & Wat, 2002). Hence, support and implementation can be considered as a third enduring theme of e-commerce research in DEs, (Sambhanthan, 2013).

Anyone who has the power to control the ability of information technology will achieve excellence, (Gilaninia et al, 2011). E-commerce using the Internet and other information technologies to support trade and improve business capabilities. Internet and E-commerce have a role to change the balance of power between the organization and the industry (Rezvani, 2011; Kraemer and Zhu,2004; Werthner and Ricci, 2004). E-commerce has been design the entire industries, major changes have been made in the conduct of business, for instance the hotel industry has undergone major changes (Laudon and Traver, 2012; Turban, 2003). E-commerce has the potential to design a different value according to the type of organization in a variety of industries, including the hotel industry (Sobihah and Mohd Amin, 2013).

Competition in the hotel industry is getting intense due to various reasons including new technology. Hence, competition in the Hotel Industry anywhere in the world is intense within strategic groups subject to the level of industry growth. Industry growth in major cities, capitals or financial centers is

high at present partly due to the travelers from tourist groups, business and independent leisure travelers, resulting in low levels of jockeying. Competitive position involves Cost and Differentiation. There are no switching costs, which could increase potential jockeying (David S. Y. Cheng, 2013).

The Impact of Electronic Commerce Technologies (e-Com Tecs) in the Hospitality Industry has become one of the prominent influencing factors. Moreover, it is simply unavoidable because hoteliers in worldwide use e-commerce to expand their business horizon by eliminating geographical and time barriers while reaping cost benefits. In this context, e-commerce in hospitality industry contributes to national and regional development on massive scale while competing and even surviving in the highly competitive global tourism landscape (Lin, 1983).

There were numerous studies done on adaptation of e-commerce on developed world. Although there have been previous studies related to the adoption of e-commerce by SMEs around the world (Thomas & Simmons, 2010), most of these previous studies had been conducted in relatively well developed economies; Malaysia, S.E. Wales, Empirical study of determinants e-commerce adoption in Vietnam Switzerland, The Netherlands, and Italy (Thomas & Simmons, 2010);the United Kingdom (Simpson, et al., 2004); New Zealand (Al-Qirim, 2007), South Africa (Cloete, et al., 2002) and parts of Asia (Sharma & Sheth,2004), (Huy, 2012). E-business systems enable firms to execute electronic transactions with any business partners along the value chain. E-business systems thus significantly impact business process change, diffusion innovation, and even business transformation. (Lin H.-F. , 2005).

E-commerce adaptation in hotel industry is complex and vivid. Therefore, investigations of electronic commerce practice had been viewed from several perspectives especially strategic management, information systems, as well as entrepreneurship. Consequently, several theories emerged to underpin the previous research, Diffusion of Innovation theory (Rogers, 1995) dominated most of the researches followed by Technology Acceptance Model (Davis, 1989), (Mohamad, 2009). ICT has not only emerged as a strategic enabling tool but a driving force to support knowledge-economy. The important role of ICT in the economy has been well documented and that its contribution to output and productivity growth in ICT-using sectors is through enhancing their efficiency by harnessing new technology (Bassanini,et.al, 2000), (Awang, 2004). Although New Zealanders have always been innovators in adopting new technologies and innovations (Cameron,1999) the scenario for the e-commerce sector is apparently lagging other developed countries in terms of the adoption of EC as a business enabler and of EC technologies in general (Rashid, 2001)

The companies that will be most successful will be those that use e-business to make traditional business processes better and those that invent and implement new combinations of virtual and physical activities. Without understanding how to deploy Internet technology, entering e-business can bring disastrous consequences (Phan, 2003). It is contended that the adoption decision for any technological innovation like EC is an organizational one and hence, a link between the innovation and the organizational factors will provide an essential insight into the adoption criteria for EC within New Zealand's SMEs (Rashid, 2001).

