

MARKETING ON THE INTERNET: A CASE ANALYSIS OF THE HOTEL INDUSTRY IN MALAYSIA

Noor Suhaila Yusof
Kamal Izzuwan Ramli

*Faculty of Tourism and Hospitality
Universiti Utara Malaysia
06010 Sintok Kedah
nsuhaila@uum.edu.my, izzuwan@uum.edu.my*

ABSTRACT

Generally, the Internet and the hospitality industries are enthusiastic about the mutual benefits that they could possibly bring each other. In the hospitality industry, Malaysian hotel companies have begun to recognize the importance of understanding Internet marketing; there is likely to be increased recognition of the potential. Since no research has been done on the Malaysian hospitality industry's use of the Internet technologies, this researcher took the opportunity to look into current Malaysian hotel website marketing to examine the successful elements. The purpose of the study is to evaluate Malaysian Hotel Website marketing in the context of the elements of successful Internet marketing identified in the literature. This study is mainly based on primary qualitative data. The main benefits of this study approach were the ability to gather the richest and most reliable data within the prescribed limits of the study. Ten hotels representing the hotel industry in Malaysia were chosen. An interview was conducted with marketing managers at five hotels in Kuala Lumpur and five hotels in Pulau Pinang. The hotels that were chosen were well known to Malaysian tourists and included four and five star establishments. The Internet was found to benefit most of the Malaysian hotel companies in promoting the hotel's image, branding and creating awareness in the public. Notable differences were found in hotel online pricing strategies. Online prices were found to be either higher, lower or the same as offline prices. Online purchasing styles were found to provide an immediate response from the hotel, and were convenient and easy to perform. Online service delivery did not alter offline service delivery. The major difficulties of marketing an online product were that not many Malaysian people use the Internet and it is hard to attract the attention of viewers. Online bookings and reservations provided the company with lower revenues than other distribution channel. The Internet was considered likely to play an important role in the future.

KEYWORDS

Online marketing, the internet, tourism industry, hospitality industry

1. INTRODUCTION

Africa News Service (2000) reported that the two fastest growing industries worldwide are currently the Internet and tourism. The Internet has already had an enormous impact on the tourism industry and the way that it does business. The flight schedules, fares, tours, hotels and virtually all other travel-related services available at their fingertips, travellers are turning more and more to the Internet. Tourism is a service industry, dependent on tangible entities such as hotels and visitor attractions. Rayman (2001) stated that tourism has become much less singular and distinguishable from other social activities. For example, a recent survey shows that about half of those with Internet access regularly browse the Internet from their workplace for tourist information (Wallace, 1999). The information that individuals and families need to make decisions on holidays and breaks is gleaned from many sources. Advertising clearly plays an important part in the creation of a perceived image of a holiday resort or area in the mind of a potential

visitor (Clellan, 1998). But since all tourist destinations operate in a dynamic environment and are in competition with the resorts, strategic decisions have to be made to ensure that the product offerings meets the desires of the potential visitor.

Rayman (2001) stated that in seeking to understand the development of Internet-based tourism services, we first need to appreciate some of the antecedent conditions, the socio-economic movements and technological developments within which tourism is embedded. Ebner (1999) stated that destinations are complex organisations and Information Technology (IT) has revolutionised destination marketing. Aksu and Tarcan (2002) stated that some of these benefits are increasing sales, diversification of goods and services, speedy response to changes in market conditions, receiving information, obtaining and evaluating feedback.

1.1 Tourism and the Internet

1.1.1 Marketing Tourism Products and Services in a digital world

Pollock (1999) has suggested that if destinations are to compete effectively in a digital world, they require a sustainable electronic infrastructure that is capable of compiling comprehensive and accurate 'content' about all the tourism related opportunities available. It should also be able to communicate the content to customers in such a way that they can both select and then buy the products and services they want. It is not only the infrastructure that enables destinations to reach their customers, but it should also help overcome the fragmentation of supply.

In addition, Rayman (2001) stated that during the last three decades in the hunt for profitability and global market advantage, providers of tourism information and services have been shaping the evolution of many technologies, including transnational banking, inquiry and booking systems using interactive videotext and computer reservation systems (CRS). These developments offer the consumer more choice, based on swift access to accurate information. The hotel industry is part of the tourism product but differs from many other commercial transactions and is unique in four crucial respects:

1. The need to bring the consumer to the point of purchase rather than bring the product to the customer.
2. The customer cannot pre-test the product.
3. The product is a subjective experience. While discrete goods and services make up the package (hotel, food and service) it is sold as a highly subjective experience, the quality of which can only partially be determined by external measures.
4. The product is perishable – the experience is had at particular point in space and time. It cannot be resold or re experienced in the same time slot. Usually, customers cannot get a replacement if they are dissatisfied.

