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Use of E-tools Opportunities by Italian Hospitality SMEs

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Abstract: The digitalization and the use of Internet have represented a major opportunity for the development and sometimes, for the revitalization of the companies and their products. In crisis time, the chances to reduce time and costs represent a great possibility, especially for the hotel sector that is increasingly competitive, demanding from the organizations a rapid reaction. In theory, both from the organizational and managerial point of view digital activities play a key role, but what role plays the technological equipment of enterprises and the orientation of managers that manage it towards innovation in practice? In this study the usage of web-based tools by hospitality SMEs for different business operations was verified. Firstly, the previous literature in this field was reviewed in order to synthesize it. Secondly, the empirical analysis was conducted by means of 9 case studies based on in-depth interviews with hotels’ managers of 5 Italian regions for the purpose of identification of e-tools use, especially in turbulence times.

Keywords: e-business, e-tools, hospitality SMEs, business operations

1. INTRODUCTION

The spread of the Internet, one of the most influential technologies, has significantly changed the business processes over the past decade. Reference [1] points out that the Internet, Web, and web-based applications, known as e-business technologies, have had a considerable influence on business management because of their interaction and open-standard settings for the transmission of data among organizations and have the most noticeable impact on business integration and collaboration with customers. The e-business strategy concept demonstrates how the Internet can remodel organizations and provides competitive advantage [2]. Reference [3] investigate the ways the organizations use Internet to assume value, and note main value-adding activities: evaluation, problem solving and transaction. Running a prosperous e-business means to take into account following enterprise capabilities: global networking, sharing information with supply-chain partners, integrated business process, ability to respond to the market, and intelligent decision-making. Enterprise systems have developed in something more than the traditional business functions and they contain the features in order to support supply-chain management, customer relationship management and electronic commerce (e-commerce). E-business is driven by the adoption of the Web as a new channel for small and media enterprises (SMEs) for product distribution, marketing, customer relationship management and product branding is seen as the integration of the traditional as well as the Web-oriented functions [4].

The focus of this research is firstly, to provide a desk analysis of e-business tools’ (based on Internet) implication in some business operations by SMEs operating in the hospitality industry, and secondly, to provide field analysis verifying that, despite the spread of the Internet tools (e-tools), there are still companies that do not fully utilize this potential. There is a widespread opinion that e-tools usage has provided organizations with costs’ reduction, it means that the development of policies for digital business operation should be inherent, this should be even more present in such areas as hospitality. If in the theory e-tools opportunities is well known concept, in practice it’s not always well used, especially for businesses that operate in areas where digital

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accessibility stood at below the average level. In this perspective, the research aims to explore how hospitality companies located in the regions with a low Index of technological equipment of enterprises (ITEE) (Innovation Report in Italian regions (RIIR), ISTAT) present an orientation and poor use of digital tools especially in the peak of the economic and financial crisis of 2008. The methodology of analysis is the multiple case study, because the phenomenon under investigation is complex and the research is still in the exploratory stage. In the literature, the method of the case study is widespread in order to investigate the hospitality sector [5-8].

2. INTERNET ADOPTION BY SMEs IN HOSPITALITY SECTOR

Small and media enterprises (SMEs) have admitted the positive outcome that the Web-oriented e-business can have on their operations and the benefits that contain business applications using computer terminals, email and the Internet [9]. E-business adoption by SMEs is presently a great growing area, which becomes a real contribution to the economy [10]. Previous researches have shown that SMEs adopt several internet-based technological tools in different business operations. Reference [9] states that SMEs use the Internet mainly for information and communication purposes. SMEs’ adoption of e-commerce vice versa is still slow, and many organizations do not understand the short-term benefits that they can achieve from this method of transaction [11]. E-business has given a unique opportunity for SMEs to become more competitive and to deal with a global environment in a faster way [12]. Reference [13] suggested a model for the Internet adoption by SMEs, where they identified four main roles of the Internet. Firstly is “Brochure ware” in which SMEs are not planning growth and the Internet is used mostly for e-mailing. Secondly, organizations that are using the Internet for “Business opportunity” consider it as valuable but in future. Currently the use of the Internet is mostly needed to research and providing customer services. These firms are also not looking for growth but they considered the Internet mostly as a competitive advantage. Thirdly “Business support” where organizations are aim to grow and to introduce an innovative product to the market and they consider Internet mostly as a mean of communication with customers. And lastly the firms that consider the Internet as a “Business network” and use it an essential pillar for the business growth. Such organizations normally have well developed internal systems employed for execution of business processes and look forward to take full advantage of Internet in business operations.

