

**A STUDY OF THE FACTORS INFLUENCING THE SUCCESS OF INTERNET  
MARKETING IN SMALL SOUTH AFRICAN TOURISM BUSINESSES**

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## **Abstract**

The tourism sector has been identified as an industry that has the potential to make a substantial contribution to job creation, economic growth, and redressing past imbalances in South Africa as it has been recognised as an underexploited sector with considerable potential for growth.

The majority of tourism enterprises fall within the definition of small businesses, which have been identified as the most appropriate enterprises through which the economic challenges facing South Africa can be addressed. Small businesses differ from their larger counterparts not only in terms of size, but also in regard to access to resources and marketing expertise. Not surprisingly, one of the issues identified as preventing this sector from reaching its full potential is access to markets.

The focus of this study is to identify the primary factors driving the success of the use of the Internet for marketing in small businesses operating in the tourism sector in South Africa. If these factors can be identified, this will allow existing and emerging small businesses to access markets and retain customers more easily leading to a proliferation of these enterprises.

A theoretical model was formulated from the literature in which the factors influencing the success of Internet marketing were identified. These factors can broadly be divided into generic (marketing or management) factors and Internet specific factors. The technological aspects of the Internet were not ignored, but regarded as a resource to be managed rather than an autonomous source of competitive advantage.

This model was tested by making use of a large-scale empirical study. Convenience sampling was used and the data was collected from small tourism businesses (that is businesses with fewer than 100 employees) in the Western Cape, Eastern Cape and KwaZulu-Natal provinces of South Africa.

The factors were identified using exploratory factor analysis and the Cronbach alpha coefficients were assessed to confirm the reliability of these scales. Structural equation modelling was used as the principal mode of statistical analysis to measure the relationships amongst the variables in the model proposed in this study. A correlation analysis was used to measure the impact of marketing objectives on the success of Internet marketing.

The primary determinants of the success of Internet marketing in small businesses operating in the tourism sector in South Africa were identified by the empirical study as:

Product champion

Links

Alliances

Owner-manager knowledge

Entrepreneurial orientation

Owner-manager vision

Customer orientation

Marketing objectives

Interestingly, one factor, *Strategic planning*, recorded a negative influence on the success of Internet marketing. This is possibly because the owner-manager felt that this was a redundant exercise given the dominant and pervasive influence of the owner-manager in all spheres of the business.

Nevertheless, if small tourism firms consider the factors identified in this thesis as essential aspects in the use of the Internet for marketing, this will allow them to overcome one of the biggest hurdles to their prosperity, namely, the access to markets.

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## List of Abbreviations

|              |   |
|--------------|---|
| AGFI         | adjusted goodness-of-fit index                        |
| ALU          | arithmetic and logic unit                             |
| BMDP         | Bio Medical Data Processing computer package          |
| CEO          | Chief Executive Officer                               |
| CPU          | central processing unit                               |
| CRM          | customer relationship marketing                       |
| e-business   | electronic business                                   |
| e-commerce   | electronic commerce                                   |
| EDI          | electronic data interchange                           |
| e-mail       | electronic mail                                       |
| e-marketing  | electronic marketing                                  |
| FAQ          | frequently asked questions                            |
| FMCG         | fast moving consumer goods                            |
| GDP          | gross domestic product                                |
| GFI          | goodness-of-fit index                                 |
| HTTP         | Hypertext Transfer Protocol                           |
| IMC          | integrated marketing communication                    |
| IP           | Internet Protocol                                     |
| IRC          | Internet Relay Chat                                   |
| ISP          | Internet service provider                             |
| IT           | information technology                                |
| LISREL       | Linear Structural Relations computer program          |
| MAE          | Metropolitan Area Exchanges                           |
| NAP          | Network Access Points                                 |
| NSP          | Network Service Provider                              |
| POP          | point of presence                                     |
| RMSEA        | root mean square error of approximation               |
| SAIMS        | Southern African Institute for Management Scientists  |
| SBS $\chi^2$ | Satorra-Bentler Scaled chi-square                     |
| SMME         | micro, very small, small and medium sized enterprises |
| TCP          | Transmission Control Protocol                         |
| URL          | Uniform Resource Locator                              |
| WTO          | World Tourism Organisation                            |
| WWW          | World Wide Web  |
| $\chi^2$     | chi-square  |



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# Chapter 1

## Introduction

### 1.1 Background to Research Problem

The proportion of South Africa's total population that can be categorised as being poor is 49.9 percent and 71.6 percent of the poor live in the rural areas (Stavrou, May & Benjamin, 2000). The Government of the Republic of South Africa believes that electronic commerce has the potential to deal with the unique challenges facing South Africa, which are, *inter alia*, eradicating poverty, alleviating of historical disadvantages, stimulating economic growth and becoming globally competitive (South Africa, 1999a). Indeed, the President of South Africa, President Thabo Mbeki argues that the African Renaissance is impossible without addressing these issues (Mbeki, 1998).

In the global economy, small businesses are playing a critical role in reducing unemployment, penetrating new markets and generally growing economies. It follows that small businesses represent an important vehicle for addressing the challenges of job creation, economic development and social development in South Africa (South Africa, 1995; United States Small Business Administration, 2004). Similarly, tourism has been recognised as an underexploited sector with considerable potential for expansion (WTTC, 2002). The majority of tourism enterprises are small businesses and tourism has been identified as one of the catalysts for growth in the South African economy over the next two decades (South Africa, 1996c; South Africa, 1998b).

Although all businesses face the challenge of globalisation (Graham, 1999), small businesses in South Africa face a wider range of constraints and problems and are less able to address the challenges facing them than big business. They view market access and the inability to sell their goods and services as one of the most serious obstacles to the starting and running of a successful business. This perception is corroborated by studies in South Africa and internationally which view market access as a critical factor in business growth (South Africa, 1995).

It is argued that the Internet allows access to diverse markets irrespective of the size of the firm (Haynes, Becherer & Helms, 1998; Vargha & Pettigrew, 2001), although the extent of this impact is not clear (Porter, 2001; Kimiloğlu, 2004). Nevertheless, the dissemination of the Internet has fundamentally changed the communication as well as the business paradigms of the world (Hoffman & Novak, 1996). It has allowed new models of commercial interaction to develop as businesses and consumers participate in the electronic marketplace (Clinton & Gore, July 1997). Businesses compete in two worlds, the traditional marketplace of physical resources and a virtual world of information, also known as the marketspace (Rayport & Sviokla, 1995). In the future, success will be determined by activities in both the real world as well as in the virtual world (Weiber & Kollmann, 1998).

The marketspace has given rise to the world of electronic commerce (Rayport & Sviokla, 1995), which allows entrepreneurs to start new businesses more easily, with smaller up-front investment requirements, by accessing the Internet's worldwide network of users (Clinton & Gore, 1997). Large and small companies are embracing the Web to communicate with current and potential customers abroad through the Internet with the same cost and ease as within their countries (Hoffman & Novak, 1996).

There are, however, serious methodological risks in doing research in respect of small businesses without regard to the industry context (Burrows & Curran, 1989). It has been argued that small tourism businesses are an appropriate analytical category in this sector (Thomas, 1998; Thomas, 2000). There are major behavioural differences between small and large tourism businesses (Thomas, 2000) and distinct strategies are required for the different categories of businesses that make up the small business sector (Ntsika, 1998; Ntsika, 2002). In addition, although guiding principles in regard the use of the Internet for marketing are lacking, the nature and extent of Internet adoption could vary amongst industries, resulting in dissimilar practices when using the Internet for marketing.