Customers literally get to experience a product and service 'in their heads' long before they arrive. In the other words, they have a virtual experience long before the real one. Rayport and Sviokla (1995) argue that if destinations want to gain a competitive advantage they must not only ensure that the real experience is a quality one, but to ensure that virtual experience meets expectations and satisfies needs. Information is an important asset for destination organisations. The access of information on the Internet will help travellers have the right information, when they want it and how they want it.

Travellers who gather the information through the Internet may be able to negotiate better deals and lower the profit margins earned by the travel agent (Walle, 1996). While the Internet does not as yet pose a threat to the agency network, a trimming of profits may result. In the future, however, we can expect that the Internet will provide more travel and tourism information and that increased numbers of people will take advantage of these opportunities (Walle, 1996). Furthermore, it can be said that hotels are benefiting from the Internet in satisfying customer expectations, in service improvements, in increasing incomes and in decreasing costs (Siguaw et al., 2000).

Mooradian (1999) examined how the Internet is affecting consumer habits and electronic travel. It was found that about US\$12.8 billion worth of bookings would be made online and by the year 2003. In 1998, only \$2 billion worth of booking were made. O'Connor (1999) concentrated on Internet reservations for hotels in France. O'Connor showed that the interactivity of the web provides an ideal medium for

distributing accommodation online, and among the top 50 hotel chains, some 80% have a website, although only 50 percent offer online bookings.

1.2 Hotels and the Internet

1.2.1 Hotel Management and Marketing on the Internet

It seems there can be no question about the commercial importance of the web to the hotel industry (Gilbert et al., 1999). In the twenty-first century, the main factors affecting hotel success are globalization, technological developments, changes in customer preferences, differences in competition among the hotels, horizontal and vertical integration and legal applications (Aksu and Tarcan, 2002). Recently, hundreds of hotel companies have established themselves on the web. A company's good or bad experience depends on the amount of research it did before going on-line and its long-term financial commitment to maintaining a website. A number of surveys have reported a strong preference for the web as a hotel information source and as a hotel-booking medium (Gilbert et al., 1999). The Hotel Industry Marketing Group (HIMG) has warned that 'hotels must not ignore the Internet as a key source of business in future' (Caterer and Hotelkeeper, 1996). Murphy et al. (1996) found that the current use of hotel home page is only as an advertising and marketing medium and needs to consider proper planning. The Internet requires a full marketing strategy where there is a need to clarify the goals.

The information provided on the web is a vital component of any marketing initiative. The web has the potential to be a strategic information centre for the hotel industry offering the following features of an electronic brochure, corporate information, online directory, property information, what's new, virtual hotel tour as an experience of 'walking through' the hotel property, special promotions and language localization selection by browser (Gilbert et al., 1999). The web offers the hotel industry a distribution channel that enables customers worldwide to book the hotel rooms. The web also offers the hotel chains an interactive communication tool to develop long-term relationships with channel members.

Internet is poised to be the most significant technological advance ever to affect the economics of the US hotel industry. A 1999 report from Bear, Stearns & Co. found that by the year 2002, hotel bookings via the Internet will generate approximately \$3.1 billion in revenues for online providers, an increase from less than \$100 million in 1997. Ader (1999) argue that the introduction of the toll-free telephone service in the 1960s was the last great technology innovation to greatly affect the economics of hotel booking. According to Bear, Stearns & Co. (1999) websites that offer hotel reservations are most marketed and visited on the Internet. In 1998, there were approximately 150 millions visits to such sites, with that number expected to more than triple by 2002. Lewis and Bridger (2001) classified 'directed buyers' as one type of visitor to websites. These are the hard core shoppers of the online world. Their mission when online is to purchase goods, services or information, and they are online to find the product they want to buy rather than to research it, play with it or take home a sample version of it.

To be competitive in the tourism industry, hotels need to have their own website. Table 1 summarizes some of the reasons for hotels to develop a website.