As regards the hospitality sector, the technologies have influenced the way organizations do their business and, especially, the way they distribute their products in the market [14]. The Internet is seen, as is an important mean of the information exchange between customers and hotels, also as the way of conducting business transactions and relationship management. Reference [15] argued that Internet may improve hotel performance through: cost reductions in the distribution process; improved guest loyalty; incremental revenues; and improved marketing activities and new market access.

3. E-TOOLS FOR BUSINESS OPERATIONS

From the time of the Internet emergence can be seen a great development of e-tools that facilitates marketing activities, fosters new business practices, and alters the competitive landscape of many industry sectors. Recently, the Internet has moved from a representational platform to the so-called Web 2.0 that supports rich interactivity and content co-production [16].

Based on the literature review we have elaborated a table, in columns of which can be found the frequently used internet-based tools by hospitality enterprises and in lines main business operations defined by cited in the table authors. The present table is an attempt of systematization of previous research in hospitality industry.
Hotels are willing to use the Internet to implement these objectives by the direct e-mailing of special electronic promotion leaflets to frequent hotel guests. Reference argued that the hotels that pay attention to e-mailing also pay attention to their websites. Studying e-mail responses and estimating the website features of Swiss hotels, they found out that the hotels with professional e-mail responses also lead to the use of websites. Based on their findings, they suggest that hoteliers focus on inexpensive features that show a significant relationship to quality e-mail responses, such as brochure requests, online services, hyperlinks, and branded URLs.

Undeniable that website is crucial for organization, since the formal website represents the organization in the Internet’s environment. Hence, in order to be able to compete, organization’s website has to be effective and efficient. A website provide a business not only with a platform to promote products or services but also with another way to generate revenue by attracting more customers. In the tourism literature, many website evaluation researches can be noticed: evaluation of tourism websites, hospitality websites, destination websites. With the development of websites’ use, hotels include such interactive website features as language choices or brochure requests and establish email reply policies as well as online booking and payment. Hotels’ websites include accurate and reliable information, and easy navigation.

The development of Internet is leading to the new opportunities in tourism business, in particularly, how tourism organizations distribute their products to customers. Reference states that travel search engines are known as one-stop shops that provide a transparent window into tourism product pricing. The competitive advantages of such search engines over online travel booking websites consist of their ability to conduct “meta-searches” that allow to take into consideration multiple distributors. Consumers are searching for an easier way to find the best travel deal, sometimes checking more than three websites before making a purchase and travel search engines make it possible in order to provide effective support. Travel search engines allow consumers to conduct meta-search of several on-line travel booking sites.

The research focused on social networks detected their strategic importance for some organizational activities as promotion, collaboration, research functions and impact on product distribution. Reference studying one of the most famous social media confirmed that Facebook is an alternative web-based tool to provide information, promote products and offerings, and respond to customer inquiries. Reference discussed another function of generic social network for suppliers in order to enhance indirect distribution and to decrease distribution costs, providing a link on social media pages to a hotel website, or direct access to a hotel booking
engine. Social platform allows people to collaborate and share information both in internal organizational environment and for mass collaboration with customers [33]. Driven by user-generated content several researchers also demonstrated the capacity of social media in helping hospitality companies to engage potential clients, increase online presence of the company, and thereby lead to greater online revenues. Social media provide hotels with opportunities to marketing research [34]. Some scholars investigated also UGC as a source for strategic decision-making. Reference [35] affirmed that UGC is a substantial channel of strategic information, which can be used for enhancing customer satisfaction through product improvement and co-creation, analyzing competitive strategies and monitoring image and reputation of a company.