## 1.2 Research Problem

Despite the potential of the Web, actually harnessing this medium is proving to be challenging (Elliott, 1997; Hoffman & Novak, 1996; Hoffman, Novak & Chatterjee, 1995). Although there are vast opportunities for businesses on the Web, the majority of such undertakings do not make a profit as entrepreneurs do not properly understand the drivers of electronic commerce (Remenyi, 2000). This has been corroborated by the failure of many dot com ventures (Hof, 2000). There is, however, very little empirical evidence on which to base sound business decisions. Computer mediated environments like the Internet are unique and very different from other physical windows of opportunity (Elliott, 1997; Lee, Tan & Lim, 2000; Turban, Lee, King & Chung, 2000).

Small tourism businesses have the potential to make a substantial contribution to the South African economy (South Africa, 1996a; South Africa, 1998b), however, as with all South African small businesses, they face the problem of access to markets (Ntsika, 1998; Ntsika, 2002). The Internet, with its ability to reach broad and diverse markets at a very low marginal cost (Arthur, 1996; Carr, 2000) has the potential to contribute to the growth of this sector.

Against this backdrop, it is important to identify the factors that influence successful Internet marketing in small tourism businesses. The primary objective of this study is to investigate and empirically test the possible influences and relationships between the various independent variables and the dependent variable, namely the *Perceived success of Internet marketing* within the tourism industry. This study not only intends to confirm the existence of these relationships, but also to measure their magnitude with a view to making recommendations to small businesses in the tourism sector using, or planning to use, the Internet for the marketing of their businesses.

## 1.3 Hypotheses

A theoretical model was constructed using the factors and relationships identified from the secondary sources in order to identify the aspects that impact on the success of

Internet marketing. This was used to formulate a series of hypotheses, which it is anticipated will be tested in this study:

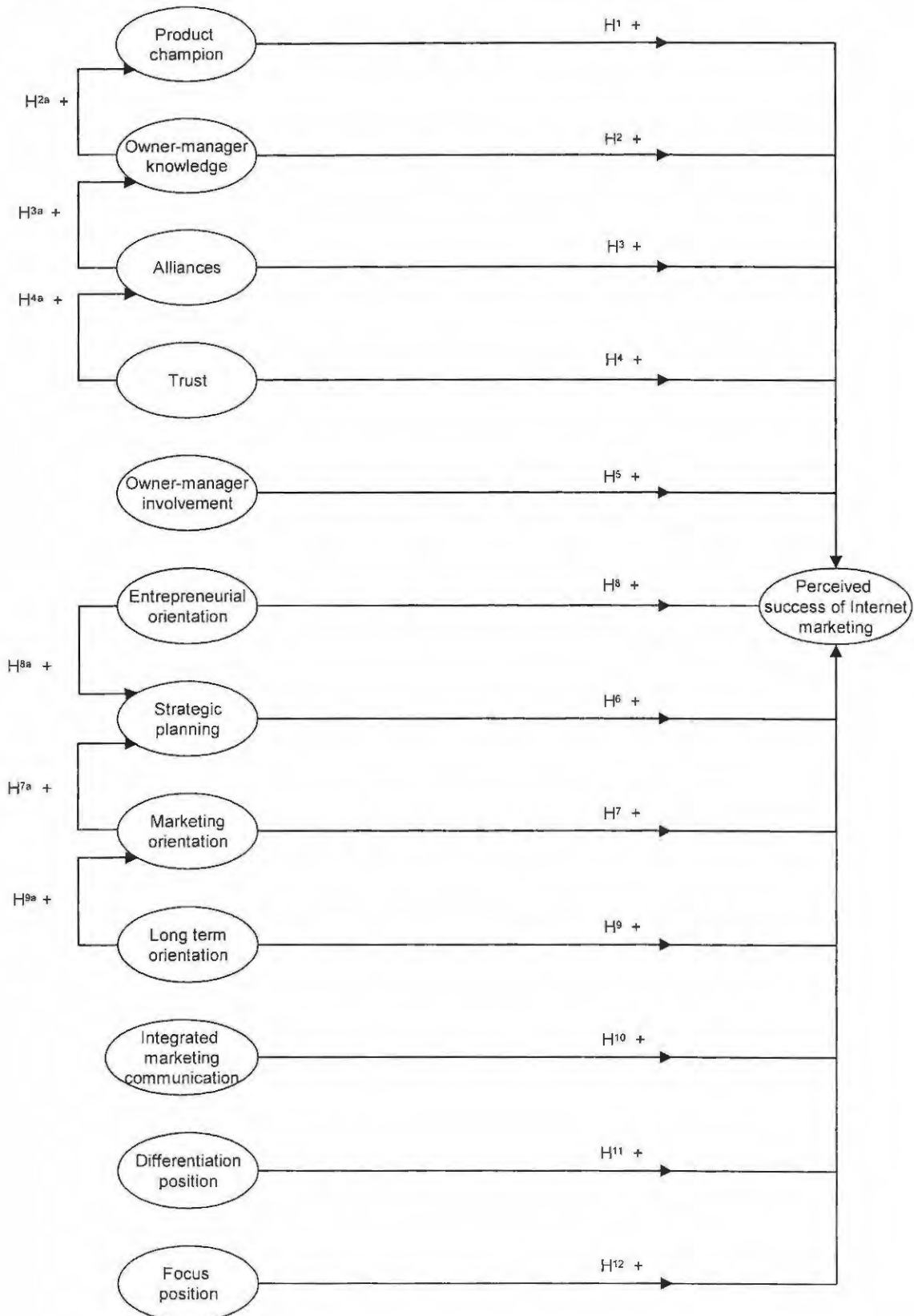
- H<sup>1</sup>: *There is a positive relationship between the owner-manager being a product champion in respect of marketing over the Internet and the perceived success of Internet marketing.*
- H<sup>2</sup>: *There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the perceived success of Internet marketing.*
- H<sup>2a</sup>: *There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the owner-manager being a product champion.*
- H<sup>3</sup>: *There is a positive relationship between the existence of alliances and the perceived success of Internet marketing.*
- H<sup>3a</sup>: *There is a positive relationship between the existence of alliances and the owner-manager's knowledge of the business implications of marketing over the Internet.*
- H<sup>4</sup>: *There is a positive relationship between the existence of trust and the perceived success of Internet marketing.*
- H<sup>4a</sup>: *There is a positive relationship between the existence of trust and the existence of alliances.*

- H<sup>5</sup>: *There is a positive relationship between the involvement of the owner-manager in the management of Internet marketing and the perceived success of Internet marketing.*
- H<sup>6</sup>: *There is a positive relationship between the extent of strategic planning in the business and the perceived success of Internet marketing.*
- H<sup>7</sup>: *There is a positive relationship between the existence of a market orientation in the business and the perceived success of Internet marketing.*
- H<sup>7a</sup>: *There is a positive relationship between the existence of a market orientation in the business and the extent of strategic planning in the business.*
- H<sup>8</sup>: *There is a positive relationship between the existence of an entrepreneurial orientation in the business and the perceived success of Internet marketing.*
- H<sup>8a</sup>: *There is a positive relationship between the existence of an entrepreneurial orientation in the business and the extent of strategic planning in the business.*
- H<sup>9</sup>: *There is a positive relationship between the existence of a long-term orientation in the business and the perceived success of Internet marketing.*
- H<sup>9a</sup>: *There is a positive relationship between the existence of a long term orientation in the business and marketing orientation.*
- H<sup>10</sup>: *There is a positive relationship between integrated marketing communication and the perceived success of Internet marketing.*
- H<sup>11</sup>: *There is a positive relationship between the business taking a differentiation position and the perceived success of Internet marketing.*
- H<sup>12</sup>: *There is a positive relationship between the business taking a focus position and the perceived success of Internet marketing.*
- H<sup>0</sup>: *There is no relationship between marketing objectives and the perceived success of Internet marketing.*

These relationships are depicted graphically in Figure 1.1 below.