According to April et al. (April, 2008) the literature suggests that IS service delivery to e-Commerce businesses needs to be evaluated differently to that of traditional brick-and-mortar businesses. Pather et al. (2004), having conducted an extensive literature review in this area, found that Kim (1990) was one of the first IS researchers to introduce the service quality perspective to IS user satisfaction research. Realizing the important of technology adoption, Tornatzky and Fleischer, (1990), developed a Technological, Organizational and Environmental (TOE) model to evaluate technology adoption. TOE model is consistent with the theory of innovation diffusion in organization by Rogers (1983). TOE model identifies three aspects of firm's characteristics that influence the process adopting, implementing and using technological innovations (Tornatzky & Fleischer, (1990); DiPietro et al., (1990); Robertson, (2005); (Intan, 2008).

Research Issue of the study

Around 40% of the world population has an internet connection today (<http://www.internetlivestats.com/internet-users/>). In 1995, it was less than 1%. The number of internet users has increased tenfold from 1999 to 2013. The first billion was reached in 2005. The second billion was in 2010. That followed the third billion in 2014. Sri Lanka claims Highest Internet penetration is in South Asia. In this context e-commerce has created a friction free market for local hoteliers which in turn some authors defined as "democratization of capitalism" Yanis Varoufakis (2008). In fact Sri Lanka's internet penetration is high in terms of Mobile devices. According to central Bank report of Sri Lanka (2013) cellular phone penetration is 112.4% and overall Internet penetration and fixed line penetration is 9.8% and 13.2 respectively.

However, some critiques went on saying that most tourism ventures in Sri Lanka only use digital technologies as "technology pad" targeting facelift in this very dynamic business environment. Even today, Sri Lankan tourism mainly depends on Sun, Sea, and Sand type of mass tourism. This whole endeavor is with little economic merit and this type of tourism is no longer competitive in global market place. One strategic alternative would be niche markets based on Internet and electronic commerce. After many years of implementation of e-commerce in Sri Lanka, country is still stagnating with

various constraints. Is that a technological issue or economic issue which prevents country from reaping benefits of electronic commerce? Therefore it is important to study and evaluate e-commerce adaptation and its strategies to learn from Sri Lankan experience. In this context this study is a significance and worthwhile endeavor.

As far as Sri Lankan hoteliers are concerned, it is evident that they are struggling on integrating e-commerce into their business process. As a result, online Travel Agencies (OTAs) like Pagoda.com, Booking.com etc are offering Sri Lankan hotel rooms at rock bottom prices while respective hoteliers charging extra ordinary prices from direct booking customers including domestic travelers. Therefore it is an interesting phenomenon to study how web based marketing relates to e-commerce adaptation in hospitality industry in Sri Lanka.

In this context, the research issues we highlight here are, Why Sri Lankan hoteliers not fully embrace e-commerce strategy and related technologies into their business process? Why not Sri Lankan hoteliers making internet a level field ground for their operations and let their customers to reap cost benefits? To shed more light on these issues in hospitality industry perspective we adopt web based marketing as our main theoretical proposition in this study.

Theoretical proposition of the Study

Companies can conduct marketplace transaction internally more cheaply than they can do with external, as the transaction cost theory states. Transaction cost theory exists because companies and individuals seek economies of scale. This theory based approach is rooted in the institutional economics of Ronald Coase and Oliver Williamson (1981). It suggests that organizations choose between two mechanisms to control resources and carry out its operations as follows.

1. Hierarchy solution – In this context management decide to own the assets and employees along with policies and procedures of the firm to control their use and performance. Hierarchies will be used if the transactions costs of the market solution are too high.

2. Market solution – Management decide to buy the use of the assets or staff from outside companies which means outsourcing in modern day terminology under the terms of the contract signed. However when the business relies on outside suppliers for an input service in addition to the price for the bought in input, it will incur the following transaction costs such as Negotiating and drafting a legal contract with the supplier, Monitoring the suppliers compliance with the contract, Pursuing legal actions for redress due to non performance by the supplier and Penalty payments and cancellation payments if the firm finds it later needs to change its side of the bargain and draft a new contract with supplier.

Transaction cost may be broken down into production and coordinating cost (Wigand et al., 1997; Benjamin and Wigand, 1995; Malone et al., 1987). In this context, co - ordination of work-related expenses of the primary activities of people and machines required information processing (control), including transaction costs (Malone et al, 1987). No transaction costs,

the friction is great, the friction material in the economic system equivalent of friction of physical system or at least business is seen as high transaction costs, suggesting that will be interrupted, or no economic activity is likely to take place may be small (Rolf Wigand, 1997).