Scholars determine another important e-tool, which is blog. Reference [36] demonstrated the effectiveness and implications of blog entries in hospitality. Blogging is one of the ways of promotion and brand and product awareness building, which is often considered as an inexpensive marketing activity. Reference [37] suggested that company blogs or business-to-customer blogs are mainly there to create more lively and credible content and to facilitate continuous contact with clients. Moreover, several authors reference [38] considers company blog as an information source, connecting link between hotel and its customers, development of brand voice, and consolidation of trusting relationships with customers. Besides reference [39] founds out that travel blog analysis has a crucial role for illustrating determinants of customer behavior and attitude.

In recent years high number of studies investigated the role of Social Networks and Web 2.0 for various business sectors. Some researchers have analyzed the impact of different types of social networks on the performance of enterprises, in particular the hotel industry. With regard to tourism, where the hotel industry is one of the main components, Web 2.0 applications have been reviewed and named Travel 2.0 applications for the first time by Philip C. Wolf (president and CEO of PhoCusWright, a leading consultancy firm in the tourism arena) and have created a cultural change in the tourism world. In fact, specialized Travel 2.0 tourism websites (ex. TravBuddy.com, Travellerspoint, WAYN, Woophy, Passportstamp, and TripAdvisor.com.) are strongly characterized by an unprecedented easiness of interactivity and the generation of user-driven content. According to some scholars this features have an enormous impact not only on consumer behavior [40] but also on the image, reputation and some marketing decisions of hotels [41]. In this way hotel owners and managers can use Travel 2.0 websites for expanding markets, increase visibility on the market and have an opportunity of an enormous learning and acquisition of the crucial data for comprehension of customers’ preferences, needs and reactions [42].

Also in the scientific literature are mentioned such e-tools as commercial platform of online travel agencies (OTAs) or cyber travel agents (CTA), that have become the most successful way of product distribution [43]. As the examples can be mentioned Booking.com, Expedia.com, Orbitz.com, Priceline.com, and Travelocity.com. The popularity of OTAs according to reference [44] is attributed to their consumer-centric approach and consumers’ growing confidence in online purchasing. Reference [45] argues that OTAs play also an important role in building hotel reputation and encouraging hoteliers to put effort into service quality.

Another e-tool the importance and use of which is growing in the recent years is geo-referenced portals. Reference [46] demonstrated the large quantity of travelers’ tends towards creation of their personalized trip experience, especially with the increment of smartphone use and mobile applications, and more often look for information about products and services in relation to their geographical location. The current evolution of geoportals and geo-collaborative portals present numerous opportunities and services for making the trip planning process less complex and time consuming, more efficient and more social and enjoyable for travelers. Nowadays, advances in free web map services (such as Google (Maps), Yahoo! (Maps), Microsoft (VirtualEarth), MapQuest and ArcWeb) have introduced new (collaborative) ways for the development, searching, reading and dissemination of geographical information and services. Thus, these portals give the opportunity not only to promote, but also to get in contact with clients by means of comments and improve quality of offered services analyzing review left directly on the map [47].
4. MULTIPLE CASE STUDY: METHODOLOGY AND RESULTS

The analysis of the reviewed literature has revealed the main e-tools that support the different management strategies, with particular emphasis in tourism businesses. From the empirical point of view it seems that, at the years of crisis 2008-2011, the tourism businesses were especially interested in the implementation of e-tools in order to overcome the difficulties they faced. To verify this hypothesis were chosen nine case studies of hotels located in five Italian regions with high orientation to tourism but whose index of ICT equipment demonstrated low values. These regions are Campania, Sicily, Basilicata, Calabria and Puglia, the index value of which is between 78 and 89 compared to the average level of Italy, which is 100 points (RIIR elaboration on ISTAT data 2007-2009).

The methodology that was used in this research consists of in-depth interviews with managers of 9 hotels of 5 Italian regions mentioned above that take a part of project. The interviews were held at the year of 2008. The geographical areas in which the hotels have been chosen have a great touristic significance. Table 2 shows the summary of the profile of the examined case studies. The names of the hotels are not mentioned for the reasons of privacy and the reference is made only on the city level. The units of analysis for cases study were extracted from a research project followed by prof. Brogna (Sapienza University of Rome) in 2008. The research project involved sending a questionnaire on the issues of tourism and digitalization to the Italian hotels, that are included to Federalberghi.