**Figure 1.1: Relationships among variables that influence the success of Internet marketing**





In order to assess the impact of Internet marketing objectives and goals on the success of Internet marketing, a further analysis was performed to test whether there is a significant relationship between the objectives set by firms in respect of their Internet marketing and the dependent variable in this study, the *Perceived success of Internet marketing*. For this purpose, the following hypothesis was tested:

H<sup>0</sup>: *There is no relationship between marketing objectives and the perceived success of Internet marketing.*

## 1.4 Justification for this Research

This study proposes to add to the body of knowledge by identifying the most important factors influencing Internet marketing success. Searches done through *Nexus* and *Dissertation Abstracts* have confirmed that no study of this nature has been or is currently being done in South Africa.

The original contribution of this research stems from three perspectives:

1. The conceptual model that has been developed from the literature is the first attempt to develop a comprehensive conceptual model of the Internet marketing function within the context of the tourism industry and in particular the factors that influence the successful use of the Internet for marketing.
2. Much of the research done in respect of Internet marketing is anecdotal, conceptual or based on case studies. The limited quantitative research has predominately taken the form of surveys about the use of the Internet. This research constitutes an attempt to triangulate extant research and verify the conceptual articles and case studies with quantitative statistical data.
3. The use of an advanced statistical technique such as structural equation modelling (SEM) in this context further distinguishes this study from previous research.

## 1.5 Methodology

In order to address the research problem set out in Section 1.2, the research comprises two parts, the secondary study and the primary study. These aspects are briefly discussed below.

### 1.5.1 Secondary Sources

A comprehensive literature search was done in order to identify the factors that could influence the success of Internet marketing in the tourism sector in South Africa. Clearly, the main thrust of this research is the issue of Internet marketing. Research into Internet marketing has not developed as quickly as research into consumer behaviour or international marketing because much of the literature is either anecdotal or conceptual (Rao, 2002). In a review of Internet marketing literature Rao (2002) points out that, of the articles reviewed, 70 percent are not empirical, that is, they are either anecdotal or conceptual. None of the articles that are empirical deal with the factors influencing successful Internet marketing. Much of the early literature on Internet marketing encompassed indicating to businesses how to go about establishing a place on the Internet, the types of Web sites and how Web sites could be effective (Rao, 2002).

The literature also focused on the impact of the Internet on the marketing discipline. There does not seem to be consensus on this aspect with one school arguing that the Internet is merely another medium of communication with minimal impact on the marketing discipline, whereas others argue that the Internet has changed the paradigms for marketing and has had a disruptive revolutionary impact (Kimiloğlu, 2004).

Apigian (2003) argues that most of the empirical studies in regard to the Internet are in respect of Internet adoption, with little research on the effective deployment of the Internet. Implicit in this argument is the fact that the research in respect of Internet adoption is not germane to the effective deployment of the Internet. It is argued that this is not necessarily the case as in much of the research in respect of Internet adoption, the dependent variable is the successful or substantive adoption *and implementation* of the

Internet or information technology (Mehrtens, Cragg & Mills, 2001; Thong & Yap, 1995). In addition, the use of the Internet for marketing can be viewed as an innovation (Bengtsson, Boter & Vanyushyn, 2003; McGowan & Durkin, 2002; Mehrtens *et al*, 2001; Kimiloğlu, 2004; Schumpeter, 1934) as can the use of information technology. It follows that many of the factors relating to the successful adoption and implementation of information technology can be applied to the effective adoption and implementation of the Internet (Mehrtens *et al*, 2001).

Following on the literature review, research instruments were designed to test the hypotheses.

### **1.5.2 Primary Sources**

The theoretical model was presented at a conference of the Southern African Institute for Management Scientists (SAIMS) in September 2003 and certain aspects of the model were presented to a research colloquium of the Information Systems Department, Rhodes University during the course in March 2004. The theoretical model was discussed with a number of owners of small tourism businesses and academics, as were the measuring instruments that were to be used to measure the constructs. The changes that were recommended were incorporated into the final questionnaire that was pre-tested amongst nine respondents to ensure ease of understanding, the relevance of items included and the time taken to complete the questionnaire.

Important issues in the collection of primary data are the selection of the sample and the compilation of the measuring instrument. These are discussed below.

#### **1.5 2.1 Sample**

The databases of tourism businesses registered with the Western Cape Tourism authority, KwaZulu-Natal Tourism authority and the Eastern Cape Tourism authority were obtained. In the case of the Eastern Cape database, this was supplemented by the databases of the tourism authorities of Buffalo City, Nelson Mandela Metropolis and the

Wild Coast, as there was no integration between these various databases. These databases were used to elicit the contact details of those small tourism businesses with Web sites.

A Web-based questionnaire was set up that allowed the respondent to complete the questionnaire online. Potential respondents were first telephoned and requested to participate in the survey. If the respondents agreed to participate, an e-mail was sent to them setting out the Web address of the questionnaire. In some cases respondents preferred to have the questionnaire faxed to them.

### **1.5.2.2 Measuring instrument**

The measuring instrument was developed from research done using similar concepts, although very few constructs were developed in a similar context to that of this research, given the paucity of empirical research in Internet marketing. Where no instruments existed, the items were self-generated, based on the literature. An exploratory factor analysis was done in two parts using the computer program BMDP (4M) (Frane, Jennrich & Sampson, 1992). Due to the limitations of the computer program, the independent variables were split into those variables that were *particular to the Internet* (Internet factors) and the *generic management or marketing variables* (Generic factors). The purpose of this exercise was to confirm the validity of the measuring instrument and that each item was indeed a measure of the respective constructs. However, the dependent variable (Perceived success of Internet marketing) was not included in the factor analysis, as it was felt that the measures of Internet marketing were so varied that they would not load on a particular construct.

The reliability of the instrument was confirmed by calculating the Cronbach alpha coefficients for each of the factors. Structural equation modelling, using the LISREL (Linear Structural Relations) computer program (version 8.54) (Jöreskog & Sörboom, 2003) was used to check the causal relationships amongst the factors that influence Internet marketing. Correlation analysis was used to test the hypothesis in respect of the marketing objectives.

## 1.6 Delimitation of Scope

Although the Internet itself is global, the tourism businesses use it to operate within their own economic, cultural and technological contexts. The major delimitation of this research is that it is restricted to South Africa because use of the Internet may vary across countries (Pires & Aisbett, 2001). In addition, the research is in respect of small businesses in the tourism sector, so generalisation of these results out of the context of this research should be done with caution. Nevertheless, the findings could apply to other small tourism businesses that display similar Internet usage patterns and have similar markets.

The technology making up the Internet and the World Wide Web is considered in this research, but it is viewed as a resource to be managed rather than a source of competitive advantage (Porter, 2001).