Table 1. Reasons for hotel to have their own websites

1) Local Competition	Successful hotel operators are constantly looking for any advantage they can find over their competitors. To stay ahead of local competition, hotels need to be on the web now.
2) Specialized Marketing	The Internet has the largest groups of special interest users available anywhere, and marketing to them is much more cost effective than traditional campaigns.
3) Highly Desirable Market	The average Internet user is a well-educated individual with an above average income. These are qualified potential customers for hotel business because of their travel needs.
4) Twenty-four Hour Exposure	The Internet is a very cost effective way to provide your customers with immediate access to your products and service information 24 hours a day, 365 days a year. No other media is so immediate and with so much potential for providing customer information.
5) Easy Updates	A website is not static. If needed, it can change easily to reflect special, or any other information. It is far easier and less expensive to update a website than a brochure or flyer.
6) User Initiated Medium	The hotel organisations can save money and time to contact their customers because users initiate to contact with them. The cost per contact is very low

	compared to the cost of other methods of gaining customers.
7) Economy	A website can save the money of hotel organisations in promoting their products and services. Furthermore, it can also save the time by providing customers with information that would normally be explained in a time consuming phone call and sometimes not explain at all.

(Adapted from Hospitality Web Hosting, 2000)

1.3 Elements of Marketing

1.3.1 Marketing Mix

The marketing mix contains eight elements that organisations must work with. The marketing mix is product, people, partnership, packaging, programming, price, promotional mix and place (Morrison, 2002). The products of the hospitality industry are many and varied. Each organisation within the industry has its own product/service mix. The assortment of services and products that are provided to customers consists of every visible element. The customer mix is the combination of customers who use or who are attached to a specific hospitality organization. It requires careful management of interactions between customers, mostly when they are in the process of using the hospitality services. The types of customers who use hospitality definitely influence its image among other present and potential customers. The promotional mix must complement the other seven parts of marketing mix. The five promotional mix elements are as follows: advertising, personal selling, sales promotion, merchandising and public relations or publicity.

1.3.2 Pricing the Products

Price is only one of many marketing mix tools that a company uses to achieve its marketing objectives. Price must be coordinated with product design, distribution, and promotion decisions to form a consistent and effective marketing program. The price that company charge will be somewhere between one that is too low to produce a profit and one too high to produce any demand. The company must consider competitors' prices and other external and internal factors to find the best price between these two extremes. The general pricing approach as stated by Kotler et al. (1998) includes one or more of these set of factors such as: the cost based approach, the buyer based approach and the competition based approach. Pricing strategies usually change as a product passes through its life cycle. Companies usually adjust their basic prices to account for various customer differences and changing situations. In some instances companies here lowered the prices of that products and services in an online environment to encourage potential customers to use this new medium. Offering discount prices online also recognises that intermediaries have been eliminated from the selling process and therefore commission does not need to be included in the final price.

1.3.3 Benefits of Online Marketing

Marketers are integrating online services to initiate a new era in relationship marketing to create one-to-one relationships, as well as one-to-many relationships in an effort to increase word of mouth advertising. Furthermore, online marketing objectives should reflect the overall role that management perceives the Internet could play in complementing existing marketing activities. Consumers are taking advantage of online shopping services in greater and greater numbers and spending significant amounts of money.

One reason vendors want to sell on the Internet and commercial online services is that computers can provide consumers with interactive shopping tools. Table 1 shows some of the benefits that online services offer to consumers and marketers.

Table 2. Benefits of Online Services

1) Information	Computers can store and display reams of product descriptions and prices, much more information than can be found in a billboard, newspaper or magazine ad, TV commercial, radio spot or even a catalogue.
2) Respond to market conditions	Companies can quickly add products, descriptions and prices and keep them up-to-date.
3) Reduce printing and postage costs	Production costs for digital catalogues are far less than printing and mailing catalogues.

4) Fewer hassles	Consumers do not need to deal with sales people.
5) Build relationships	Merchants can interact with consumers to create dialogues that lead to long-term relationships.
6) Access to geographically inaccessible markets	Access to previously unknown and inaccessible consumer influences and reaching a defined audience in an environment that is not yet crowded with competitors. Furthermore, it gives global exposure and a more favorable image of the companies.
7) The ability to interact directly with consumers	Companies can target a defined customer group with precision and develop a responsive dialogue with consumers. Moreover, software and information products can be distributed quickly through e-mail and file transfer.