Existing markets is expensive due to many reasons because of coordination costs such as locating and communicating with distant suppliers, monitoring contract compliance, buying insurance, obtaining information on products, etc. (Laudon & Laudon, 1996). According to Michael Porter (1980), threats of new entrants are determined by barriers to entry which include economies of scale and many other related factors. According to Kotler et.al, (2005) there are three basic principles of Electronic Marketing.

1. Build and actively manage a customer database
2. Develop a clear concept on how the company should take advantage of the internet.
3. Be easily accessible and quick in responding to customer calls.

Research methodology

In this research a user centric approach was adapted. The main collection of data done through a web survey and web content analysis. Initial hypothesis testing was conducted based on the data collected through web survey. The navigation and negative design features which prevent customers on transaction were highlighted in the web content analysis. A web based survey for data collection was carried out since it is feasible in collecting data from geographically dispersed samples. The web content analysis selected for specific identification of web development shortcomings. A website was created to provide the preliminary. In the web content analysis search engine marketing and web design user interface related factors were concentrated on.

Search engine Marketing

Web Design User Interface

Listed on 1st 10 positions

Fastest load time

Links to Face book Look and feel of the site

Links to Twitter Easy to read text

Advertising on Google

Targeted content

Assistance in Contact details

Competitive advantage Mobile enabled

Easy of navigation

Offer online reservations

Offer extras

Table 1.0 Factors analyzed on web content analysis of the Sri Lankan Hoteliers.

Information to survey respondents. The web based survey was piloted with 22 participants representing all three sample groups to improve the usability of it. The improvement of

language, inclusion of navigational links and the incorporation of rationale for questions were the notable outcomes of pilot study.

Hotels listed in Colombo Stock Exchange (CSE) were selected and the hotels with e-commerce websites were shortlisted based on a consequent Google search. Web survey questionnaire was developed and e-mailed it to managers at all listed hotel companies in Sri Lanka.

Research Findings

In Colombo Stock Exchange 24 hotel properties were listed. We have randomly selected 22 properties out of that and Search Engine Marketing and web user interface design features were analyzed to highlight in the web content analysis.

Search Engine Marketing

We started our research by looking at organic search. Are individual hotels optimizing their websites so that they appear high up in the Google search rankings? However, only 50% of the hotel sites were listed on first 10 positions of the Google search. Only 10% is having pay per click advertising on Google. 80% of the hotel sites had links to their FaceBook page and there was huge variation in how many links hotels were achieving from Facebook. Only 40% had links to Twitter while 60% didn't have any connection.

90% of hoteliers didn't have Google advertising but all most all of them were promoted by online travel agencies (OTAs). 90% of hotel web sites featuring special offers for their clients specially wedding packages, Ayurveda and Spa treatments.

Web User Interface Design

In Electronic commerce fastest load time matters since web users are notoriously impatient. As research suggest if a home page takes more than 2 seconds to load, then the online user will be likely to give up and hop to another site. We measured every hotel web site, how long it would take to down load site completely. The longest time was 17.38 and shortest was 0.78 seconds. Only 50% sites loaded less than 2 seconds as the benchmark we set on this. When it comes to look and feel of the site 70% are good as that was in keeping with the hotel's type and rating. However about 10% of sites having text that was difficulty read. 90% of hoteliers add their contact details on home page of the hotel site. When it comes to navigation 70% of sites offered navigational easiness. 60% of the hotel sites offer online reservation while 40% does not have that option it is a great weakness in creating competitive advantage on the web. 60% of the hotel sites offer extras specially Ayurveda and Spa treatment, this is impressive number.

Conclusion

To be successful as transaction cost theory suggest, hoteliers should provide assistance in generating competitive advantage through e-commerce service offerings. Internet use, by competitors' especially online travel agents to research, promote and sell products or services is ever increasing, especially most international travelers' search the web before they decide to visit new destination quite often. It is readily available on the web site, since it has become a universal knowledge. Competitors will have easy access to information and to-the-minute price to both customers. This has turned into a net at the end rather than the price of a price cutter Equalizer.

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