## 1.7 Definitions of Concepts

### ***Small Business/ Micro, Very Small, Small and Medium-Sized Enterprises (SMME)***

There are numerous studies exploring the role of small businesses in South Africa. This sector is commonly referred to as the SMME (small, medium and micro enterprise) sector. The definition of a small business for the purpose of this study will be quantified in terms of the nature of ownership and the number of full-time employees. The definition, then, of a small business for the purposes of this study is: *Micro, very small, small and medium sized enterprises (SMME) that are independently owned and employ fewer than one hundred employees.* In this research, the terms “small business” and “SMME” will be used interchangeably. This definition is developed from the literature and justified in Section 2.3.



## **Owner-manager**

The owner-manager is referred to *as the person who has management control and power in a small business*. The actual legal structure of the SMME has no impact on this aspect although the business should be independently owned. This definition is developed from the literature and justified in Section 2.3.

## **The Internet**

The Internet can be defined as *a collection of worldwide communication networks based on the Transmission Control Protocol/ Internet Protocol (TCP/IP) connecting numerous public and private networks and users*. This definition is developed from the literature and justified in Section 4.2.1.

## **Internet marketing**

There are alternative views of the Internet based on its technological origin, economic and social impact. The main Internet tools are electronic mail (e-mail), newsgroups and the World Wide Web (WWW). Although Internet marketing definitions in the literature may have different emphasis, for the purposes of this thesis, Internet marketing is defined *as the use of the Internet to achieve or support the achievement of marketing objectives*.

Section 4.2.2 distinguishes between Internet marketing, electronic marketing, electronic commerce and electronic business and justifies this definition.

## **Tourism**

A distinction can be made between the narrow 'travel and tourism industry' and the broader 'travel and tourism economy'. In this research, a narrow view of tourism is taken and it is seen as comprising transport, accommodation, catering, entertainment and related activities, rather than its broader impact in the associated manufacturing, construction and services industries. *Tourism* and *travel and tourism* are used interchangeably and defined as *the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and/or any other purpose*.

This definition is developed from the literature and justified in Section 2.4.

## **1.8 Structure of Thesis**

This thesis has nine chapters. Chapter 1 serves as an introduction to the study and sets out its context and relevance. The research problem is defined and the purpose and objectives are set out. The chapter comments on the primary and secondary sources related to the thesis and defines the most important terms. Finally an overview of the structure of the thesis is given.

Chapter 2 concentrates on the nature and importance of small businesses in both the world economy and the South African context. A definition of small businesses is settled upon before discussing the nature and importance of the tourism industry in meeting the unique challenges of the South African economy.

The issue of marketing a small business is discussed in Chapter 3. After explaining that a tourism product is a service (as opposed to a good), the process of marketing a service by small businesses is discussed, as are various marketing objectives.

Chapter 4 introduces the Internet. After briefly explaining the technological nature of the Internet, how it should be understood from a conceptual perspective is reviewed. The impact of the Internet on business and communication paradigms is discussed and the conclusion that the Internet can be regarded as an innovation is justified. The Internet's impact on marketing and in particular, the marketing objectives that the Internet can support or achieve are reviewed.

Chapter 5 presents a critical assessment of the factors that may influence the success of Internet marketing. These factors are analysed at the level at which they influence the success of Internet marketing, namely Internet specific factors, generic (management or marketing) factors and the goals or objectives of Internet marketing.

In Chapter 6, the theoretical model proposed and the factors that influence the success of Internet marketing are discussed. The dependent variable in this thesis, namely the *Perceived success of Internet marketing* is presented, after which the various factors that influence the success of Internet marketing are discussed.

The research design and methodology are discussed in Chapter 7, as well as the measuring instruments used to collect the data. An overview of the statistical methods used to analyse the data is provided.

In Chapter 8, the reliability and validity of the measuring instruments are presented. The data is analysed and the impact of the various factors on the perceived success of Internet marketing is discussed.

The final chapter provides answers for the research issues raised. Conclusions are made about the research problem and contributions to theory and practice are discussed. Finally, the limitations of the research and implications for further research are discussed.

### **Note:**

In this study, to avoid the monotonous repetition of 'his/her' or 'him/her', reference will only be made to the male sexes. Unless the context indicates otherwise, the use of 'his' will be deemed to include both sexes.

Spelling follows Microsoft Word's Tools/language/English (UK) format. In terms of this protocol, both the Internet and the Web are spelled with capitals 'I' and 'W'.



## **Chapter 2**

### **The Nature and Importance of Small Tourism Businesses**

#### **2.1 Introduction**

In the previous chapter a brief overview of this research was given. This chapter serves to introduce small businesses within the context of the tourism sector.

This chapter examines the impact and importance of small businesses in South Africa as a means of reducing unemployment and growing the economy. After defining small businesses for the purposes of this research, the chapter examines the nature and extent of the tourism sector. The economic impact of the tourism industry is discussed and its potential influence on the South African economy is reviewed. Lastly, the role of small businesses in the tourism industry is considered and the steps that the government of South Africa has taken to ensure their proliferation are examined.

#### **2.2 The Importance of Small Businesses**

A review of the performance of the South African economy in the ten years since 1994 revealed that it has been growing at an average rate of 2,8 percent per annum. Although this translates into real per capita growth of about one percent per annum since the beginning of 1994, a shortage of appropriately skilled workers has hindered the development of the economy. In regard to the creation of jobs, between 1995 and 2002, the number of employed people grew from 9 557 185 to 11 157 818, representing 1 600 633 new jobs. However, during the same period, the number of unemployed people grew from 1 909 468 to 4 271 302, an increase of 2 361 834 (South Africa, 2003).

In South Africa, as with the rest of the world, SMME's represent an important vehicle for addressing the challenges of job creation, economic growth and social development (Hailey, 1992; Kesper, 2000; Rogerson, 1997; South Africa, 1995; South Africa, 1996b;

South Africa, 1998a). In 2002 (the latest figures available), SMMEs contributed 36.1 percent to the total gross domestic product (GDP) of South Africa. In respect of the creation of employment, in 2002, SMMEs accounted for 68.2 percent of people employed in the private sector, as opposed to 44 percent in 1995 and 53.9 percent in 2001. These figures reflect the increasing importance of this sector for job creation.

The job creation potential of this sector is also enhanced by the high labour absorption capacity of SMMEs. The growth in numbers employed by SMMEs is greater than the growth in the contribution of SMMEs to GDP. For example, in 2001, the increase in people employed by SMMEs was 1.5 times the growth in the contribution of these entities to GDP (Ntsika, 2002).

The findings discussed above are consistent with extant research, which found that in the global economy, small businesses or small, medium and micro-enterprises (SMMEs) are playing a critical role in reducing unemployment, penetrating new markets and generally growing economies (Day, 2000; Graham, 1999; Kesper, 2000; Morris & Brennan, 2000; Morris & Pitt, 1995; Timmons, 1999). In the United States of America, in terms of the latest figures available, small businesses employed 50.1 percent of the private non-farm workers and created 75 percent of net new jobs in the economy (United States Small Business Administration, 2004). However, Karungu, Marabwa & Stettler (2000) highlight their disquiet about the fact that, although eight of every ten jobs in South Africa are created by the SMME sector, of these eight jobs, five to six are lost within a year. They conclude by arguing that it is very difficult to ascertain the precise contribution of the small business sector to employment.

Since 1994, there has been a concerted effort by government to encourage the growth of the country's small, medium and micro-enterprise economy (SMMEs) (South Africa, 1995). This is reflected in the increase in government policies and structures to support the expansion of SMMEs, which has in turn precipitated a growth in academic literature in this regard (Berry, Von Blottnitz, Cassim, Kesper, Rajaratnam & Van Seventer, 2002; Rogerson, 1999; Rogerson, 2004b).