(Adapted from Janal, 1995 and Tourism Queensland, 2000)

1.3.4 Essentials of Online Marketing

An online presence will help successful companies become even more successful if it is used as part of the marketing mix. The Internet is another channel for successful companies. Online marketing is a system for selling products and services to target audiences who use the Internet and commercial online services, by utilising online tools and services in a strategic manner consistent with the company's overall marketing program (Dann and Dann, 2001). There are four elements of online marketing as an alternative to the traditional marketing mix (Rowley, 1996):

- 1) Promotion includes advertising and any activities designed to create product awareness. The Internet allows for wider distribution of more complex materials than traditional media. It also allows for tailored product catalogues with varying depth of information.
- 2) One-to-one contact is the synchronous interaction with customers via email and companies develop "opt-in" mailing list.
- 3) Closing involves setting the price and closing the deal. It is similar to the use of offline brochure ordering or online catalogue ordering systems.
- 4) Transaction is the payment for goods, typically made by digital means such as via online, credit card transactions or direct debit.

For instance marketers will be most successful when they follow the eight keys to success with online marketing. As shown in Table 2, Laredo (2001) cited in Dann and Dann (2001) defined that there are 8 keys for marketers to be the most successful with online marketing.

Table 3. Eight Keys to success with online marketing

1) Appreciate the new paradigms in marketing and advertising
2) Online marketing supports the integrated marketing program
3) Appreciate the long-term value of a customer
4) Provide reams of information, not persuasion
5) Advertising must be interactive
6) Blend advertising, public relations, promotions, catalogues and sales
7) Create interactive dialogue
8) Online is a competitive advantage

1.3.5 Security for Online Ordering

Questions of security arise for both consumers and merchants. The consumer wonders if credit card information is secure and merchants wonder if they can be protected against fraud. Like any credit card transaction, there are certain risks. Proponents of online shopping say security of credit card numbers is just as reliable-or unreliable-as any other transaction (Dann and Dann, 2001). Unscrupulous employees can steal credit card numbers given to them over the phone or sent in via mail order.

However, the commercial online services assert that they have secure systems that cannot be violated by hackers trying to steal credit card information. The Internet does not make such claims. Companies are developing data encryption software that will make all information-including credit cards –

more secure (Janal, 1995). The threat of stolen credit card numbers might become thing of the past very rapidly as companies create encryption programs.

On the other hand, marketing on the Internet and in the hospitality industry is a study of transition. While many of the rules of traditional marketing have been thrown out the door by futurists, these models have not been completely replaced by standards. So to compete effectively in both the global 'marketspace' and the global 'market place', we need effective information with the tools, infrastructure and skills to fully participate in a digital economy. Generally among the Internet and the hospitality industries there is enthusiasm for the mutual benefits that the industry could possibly bring each other. As Malaysian hotel companies begin to recognise the importance of understanding the Internet marketing, there is likely to be increased recognition of its potential to transform this sector of the tourism industry. Research addressing the synergies of the Internet and hotel marketing are well advanced in the United States and Europe. However, it is not clear whether the experiences that have been observed in these early adopters of Internet technology are also applicable in Asia. Asia has been much slower to respond to the uptake of Internet technology but strong growth is currently being experienced. Malaysia provides a good opportunity for studying hotel marketing on the Internet. Only a small proportion of the population is currently online but the country is similar to other Asian nations who experiencing strong growth in Internet penetration.

1.4 Aims of the Study

The purpose of the study is to evaluate Malaysian Hotel Website marketing in the context of the elements of successful Internet marketing identified in the literature. With this in mind several aims were developed. This purpose is satisfied by the following aims:

- a) to examine the role the Internet as a promotional tool in hotels.
- b) to explore the pricing strategies hotels use to encourage online bookings and reservations.
- c) to assess the impact of the Internet on customer service delivery and purchasing style.

2. METHODOLOGY

This study is mainly based on a primary data. This is because of the ability to obtain and clarify the existing data available. The main benefit of the research approach is the ability to gather the richest and most reliable data within the prescribed limits of the research. To support this study with more valuable and recent data of the hotels' organisation usage of the Internet as their marketing tools, an interview was carried out at ten hotels. Patton (1990) defined the interview as the opportunity to find out what is in someone's mind. Interviews have been used to find out from people those things that cannot be directly observed. Levy and Schuck (1999) stated that in individual interviews, people will be able to speak more openly and frankly.

The study involved semi-structured interviews with marketing managers to assess the perception of hotel managers towards the marketing role of the Internet both now and in the future. Also the study examined the effectiveness of using the Internet as a marketing tool for their organisations. Anastas (1998) explained that the interviews should be done in research and that it should be utilised in situations of sensitive object matters and complex decision making processes. In the interviews, a set of topics was prepared based on an appropriate sequence of questions. Each participant was asked exactly the same questions and in the same order. This ensured that the context of the questions encouraged an appropriate flow of discussion. The questions were there merely to guide the interviewee rather than indicate the form of answer to be provided.