The choice of these units of analysis is based on three characteristics: 1. The nine case studies belong to Federalberghi (National Federation of Italian hotels); 2. considering the territories under investigation the units of analysis were chosen due to their accessibility; 3. hotels that were chosen for multiple case study have shown, in the mentioned above research project, a greater sensitivity to the issues of digitalization and e-tools.

<table>
<thead>
<tr>
<th>Characteristics of hotel</th>
<th>Hotel in Naples</th>
<th>Hotel in Salerno</th>
<th>Hotel in Matera</th>
<th>Hotel in Bari</th>
<th>Hotel in Vieste</th>
<th>Hotel in Palermo</th>
<th>Hotel in Catania</th>
<th>Hotel in Scalea</th>
<th>Hotel in Capo Vaticano</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>Campania</td>
<td>Campania</td>
<td>Basilicata</td>
<td>Puglia</td>
<td>Puglia</td>
<td>Sicily</td>
<td>Sicily</td>
<td>Calabria</td>
<td>Calabria</td>
</tr>
<tr>
<td>Destination typology</td>
<td>Cultural City</td>
<td>Seaside City</td>
<td>City of Art</td>
<td>Business City</td>
<td>Seaside City</td>
<td>Seaside City</td>
<td>Seaside City</td>
<td>Seaside City</td>
<td>Seaside City</td>
</tr>
<tr>
<td>Hotel chain</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Number of rooms</td>
<td>86</td>
<td>30</td>
<td>28</td>
<td>56</td>
<td>30</td>
<td>37</td>
<td>25</td>
<td>162</td>
<td>26</td>
</tr>
<tr>
<td>Number of beds</td>
<td>200</td>
<td>55</td>
<td>70</td>
<td>112</td>
<td>60</td>
<td>72</td>
<td>35</td>
<td>324</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: elaboration of authors on case studies interviewed

During the interviews with managers the questions regarding the digital activity of their organizations were asked. The results obtained during these meetings can be seen below. The questions that demonstrated the interest in online marketing are following:

1. How many working hours dedicated each day to online marketing?
2. What are the business activities and operation that your enterprise attempts realize by means of digital tools?
3. How often do you check the specialized Travel 2.0 websites that publish the tourists review in?

The answers to these questions show that, in the period under investigation, the managers of the hotels didn’t pay great attention to the digital opportunities. In fact, only 33% of respondents said that they dedicated
between 10-12 hours each day to online marketing; 10% 4 hours per day; 57% didn’t dedicate daily their time to
digital activities. After analyzing the responses of managers to the second question, it could be concluded that
Italian hospitality SMEs used the Internet for two main purposes - product promotion and sale on-line. The
responses to the third question demonstrate low interest to digital possibilities that allow collaborating and
interacting with customers. In fact, the result of the interview reported that 44% of respondents control traveler
reviews only once a month, 33% once a week, only 23% conduct daily control.

Figure 1. Use of the website for e-commerce

With regard to e-commerce on Figure 1 it can be seen that the most common way to provide this service is
the website of the hotel – 6 cases out of 9 and the websites that are managed by other intermediaries 6 cases out
of 9. Other types of the websites were less used or not used at all.

Figure 2. Use of the website for promotion
Another interesting fact that can be noticed from Figure 2 that for promotion activities all the hotels that were studied used their own websites and the websites that are managed by other intermediaries (online agency, tour operator, crs, gds, etc.) . The usage of the websites of the other actors of hospitality industry for promotion activity is presented in low level or not presented at all.

As it can be noticed from the analysis of the instruments used for the e-commerce and promotion activities, in the year 2008, the e-tools were not used to their full potential; only hotels’ websites were the most common for promotion (100% of case study) and e-commerce (70% of case study). With regard to the important collaboration of Italian hospitality SMEs with local actors, such as trade associations the frequency of usage achieves only 20% for e-commerce and 30% for promotion, the collaboration with local authorities is even less (10% for e-commerce; 30% for promotion). The majority of digital tools based on the interactivity and constant relationships with stakeholders (as social networks, blogs and geo-referenced portals) discussed in the part 3 of this paper was not utilized at all by the studied enterprises in the year 2008. Thus, having analyzed the empirical data we can confirm the hypothesis presented in the introduction to the cases analysis.