A further priority in the South African economy is that of black economic empowerment (Pitt, 1996; Rogerson, 2002a). Here, small businesses are seen as a means of empowering previously disadvantaged communities and as a means of dealing with South Africa's unique challenges (Pitt, 1996). At the core of this agenda is the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995). Small Businesses are seen as a means of:

- Creating employment and consequently reducing the high levels of poverty in South Africa
- Triggering domestic competition by increasing productivity, creating niche markets and becoming internationally competitive
- Redressing the disparity in employment opportunities and economic distribution
- Contributing to black economic empowerment
- Generating subsistence income in the absence of employment or other forms of income such as social grants (South Africa, 1995:10)

The White Paper eventually resulted in the promulgation of the National Small Business Act, No. 102 of 1996 (hereinafter referred to as "the Act"), which set out as its aim:

"To provide for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency; and to provide guidelines for organs of state in order to promote small business in the Republic; and to provide for matters incidental thereto" (South Africa, 1996a).

There have, however, been certain criticisms of the Act. Theodosiou (1995) argues that, although the Act was formulated on the assumption that the promotion of small businesses would create employment, it does not distinguish between entrepreneurial and other small businesses. In other words, although small businesses can be used as a vehicle for entrepreneurs, many small firms are not entrepreneurial. The importance of this distinction is highlighted by Morris and Pitt (1995) who found that entrepreneurial firms (comprising 10 percent of small businesses) were responsible for creating almost all of

the new jobs originating from this sector. Similarly, the Act does not distinguish between firms in the start-up phase as opposed to the growth phase. This is relevant because new firm growth has a greater impact on economic growth than the expansion of existing small businesses (Morris & Hooper, 1996).

If small businesses are important within the South African context, it follows that the next issue is to understand what is meant by this term or its synonyms, small, medium and micro enterprises.

## **2.3 Defining a Small Business**

There is no standard or universal definition of a small business. Auciello (1975, in Hailey, 1992) points out that as far back as the mid 1970s seventy-five different companies had over fifty different definitions of what was meant by the term small business. It is, however, argued that a worldwide generic definition of a small business would be inappropriate, as it should reflect the context in which the small business exists. It follows that what is accepted as a small business in South Africa will not necessarily be regarded as a small business in other countries (Bureau of Market Research, 1992).

Guidelines on what the term small businesses encompasses are usually based on economic and statistical definitions (Du Plessis, 1996). Criteria include: independent ownership and management; ownership by one or a few individuals; area of operations being primarily local; and the business size being small relative to its competitors (Bureau of Market Research, 1992; Du Plessis, 1996; Megginson, Byrd & Megginson, 2000).

In South Africa, the Act sets out the official definition of a small business. The definition consists of two parts, the first of which is qualitative data relating to the ownership of the business. To qualify as a small business, the entity should, firstly, be independent and managed by its owners although the actual legal personality of the small business is not significant for the purposes of the Act. Secondly, the Act distinguishes small businesses in terms of the number of employees, annual turnover and total gross asset value

(excluding fixed property), which vary according to the sector in which the business operates. These criteria are used to define small businesses as micro, very small, small and medium-sized enterprises, commonly known as SMMEs. The schedule to the Act reflecting these measures is set out in Appendix 2.1.

Although the term “employee” is not discussed in the Act, Ntsika (1998) defines an employee as the total full-time equivalent of paid employees. Consequently, if a business employs two employees, each working a half-day, for the purposes of the Act, they are defined as the equivalent of one full-time employee. The employer, owner-manager or working proprietors do not fall within the definition of employees. The term “paid employees” includes casual, seasonal and contract labour, from all sources, but does not include unpaid labour, such as family workers.

“Annual turnover” refers to the total gross income in the past year, which is the total sum of sales, excluding VAT, before any deductions. “Asset value” refers to the gross moveable asset value before any deductions, such as depreciation. It excludes fixed property such as land and buildings, but includes items such as tools, machinery and motor vehicles (Ntsika, 1998).

Although the Act does not specifically refer to the tourism sector it does mention a sector named “Catering, Accommodation and other Trade”. In this segment, the limits to qualify as a micro, very small, small or medium-sized enterprise in terms of employees is 5, 10, 50 and 100 respectively.

Due to the sensitive nature of information such as annual turnover and asset values, it is unlikely that firms will be prepared to disclose such data for the purposes of empirical research. Therefore, the definition of a small business, for the purpose of this study, will be expressed in terms of the nature of ownership and the number of full-time employees. The definition, then of a small business for the purposes of this study is: *micro, very small, small and medium-sized enterprises (SMME) that are independently owned and employ less than one hundred employees*. In this research, the terms “small business” and “SMME” are used interchangeably.



## 2.4 Tourism

The tourism sector is not formally classified as such in terms of the International Standard Industrial Classifications. This often leads to considerable uncertainty concerning the precise boundaries of the tourism economy and consequently of how to measure its economic impact on employment creation or its contribution to GDP (Thomas, 2004).

There is also no settled definition of what is meant by tourism or tourist (Bennett, 2000; Briggs, 1997; George, 2001; Kotler, Bowen & Makens, 1999; Middleton & Clarke, 2001; World Tourism Organisation, 2002) and definitions differ from country to country (Bennett, 2000; Middleton & Clarke, 2001). In Australia, the National Bureau of Tourism Research lists industries and products that are linked to tourism. These listings are subdivided into what are termed “tourism characteristic” and “tourism connected” industries, based upon the proportion of the industry’s output that is consumed by tourists (Rogerson, 2004a).

There is also debate as to whether it is appropriate to refer to the tourism market or the tourism industry (Middleton & Clarke, 2001; Wilson, 1998). Wilson (1998:812) defines a market as “... an institution, or institutional arrangement, within which firms attempt to sell products (and services) with similar characteristics ...” and by contrast, “... an industry is a grouping of firms which operate similar processes and could produce technically identical products (or services) within a given planning horizon ...”. He (Wilson, 1998) argues, and is supported by Middleton and Clarke (2001), that it follows that the tourism sector cannot be an industry as it does not follow similar processes to produce technically similar products. Papadopoulos (1989) argues that the tourism market is not a market in the traditional sense as there is no single product and the tourism market is fragmented, comprising multiple types of businesses. This debate is compounded by the fact that many suppliers to the tourism industry or market do not supply goods or services exclusively to tourists and may be suppliers to other segments of the economy (Pearce, 1992; Rogerson, 2004a). However, the terms “tourism industry”

and “tourism market” are used frequently (and interchangeably) in the literature (Kotler *et al*, 1999; Middleton & Clarke, 2001) and this approach is taken in this research.

In South Africa, definitions of tourism (and consequently the measurement of its impact) have been influenced by the system of Tourism Satellite Accounting following the international standards used by the World Tourism Organisation (WTO). This distinguishes between the narrow ‘travel and tourism industry’ and the broader ‘travel and tourism economy’. It follows that regarding the travel and tourism industry as consisting essentially of transport, accommodation, catering, entertainment and related activities to calculate its economic impact is misconceived as it does not recognise its broader impact in the associated manufacturing, construction and services industries (Rogerson, 2004a).

There also seems to be some confusion about the terms “travel and tourism” and “tourism” (Middleton & Clarke, 2001), as well as the terms “hospitality” and “travel”. In some cases, “travel and tourism” and “tourism” are used interchangeably and where the term “tourism” is used, it means “travel and tourism” (Middleton & Clarke, 2001). Kotler *et al* (1999) compound this uncertainty by arguing that the tourism activity comprises mainly the hospitality and travel industries, although they do concede that these industries are interdependent. George (2001) by contrast argues that the travel industry is made up of the tourism and hospitality industries.