2.1 Sample

Ten hotels to representing the hotel industry in Malaysia were chosen. There are fourteen states in Malaysia, which represent thousands of hotels. Due to funding constraints, 2 states were chosen where the

hotel industry was well developed: Kuala Lumpur and Pulau Pinang. An interview was conducted with the marketing managers at 5 hotels in Kuala Lumpur and 5 hotels in Pulau Pinang. The hotels that were chosen were well known to Malaysian tourists and included four and five star establishments. Table 4 provides a brief profiles of managers that were interviewed.

Table 4. Brief profile of managers

STATES	KUALA LUMPUR	PULAU PINANG
GENDER		
Male	2	3
Female	3	2

3. DISCUSSIONS AND RESULTS

3.1 Sample Background

3.1.1 *Hotel profiles*

A brief profile of the hotels that were chosen is presented in Table 5. With regards to the matter of confidentiality the hotel's name and exact size has not been published. The hotels that are situated in Kuala Lumpur were coded as 'KL' and in Pulau Pinang as 'PP'.

Table 5. Brief profile of the hotels that have been interviewed

Hotels	Year formed	Star rating	No. of rooms	Year starts using the Internet
KL1	1997	5	250 - 299	1999
KL2	1995	4	200 - 249	1997
KL3	1998	4	450 - 499	1999
KL4	1996	5	400 - 449	1996
KL5	1998	4	200 - 249	2001
PP1	1990	5	200 - 249	1994
PP2	1991	5	250 - 299	1994
PP3	1999	4	400 - 449	1998
PP4	1973	5	500 - 549	1996
PP5	1998	4	250 - 299	1999

4. RESULTS AND DISCUSSIONS

4.1 Aim 1: TO EXAMINE THE ROLE OF THE INTERNET AS A PROMOTIONAL TOOLS IN HOTELS

Respondents were asked whether the Internet has benefited their hotel. Most managers replied with a range of answers. Multiple responses were identified and summarised in Table 6.

Table 6. Benefits of the Internet

Benefits	No. of Hotels	Reasons
1) Promoting hotel image, branding and creating awareness in the public.	7	<ul style="list-style-type: none"> • Gives more exposure about the hotels. • Assists in promoting the establishment. • Many competitors already use the Internet.
2) Provide accurate information for people worldwide.	6	<ul style="list-style-type: none"> • Potential customers can access information quickly and conveniently. • Targeted the right audiences and enriched the types of the customers. • Widened the market worldwide.
3) Contribute revenues from online bookings and reservations.	5	<ul style="list-style-type: none"> • Helps to increase business. • The Internet was one of many ways for customers to make bookings and reservations.
4) 'Cost-effective'.	3	<ul style="list-style-type: none"> • 'Paperless' • Eliminated the need to send flyers all over the world. • Cut the cost of calls especially for international guests.
5) 24 hour access.	2	<ul style="list-style-type: none"> • Information 24-hours a day
6) Complimenting offline promotion.	1	<ul style="list-style-type: none"> • Provides full details of information.
7) Reducing the workload.	1	<ul style="list-style-type: none"> • Sales people do not have to make as many visits to promote their hotel.

As stated in Table 6, the Internet offered a number of promotional benefits to hotel managers. By identifying the relative benefits of the Internet to the hotel industry, it is possible to further explain and support the results contained in the first aim. The results show that the key benefits of the Internet are as follows:

- promoting the hotel image, branding and creating awareness of the hotel;
- providing accurate information to a worldwide audience 24 hours per day;
- contributing revenues from online reservations;
- cost effectiveness; and
- reducing the operational workload.

4.1.1 *Promoting hotel image, branding and creating awareness of the hotel*

The Internet has benefited most hotels by promoting the hotel image and also creating awareness. This result is supported by Rowley, (1996); Clelland, (1998); and Tourism Queensland (2000), who found that Internet promotion played an important role in the creation of a perceived image in the minds of potential customers. The results also showed that the Internet assists in promoting the establishment. This compares favorably with Gilbert et al. (1999) who found that many hotel companies are established on the web and it seems to show the commercial importance of the web to the hotel industry. Furthermore, the results showed that many competitors already used the Internet. This result supports Aksu and Tarcan (2002) who found that one of the main factors affecting hotel success in the 21st century was differences in competition among the hotels. In addition, a commercial presence online creates a competitive advantage to companies if they want to succeed with online marketing (Janal, 1995).