On Figure 3 were reported incidences of the main sales activities on profits of the hotels. The interesting aspect, which confirms the hypothesis presented in this study, is that virtual direct sales channels or intermediates did not represent the main mode of sale. Excluding the hotels of Capo Vaticano that achieves 60% of the direct selling through Internet on total turnover, other interviewed managers stated that this activity generates a return that does not exceed 30% of the total profits of the hotel. The digital channels didn’t reach and exceed, in many cases, the contribution percentage of the profits.

Ultimately, the last part of the interview focused on investments for promotion. The result showed that a significant part is still dedicated to the activities of advertising delivery via traditional mail. The results of the year under investigation demonstrate that 1/5 of respondents devotes 10% of investments in direct mail, 20% of managers allocates 20-25%, another 10% devoted 65% of advertising budget to this “obsolete” activity and only 50% do not invest in direct mail. Along with these data, the investments for promotion through the web channels follow the same trend. Specifically, 30% of respondents devoted to these activities between 10% and 30% of budget. Only one respondent states that they dedicate 50% of the total budget on on-line promotion; the remaining 20% didn’t declare any promotion activity through the web.

5. CONCLUSIONS

Organizations are increasingly facing the challenge of e-business, that is, the use of Internet tools to support their business processes. As the Internet has penetrated people’s lives and companies’ business practices, providing interactivity and commercial support, it has had a great impact on the marketing practices. Reference [48] states that there is a little doubt that the Internet is changing marketing practices, and, hotels are increasingly taking advantage of the Internet as a marketing tool. Despite this fact in this research the poor usage of e-tools
The application of the table shows how the nine case studies under investigation have reported an orientation towards digital business operation. According to obtained results it can be seen that only the promotion activities has demonstrated a high implementation in the business operation of the hotels. The interviews showed that many e-tools were not used in order to improve the business operations (for instance, the meta search engine or social network). Vice versa, high use of e-tools such as email and website was demonstrated. It can be concluded that the results of this research show that in the peak period of the crisis the hotel managers of the territories with a low Index of technological equipment of enterprises (ITEE) but with a great ability to attract tourists didn’t give an importance to the development of digital strategies, although they did not have a need of technological innovation particularly high in order to expand opportunities to increase tourist demand. This shows a low reactivity of tourist operators located in areas with a low ITEE, regardless of the potential of tourist "attractiveness".

The prospects for the future research will consist of the replication of this research for the same hotels for the years 2009-2015, in order to verify the evolution of the implementation of e-tool by these firms. In addition, the working group aims to replicate the type of analysis in the Italian regions with a high ITEE index.

REFERENCES


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Table 3. Internet-based tools for business operations: case studies application

<table>
<thead>
<tr>
<th>E-tools</th>
<th>Business Operations</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>E-mail</td>
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<td></td>
<td>Company website</td>
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<td></td>
<td>E-commerce website</td>
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<td></td>
<td>Meta engine</td>
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<td></td>
<td>Geo-referenced portals</td>
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<td></td>
<td>Generic Social Networks</td>
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<tr>
<td></td>
<td>Blog</td>
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<td></td>
<td>Specialized Travel 2.0 tourism websites</td>
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<td></td>
<td>Commercial platform of OTA</td>
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<tr>
<td>Promotion</td>
<td>100% of cases</td>
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<tr>
<td>E-commerce</td>
<td>-</td>
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<tr>
<td>Marketing research</td>
<td>-</td>
</tr>
<tr>
<td>Relationship building and knowledge sharing</td>
<td>-</td>
</tr>
<tr>
<td>Marketing strategies and business models</td>
<td>-</td>
</tr>
</tbody>
</table>

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by the hotels under investigation was found. The results of the investigation can be seen in Table 3 where we have applied the case studies elaborating Table 1 “Internet-based tools for business operations”. 

[23]