The WTO (1992, in Middleton & Clarke, 2001:9) defines tourism as comprising “... the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and any other purpose”. Tourists can be either international or domestic visitors (Bennett, 2000; Middleton & Clarke, 2001). Domestic tourists are a substantial part of the tourism market, spending R47 billion compared to the R53.9 billion spent by foreign tourists. Included in the definition of foreign tourists are visitors from sub-Saharan countries and, although the average spend per tourist differs, during the year of 2003 visitors from Mozambique, Zimbabwe, Zambia, Botswana, Lesotho and Swaziland spent an amount of R26.6 billion in South Africa, almost half of the total income from foreign tourism (Rogerson, 2004a).

The tourism industry and the broader travel and tourism economy are regarded as one of the few sectors that can be employment-intensive and consequently create new jobs (South Africa, 1996c; South Africa, 2000). The impact of tourism on the economy is dealt with in the next section.

## **2.5 The Economic Impact of Tourism**

Although it is acknowledged that tourism will have the greatest beneficial impact when the industry is driven by the private sector (South Africa, 1996c; South Africa, 1998b), government still plays an important role. During the period since South Africa's first democratic election in 1994, the policies implemented to enable tourism to contribute towards job creation and economic growth have met with considerable success (Rogerson & Visser, 2004).

This is illustrated by the latest estimates from the World Travel and Tourism Council (WTTC), which reflected that during 2003 it was anticipated that the Travel and Tourism Industry was expected to contribute 2.9 percent to GDP in 2003, rising to 3.6 percent by 2013. The broader travel and tourism economy was expected to contribute 7.3 percent to GDP in 2003, growing to 8.8 percent by 2013. In terms of jobs, it was calculated that in 2003, the travel and tourism industry accounted for 491 741 jobs or 2.9 percent of total employment and by 2013 this is anticipated to increase to 751 100 jobs or 3.7 percent of the total number of people employed. The total number of jobs in the broader travel and tourism economy was estimated as 1 118 530 jobs, 6.6 percent of total employment, and by 2013 this is forecast to escalate to 1 650 140 jobs or 8.2 percent of total employment (WTTC, 2003).

In spite of these impressive figures, a WTTC (2002) report criticised the progress being made in South Africa as being unsatisfactory and not accomplishing the targets set by the WTTC in 1996. What the report found particularly disappointing was the failure of the sector to create jobs and develop small businesses, but it does concede that the potential of the travel and tourism sector is exceptional (WTTC, 2002).



## 2.6 Small Businesses in the Tourism Sector

Tourism is recognised as a catalyst to stimulate the South African economy and create jobs (South Africa, 1996c; South Africa, 1998b; WTTC, 1998; WTTC, 2002). Although South Africa's travel and tourism industry is dominated by a small group of tourism organisations (Rogerson & Visser, 2004), one of the most distinguishing features of the tourism sector is the predominance of small businesses (Middleton & Clarke, 2001). Small businesses have been the focus of the Government of the Republic of South Africa's initiative to stimulate tourism because of their ability to be employment intensive (South Africa, 1996c; South Africa, 1998b; WTTC, 1998; WTTC, 2002).

At the heart of this initiative is the 1995 White Paper on Small Business (Rogerson, 1999), as discussed more fully in Section 2.2. In respect of tourism, a number of policy documents have been put in place, starting in 1996 with the *White Paper on the Development and Promotion of Tourism in South Africa* (South Africa, 1996b) and the *Tourism in GEAR* strategy document (South Africa, 1998b) in 1998, to develop the tourism industry. These have subsequently been supplemented by other policy documents (South Africa, 1999b; South Africa, 2000).

The tourism industry has been identified as one of the key industries for driving economic development and transformation in South Africa (Rogerson, 2002a; Rogerson, 2002b) and the Tourism Business Council's *South African Tourism Industry Empowerment and Transformation Review 2002* identifies SMME development as a key area for empowerment (TBCSA, 2002). Paradoxically, although the South African tourism sector is dominated by a small group of large tourism organisations in which black economic empowerment is occurring through the transfer of equity shares in tourism businesses, this has not occurred to the same extent in small businesses (Rogerson, 2002a). The majority of tourism enterprises are small businesses that are not under the ownership of the black majority (Rogerson, 2003; Rogerson, 2004b).

The South African government realises that transformation in the tourism industry is an urgent challenge that needs to be addressed (South Africa 1996c; South Africa, 2000) and unless this issue is addressed, there is a danger that past inequalities will be reinforced (Rogerson, 2003; Rogerson, 2004b). The *White Paper on the Development and Promotion of Tourism* (South Africa, 1996b) confirms the importance of tourism as a priority in the South African economy and identifies a number of constraints that include the lack of integration of previously marginalised groups into the tourism industry. The Department of Environmental Affairs and Tourism document, *Tourism in GEAR* aims to create a framework for implementing the policies to achieve the objectives of the South African government in the tourism sector (South Africa, 1998b), which include rectifying previous historical imbalances in the industry (South Africa, 1999b).

Although there is a vibrant research programme in respect of certain sectors of the SMME economy, small tourism firms have received very little attention (Rogerson, 2004b). This is surprising considering that the tourism sector or, more broadly, the tourism and travel economy as a whole, is viewed as presenting “an array of opportunities for small enterprises” (South Africa, 2000: 5). This research, though, is restricted to those SMMEs that conduct business in the travel and tourism industry rather than those operating in the broader travel and tourism economy.

International research in respect of small businesses adds limited value to the issues facing South Africa (Dahles, 1998; Dahles, 2000; Rodenburg, 1980; Wanhill, 2000) as not many articles focus on developing countries (Gartner, 1999; Rogerson, 2001). However, what emerges from the literature is that one of the biggest barriers to small businesses generally, and emerging SMMEs specifically, is access to markets (Rogerson, 2003; Ntsika, 2002).

## **2.7 Conclusion**

This chapter reviewed the importance of small businesses in meeting the challenges of growing the South African economy, creating employment and redressing past imbalances. The tourism industry is particularly suitable for this goal, given the high proliferation of SMMEs in this sector.

This chapter also defined what is meant, for the purposes of this research, by the terms small business and tourism. It concluded by observing that while small tourism businesses are well positioned to meet the challenges and goals identified by the South African government, one of the biggest barriers to achieving this end is access to markets. The marketing of small businesses is dealt with in the next chapter.

## Chapter 3

### Small Business Marketing in the Tourism Sector

#### 3.1 Introduction

The previous chapter reviewed the importance of SMMEs in the tourism sector to the South African economy. This chapter focuses on the pertinent marketing issues for small tourism business.

Marketing is an important component in the survival and success of all small businesses in South Africa (Deakins, 1999; Kirsten & Rogerson, 2002; South Africa, 1995). Much of the marketing research that has been done has been in respect of large businesses and there are doubts about its applicability to small businesses (Chaston, 1997; Stokes, 2000), since, more so than other disciplines, marketing is influenced by contextual elements (Sheth & Sisodia, 1999). Small businesses are not merely a miniature version of large organisations, but have a unique set of qualities (Bridge, O'Neill & Cromie, 1998; Chaston, 2000; Gilmore, Carson & Grant, 2001; Stokes, 2000). A key differentiating factor is the direct influence of the owner-manager on the daily functioning and decision making of the SMME (Carson, Gilmore, Cummins, O'Donnell & Grant, 1998; Gilmore, Carson & Grant, 2001; Larkin & Elliott, 2003).