4.1.2 *Providing accurate information to a worldwide audience 24 hours per day*

According to the results, the Internet has benefited Malaysian hotels by providing accurate information about the hotel for people worldwide. These results were similar to other studies which document experiences in the United States and Australia. Dann and Dann (2001); Gilbert et al. (1999); and Tourism Queensland (2000) found similiarly a strong preference for the web as a hotel information source. The information that hotels put on the Internet can be accessed by potential customers quickly and

conveniently. These results were consistent with previous United States and European studies conducted by Rowley (1996) and Rayman (2001).

4.1.3 *Contributing revenues from online reservations*

The results indicated that the Internet benefited hotels by contributing revenue from online bookings and reservations. This result supports Mooradian (1999) who found that online bookings through the Internet contributed some revenue to the hotel business. As stated in the literature, a number of studies have reported that the Internet was a useful hotel-booking medium.

4.1.4 *Cost effectiveness*

The result showed that the Internet was a “cost effective” promotional tool. As stated in the literature, one of the reasons for hotels to develop a website is that it can save hotels money when promoting their products and services and can cut the costs incurred by the customers when contacting the hotel. These results were consistent with previous studies conducted by Siguaw et al. (2000). Furthermore, online customer support can benefit from lower costs (Ellsworth and Ellsworth, 1995).

4.1.5 *Reducing the operation workload*

The results showed that the Internet helps the hotel in reducing the operational workload, especially for sales staff. This finding contributes to research in this are and warrants further investigation.

4.1.6 **Comparisons with other (offline) promotional tools**

Respondents were then asked whether they noticed any fundamental differences between online and offline advertising.

Table 7. Comparisons between online and offline promotional tools

Reaches unlimited number of people worldwide - Online advertising can reach an unlimited number of people all around the world. The finding was consistent with a report by Tourism Queensland (2000) that the Internet can provide access to geographically inaccessible markets
Interactive - Online advertising was found to be more interactive than offline. This result supports what was stated in the literature that the web allows the hotel to have interactive communication with the customers (Gilbert et al., 1999; and Laredo, 2001)
Easy to update - Online advertising was described as easy for updating information on the web. These results were consistent with a previous study by Janal (1995) who stated that online marketing companies can respond quickly to market conditions by adding information and keeping them up to date to reach and target certain groups of customers. The information can be changed easily to reflect special information and is far less expensive than offline advertising
Provide online feedback to the hotel - The results showed that online advertising can provide feedback to the hotel. These results compare with findings by Laredo (2001) and Aksu (2002) who suggested that the hotel Internet can be used to answer questions and dispel rumours. Rowley (1996) also found that online marketing can develop interaction with customers via email
Substituting phone services - The result showed that online advertising was substituting phone services. This seems to contradict the views of Ader (1999) who stated that the introduction of a toll free telephone service was the last greatest technology of hotel booking. It seems the toll free telephone service is less effective if the line is busy and the Internet can be a substitute technology on such occasions

4.2 Aim 2: TO EXPLORE THE PRICING STRATEGIES HOTELS USE TO ENCOURAGE ONLINE BOOKINGS AND RESERVATIONS

Respondents were asked about any differences between online and offline retail prices (refer to Table 8). The results showed that hotels used different styles of pricing strategies in order to be competitive on the Internet. The results support what was stated in the literature. The price that the company will charge will be in a predetermined range (Kotler, 1998). Interestingly, the results showed that the price appears lower because customers deal directly with the hotel and will get a better deal from the hotel. These results support the studies conducted by Walle (1996), who found that travellers using the Internet would get better deals. There is a general expectation by consumers that rates on the Internet are cheaper. The results indicate that this is not the case with some of the hotels. However, there was no reliable and valid research discussing the web pricing strategies of hotel businesses. Further research might help people to form a better understanding of hotel pricing strategies on the Internet. Therefore, the different styles of pricing strategies were most likely influenced by the agreement that hotels had with travel agents or the need to maintain a consistent price for customers. The following response exemplifies this:

*“...Whenever **rates** are put on the Internet they are **worldwide**. When we think of ‘worldwide’, we have to consider **overseas travel agents**. We cannot sell something which is **cheaper than our agent sells**. If not all these travel agents will **boycott us**. The overseas travel agents are the **strongest supporters** of the hotel...”*

(The PP5 marketing manager)

Table 8. Comparisons of pricing strategies

Hotel code	Comparisons of Pricing Strategies	Reasons
PP 1, PP 3, KL 5	‘Exactly the same’	<ul style="list-style-type: none"> To avoid the situation where customers feel they had been cheated.
PP 5, KL 4	‘Higher’	<ul style="list-style-type: none"> The price appears higher because it is in US\$ currency. Agreements between hotels and travel agents. Travel agencies are the main international business for the hotel.
KL 1, PP 4, PP 2	‘Low’	<ul style="list-style-type: none"> Blended the price with the market value. ‘Maintaining rates integrity’ ‘Hot rates’ – customers who booked online will get 5 percent discount that offline prices.
KL 2, KL 3	‘There are differences’	<ul style="list-style-type: none"> With the Internet, customers deal directly with the hotel. Different rates for Malaysian privilege.