Many of the marketing concerns and problems faced by small firms are similar to those encountered by larger businesses, but SMMEs also have to deal with challenges which are not concerns for big firms. These generally stem from a lack of resources and include deficiencies in personnel, marketing knowledge and experience (Chaston, 1997). While large firms do have certain competitive advantages over SMMEs (mainly because of their access to superior resources) (Lynn, Maltz, Jurkat & Hammer, 1999), being small does have certain compensations such as being able to institute new strategies quickly and effectively (Nilson, 1992; Lynn *et al*, 1999).

SMMEs make greater use of interactive marketing methods than do large businesses. These include the use of networking for both promotion and information gathering

(Gilmore *et al*, 2001; Stokes, 2000); word-of-mouth advertising and referrals to attract new customers; and the use of database marketing to keep track of current and potential customers (Moncrief & Cravens, 1999). They have also embraced the use of new media technologies including the Internet and mobile technology (Lynn *et al*, 1999).

This chapter seeks to identify and review the most significant factors impacting on the marketing of the tourism product by small businesses. In many instances, the challenges facing small business are the same as for their larger counterparts and unless the context indicates otherwise, it should be assumed that the issue being reviewed is equally applicable to SMMEs as it is to businesses falling into the corporate sector. One such aspect is the topic of the tourism product. Appreciating the nature and marketing implications of this service is paramount for any organisation operating in this sector.

The marketing process for small firms can be divided into the phases of analysing, strategising, implementing and controlling (Brooksbank, 1999). This framework is used to discuss firstly what is meant by the tourism service and secondly the unique challenges faced by small tourism businesses when marketing their product. This is followed by a review of the appropriate approaches for SMMEs to use to gather marketing intelligence which is indispensable for planning and deciding on an appropriate positioning strategy. The decisions made in this regard need to be implemented and in this research, promotion, customer service, relationship marketing and branding have been identified as important issues. Lastly, the importance of setting marketing objectives and goals is reviewed under the controlling phase of the marketing process.

## **3.2 Analysing Phase**

The first step of the marketing process is to analyse the tourism SMME's internal as well as external environment (Brooksbank, 1999; Hellriegel, Jackson & Slocum, 1999), which is equally important for both small and large businesses (Brooksbank, 1999). This usually involves conducting market research and, based on that information, conducting a strengths, weaknesses, opportunities and threats (SWOT) analysis (Brooksbank, 1999). Implicit in this analysis is the fact that a business would have to consider the nature of its

product (in this research, the tourism product) and its concomitant marketing issues. There is a vast body of literature on the importance and implications of product characteristics for the marketing strategy of a business (Varadarajan & Yadav, 2002).

### **3.2.1 The tourism product**

Products, as a generic concept, are the means by which needs and wants are satisfied. These can be physical goods or services or a combination of goods and services (Berkowitz, Kerin, Hartley & Rudelius, 2000; Lamb, Hair & Daniel, 1998; Kotler & Armstrong, 1999). A product then, for the purposes of this research, is defined as: "... a good, service, or idea consisting of a bundle of tangible and intangible attributes that satisfies consumers and is received in exchange for money or some other benefit" (Berkowitz *et al*, 2000:286). It follows that a product may include offerings of tangible goods with accompanying services, a hybrid offering (equal segments of goods and services) and services with minor accompanying goods (Kotler, 1999).

The tourism product is unique in that it cannot be viewed in isolation from its competing and complementary products. One way of viewing tourism products is in terms of clusters (Nedlac, 1999). Clusters are described as "... geographic concentrations of interconnected companies and institutions in a particular field" (Porter, 1998:78). A tourism cluster includes all stakeholders pertinent to making the cluster competitive, such as educational institutions, tourism businesses, complementary goods providers, infrastructure providers, as well as government institutions (Porter, 1998; Nedlac, 1999). The tourism product (from the tourist's perspective) is viewed as a combination of all the individual producers (Middleton & Clarke, 2001; Bennett, 2000) although most of the product and marketing decisions are made by independent businesses (Middleton & Clarke, 2001).

The tourism industry is part of the service sector and the tourism product is predominately a service offering (Bennett, 2000; George, 2001; Hoffman & Bateson, 1997; Kotler *et al*, 1999; Middleton & Clarke, 2001; Palmer, 2001). Consequently, this analysis will focus on the marketing of services (as opposed to goods), even though



tourism stimulates the production of such goods as clothing, gifts and arts and crafts (Kotler *et al*, 1999).

Many of the issues in marketing services as opposed to goods are dissimilar. For example, in the marketing of *goods*, distribution of the physical product is a major challenge, whereas in the marketing of *services*, promoting and describing an intangible product is more difficult. The differences between goods and services are discussed below in Section 3.2.1.1 and they serve to highlight the unique challenges of marketing the tourism service product. These issues are equally important for small tourism businesses as they are for large corporate organisations.

### **3.2.1.1 Differences between goods and services**

The debate surrounding the difference between goods and services is far from settled (Levitt, 1976; Shostack, 1977) and this is compounded by the difficulty in settling on a unanimously accepted definition of services (Grönroos, 1990; Murray & Schlacter, 2000). Shostack (1977) argues that there are very few pure goods and services and that most products fall in a continuum between a pure good and a pure service. Rust and Oliver (1994), by contrast argue that all products are essentially delivering a service, which will contain a physical component to varying degrees. The argument in favour of viewing services as a distinct product category is based on the premise that services have certain characteristics: intangibility, inseparability, variability, perishability and ownership (discussed in detail in Section 3.2.1.2), which distinguishes them from goods (Grönroos, 2000; Palmer, 2001; Shostack, 1977). Although a bald distinction between goods and services is criticised as being simplistic (Goncalves, 1998; Lovelock, 2001), it does highlight that there are unique marketing challenges in respect of products consisting predominately of a service component such as the tourism product (Gabbott & Hogg, 2000; Hoffman & Bateson, 1997; Palmer, 2001; Zeithaml & Bitner, 2000).

The services sector, however, is not homogenous and although services share certain characteristics (discussed in Section 3.2.2 2), they may have disparate qualities and consequently dissimilar marketing issues (discussed in Section 3.2.1.3).

### **3.2.1.2 Characteristics of the service product**

Intangibility is the predominant characteristic of services (Gabbott & Hogg, 2000; Hoffman & Bateson, 1997; Zeithaml & Bitner, 2000), which implies that pure services do not have a physical dimension. Pure services are difficult to convey conceptually (Hoffman & Bateson, 1997), as the consumer has no physical properties to verify before the purchase is made (Palmer, 2001). A second characteristic is that of the inseparability of consumption and production, both in terms of time and geography (Gabbott & Hogg, 2000; Hoffman & Bateson, 1997; Palmer, 2001; Zeithaml & Bitner, 2000), although the extent can vary, depending on whether the service is delivered through equipment or people (Thomas, 1978). A further characteristic is that of variability, specifically the variability or heterogeneity in the delivery of the service. This is because of the inseparability of production and consumption and the fact that people are usually involved in the delivery of a service; it is difficult to ensure consistent quality (Hoffman & Bateson, 1997; Zeithaml & Bitner, 2000).