Respondents were then were asked if any costs borne by the customer involved in online purchasing were outside of the control of the company. Nine out of ten respondents strongly agreed that there were no costs borne by the customer when purchasing online. All of the expenses are ‘borne’ by the hotel. The hotels also had to pay US\$ 5 for every booking made online to the Internet service provider. When some hotels used online reservation companies, commission was earned from the hotel for every roomnight sold. These commissions and costs were not passed on to the customer.

4.3 Aim 3: TO ASSESS THE IMPACT OF THE INTERNET ON CUSTOMER SERVICE DELIVERY AND PURCHASING STYLE

The results show that the Internet has both advantages and disadvantages of online purchasing style. One of the advantages was that online purchasing provides an immediate response from the hotel. This result supports Ellsworth and Ellsworth (1995) who suggested that by creating an online customer support centre,

companies could respond to customer queries quickly. Other advantages of online purchasing were already discussed in an earlier part of the chapter. The focus here will be on the disadvantages of online purchasing to customers.

Interestingly, one disadvantage of online purchasing was that there were not many people using online services, particularly Malaysian people. These result contrary to research conducted by Bear, Stearns and Co. (1999) who stated that websites that offer hotel reservations are the most marketed and visited on the Internet. The results of the current research found that although Malaysian hotels had websites and booking facilities, the small percentage of Malaysia Internet users only used the websites for perusal of information rather than booking. Another disadvantage with online purchasing was the customers were still afraid to purchase online and were reluctant to provide credit card details. Therefore, security concerns were a large factor in discouraging online buying. This new service needs more time and effort to become fully established.

4.3.1 *Impact on Customer Service Delivery*

The results indicated that the Internet did not greatly alter offline service. The main reason was that the hospitality industry was a 'people business', where human beings were needed to serve guests. However, a few respondents stated that the Internet has influenced offline customer service delivery. Online service was 'fast' and customers can be contacted by email directly and immediately. These results were consistent with previous studies conducted by Ellsworth and Ellsworth (1995) and Janal (1995) that indicated that from online services, a company can build a long-term relationship with customers and can build loyalty that lasts for a lifetime.

5. CONCLUSION

Most of the respondents indicated positive experiences with their websites and a commitment to this new means of commerce. The Internet was found to be the most effective tool for advertising. The managers' perception of the Internet was that it contributes revenue from online bookings and reservations. However, a few respondents felt disappointed with the Internet because it contributed less revenue to the hotel business than other offline tools. Nevertheless, most of the respondents stated that the Internet will be vital in the future because it is creating awareness in the public and the number of people using it is likely to increase. Distinct differences were found in online pricing strategies of hotels. This may be due to the fact that hotels develop their own way of competing in the Internet market place. This study has demonstrated that trends in Malaysia in regard to internet use are following in the steps of most western nations. It can be concluded that bookings over the Internet will expand, as Internet access becomes more widespread. This study has provided the first reliable information on this topic.

6. SCOPE AND LIMITATIONS OF THE STUDY

Limitations of this research must be acknowledged due to the small hotel sample and the limited time and funding available. A relatively small sample means that the results might not be applicable beyond the sample frame. The unwillingness of many managers to participate in the study may be seen as a further limitation. This may be due to the fact that managers were reluctant to share their competitive strategies for internet marketing. Furthermore, the study focuses more on a marketing mix approach. Other aspects, such as website design, were not explored.

REFERENCES

- Ader (1999). *Report: Internet Hotel Bookings will soar to \$3.1 billion by 2002* [Online]. Available: <http://www.internet/IAR/article/html> [2001, September 29].
- Africa News Service (2000). *Tourism Industry Set For Leg Up from Dockside Internet Vision* [Online]. Available: <http://www.dockside.net/article.htm> [2001, October 18].

- Aksu, A.A., & Tarcan, E. (2002). The Internet and Fivestar Hotels: A Case Study from the Antalya region in Turkey. *International Journal of Contemporary Hospitality Management*, 14 (2), 94-97.
- Anastas, M. (1998). For Sensitive Research Subjects, One-to-one Interviews Work Best. *Bank Marketing*, 20 (7), 18-22.
- Bear, Stearn and Company (1999). *Report: Internet Hotel Bookings will soar to \$3.1 billion by 2002* [Online]. Available: <http://www.internet/IAR/article/html> [2001, September 29].
- Caterer and Hotelkeeper (1996, April 25). Hoteliers told of Net Assets. *Caterer and Hotelkeeper*, 15, 10-18.
- Montanari A., & Williams A.M. (1995). *The impact of tourism on the restructuring of European space*. European Tourism: regions, spaces and restructuring, Chichester UK, Wiley, 247.
- Clellan, M. (1998). Tourism Marketing: A Question of Perception. *Journal of Vacation Marketing*, 4 (4), 408-414.
- Dann, S., & Dann, S. (2001). *Strategic Internet Marketing*. John Wiley & Sons Aust Ltd..
- Ebner (1999). *Report: Internet Hotel Bookings will Soar to \$3.1 billion by 2002* [Online]. Available: <http://www.internet/IAR/article/html> [2001, September 29].
- Ellsworth, J.H., & Ellsworth, M.V. (1995). *Marketing on the Internet: Multimedia Strategies for the World Wide Web*. John Wiley & Sons, Inc., USA.
- Gilbert, D.C., Perry, J.P., & Widijiso, S. (1999). Approaches by Hotels to the use of the Internet as a Relationship Marketing tool. *Journal of Marketing Practice*, 5(1), 21-38.
- Hospitality Web Hosting (2000). *Why Internet? Hospitality Web-Reasons to have a hotel Website* [Online]. Available: <http://www.hospitality.com/industry> [2001, September 24].
- Janal, D.S. (1995). *Online marketing handbook*. Van Nostrand Reinhold, Inc., USA.
- Kotler, P., Bowen, J., & Makens, J. (1998). *Marketing for Hospitality & Tourism (2nd edition)*. Prentice Halls, Inc., US.
- Levy, D., & Schuck, E. (1999). Academic Paper: The Influence of Clients on Valuations. *Journal of Property Investment and Finance*, 17 (4), 380-400.
- Lewis, D., & Bridger, D. (2001). *The soul of the new consumer: authenticity what we buy in the new economy*. Nicholas Brealy, London.
- Mooradian (1999). *Report: Internet Hotel Bookings will Soar to \$3.1 billion by 2002* [Online]. Available: <http://www.internet/IAR/article/html> [2001, September 29].
- Morrison, A.M. (2002). *Hospitality & Travel Marketing*. Thompson Learning Inc. US.
- O'Connor, P. (1999). *Electronic Information Distribution in Tourism and Hospitality*. Oxford: Butterworth-Heinemann.
- Pastore, M. (2001). *U.S. share of the Internet users Continues to Shrink, 'Hypergrowth' Over* [Online]. Available: <http://cyberatlas.i.cs/article/html> [2001, September 24].
- Patton, M.Q. (1990). *Qualitative Evaluation and Research Methods*. Saga Newbury Park, CA and London.
- Pollock, A. (1999). Marketing Destinations in a Digital World. Insights: *Tourism Intelligence Papers*, 149-157.
- Rayman, L., & Molina, A. (2001). Internet-based Tourism Services: Business Issues and Trends. *Futures*, 33 (7), 589.
- Rayport, J.F. & Sviokla, J.J. (1995). Exploiting the Virtual Value Chain. *Harvard Business Review*, Nov-Dec, 30.
- Rowley, J.E. (1992). *Organizing knowledge: An introduction to information retrieval*. Aldershot, England: Ashgate.
- Siguaw, J.A., Enz, C.A., & Namasivayam, K. (2000). Adoption of Information Technology in US Hotels: Strategically driven objectives. *Journal of Travel Research*, 39, 192.
- Sokolow, H. (1995). In-depth Interviews increasing in Importance. *Marketing News*, 19 (19), 26-31.
- Tourism Queensland (2000). *Web marketing vital to industry's future* [Online]. Available: <http://www.iib.qld.gov.au> [2001, August 13].
- Walle, A.H. (1996). Tourism and the Internet: Opportunities for Direct Marketing, *Journal of Travel Research*, 35 (1), 72-77.
- Wallace, P.M. (1999). UK Tourism & the Internet: The Slow Stumble towards Success. *Tourism Intelligence Paper*, 139-142.
- Webster, F.E. (1988). *Market-driven Management: Using the New Marketing Concept to create a Customer-oriented company*. John Wiley New York.