Services, unlike most goods, cannot be produced and then stored until there is demand. This characteristic is referred to as perishability and results in the control of supply and demand being a significant marketing issue (Gabbott & Hogg, 2000; Hoffman & Bateson, 1997; Palmer, 2001; Zeithaml & Bitner, 2000). The final characteristic of services is the lack of ownership of the service. This is related to services' intangibility and perishability and should be distinguished from the benefits accruing to the consumer because of the service being performed (Gabbott & Hogg, 2000; Grönroos, 1984; Palmer, 2001). This has implications for the marketing distribution channels of the service (Hoffman & Bateson, 1997; Zeithaml & Bitner, 2000).

### **3.2.1.3 Classification of services**

Services are usually (and easily) classified according to their production procedures or industry type even though this form of categorisation is not particularly useful for marketing decision making purposes (Lovelock, 2000; Palmer, 2001). While there are several bases for classifying services (for example, see Chase, 1978; Kotler, 1999;

Palmer, 2001; Thomas, 1978) for them to be of any value, the classifications need to be of strategic significance (Lovelock, 2000).

One such classification is that of the extent of customer involvement in the service (Palmer, 2001), which distinguishes between high contact and low contact services (Chase, 1978). Most of the foundations for classifying services stem from the unique characteristics of services and in the case of low contact/high contact services; this is the issue of inseparability. The fact that customers are intimately concerned with the production process in high contact services, such as the tourism product, has a number of marketing consequences, including quality management, managing demand and staffing issues (Palmer, 2001). The tourism product is also usually inflexible in terms of location, and intermediaries cannot be used to make the product available at locations other than where the product is usually produced and consumed (Papadopoulos, 1989; Palmer, 2001). A further unique aspect of the tourism product is that it has the added burden of having to compete for the consumer's disposable income (George, 2001; Pearce, 1992).

Ultimately, however, it is the elements of the product that are valued by the consumer that will determine the marketing approach taken (Goncalves, 1998). These evaluation criteria are discussed in more detail below.

#### **3.2.1.4 Consumers' evaluation criteria**

The purpose of both services and physical goods is to meet the needs and wants of the consumer (Berkowitz *et al*, 2000; Kotler & Armstrong, 1999; Lamb *et al*, 1998). However, Zeithaml (2000) argues that consumers use different criteria to evaluate goods and services. This argument is based on the work of Nelson (1970), who distinguished between two characteristics of products. Firstly, there are search qualities, that are the characteristics of the product that the buyer is able to determine before making a purchase. Secondly, products may have experience qualities, that can only be established during or after consumption of the product. A further possible element of a product, proposed by Darby and Karni (1973), is that of credence qualities. This implies that clients will be unable to evaluate the product either before, during or after consumption.

Most goods are high on search qualities while services are high in experience qualities, which implies that while consumers will be able to evaluate goods prior to their purchase, they will only be able to evaluate services during or after the consumption process (Zeithaml, 2000). The tourism product, however, is high in experience qualities rather than search or credence qualities (Zeithaml & Bitner, 2000).

In spite of consumers evaluating goods and services in differing ways (Davis, Guitinan & Jones, 1979; Weinberger & Brown, 1977), their perception of risk has been generally accepted as a foundation stone for understanding consumer behaviour in respect of all products (Kaplan, Szybillo & Jacoby, 1974; Perry & Hamm, 1969; Roselius, 1971). This is a complex issue and includes financial, physical, psychological and transaction cost risk (Kaplan *et al*, 1974; Roselius, 1971).

Research (Spence, Engel & Blackwell, 1970), has shown that a decrease in information about a product is correlated with an increase in perceived risk. It follows that the perceived risk involved in the purchase of services is greater than that in respect of goods because of the intangible nature of services and their deficiency in search qualities (Zeithaml, 2000), as well as their variability (Zeithaml & Bitner, 2000). This argument is supported by Murray and Schlacter (2000), whose research offers empirical evidence that product attributes do have a material impact on the assessment of risk, and that consumers perceive the purchase of services as riskier than that of goods. This perception may be compounded by the large variety of services available and the fact that there are usually no warranties in respect of services (Zeithaml, 2000).

Information about products can be obtained from either personal sources or non-personal sources (Zeithaml, 2000). However, experience qualities are difficult to convey using the media; consequently, personal sources, such as experts or word-of-mouth, have become important foundations for the purchase decision in respect of services (Arndt, 1967; Zeithaml, 2000).

Zeithaml (2000) argues that consumers use price and physical facilities as the predominant indicators of service quality. Although quality in the services sector is a

nebulous concept (Lovelock, 2001; Zeithaml & Bitner, 2000), research (McConnell, 1968) has confirmed that price is used to assess product quality in the absence of any other prompts. It follows that should companies wish to position themselves as high quality service businesses, their pricing strategy should be consistent with the physical attributes of the service (Zeithaml, 2000). Pricing, however, is more challenging in respect of services than goods, given the difficulty in calculating costs (Dearden, 1978; Guiltinan, 1987; Zeithaml, Parasuraman & Berry, 1985).

In the case of services, given the preponderance of intangibles, promotional activities about the attributes are difficult and, consequently, most advertising is indirect (Moorthi, 2002; Nelson, 1974). In particular, the advertising campaign may be aimed at building word-of-mouth, (Ekelund, Mixon & Reseler, 1995) or building brand (Zeithaml, 2000), because not only is it difficult to convey information about the attributes of an experience product, but there is also a greater perception of risk than with physical goods (Ekelund *et al*, 1995; Zeithaml, 2000).

### **3.2.2 Marketing research**

In both large and small businesses, understanding the consumer's needs and wants is at the heart of the marketing process. These are established by doing market research, which is defined by the American Marketing Association as:

the function that links the consumer, customer, and public to the marketer through information - information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyses the results, and communicates the findings and their implications (American Marketing Association, 2001).

However, the definition of Malhotra (1999: 11) is more relevant within the context of this research (small tourism businesses), as it emphasises the importance of doing market



research with the objective of assisting management in decision making. Malhotra (1999: 11) defines marketing research as: “the systematic and objective identification, collection, analysis, dissemination and use of information for the purpose of assisting management in decision-making”.

Market intelligence can be obtained from either specially commissioned research (primary data) or data collected from existing sources (secondary data), which includes internal sources (Berkowitz *et al*, 2000; Kotler & Armstrong, 1999; Longenecker, Moore & Petty, 2000). Secondary data has the advantage of being inexpensive and being relatively easily accessible (which saves time) (Berkowitz *et al*, 2000; Kotler & Armstrong, 1999) and accordingly is most apposite for small businesses (Brooksbank, 1999; Longenecker *et al*, 2000).

Primary data collection is generally beyond the scope of most tourism SMMEs because of the cost (Brooksbank, 1999), but techniques such as point-of-sale interviews, home interviews, small experiments, focus groups, postal surveys and telephone surveys or simply observing what is happening in their immediate environment may be marketing intelligence sources within reach of small businesses (English, 2001; Kotler & Armstrong, 1999; Lasher, 1999; Megginson *et al*, 2000). In respect of service organisations particularly, existing customers, competitors customers and employees are good sources of marketing intelligence that can be accessed using such techniques as transactional surveys, new/ declining/ lost customer surveys, focus group interviews, customer advisory panels, as well as customer complaint, comment and enquiry capture (Berry & Parasuraman, 1997).

Although large corporations make extensive use of market research, small businesses are often reluctant to use this tool. This is because SMMEs do not appreciate the value of market intelligence, apart from the perceived cost of gathering information (Lasher, 1999; Longenecker *et al*, 2000). Marketing intelligence, though, will only add value to an organisation if it is used for decision making (Longenecker *et al*, 2000) that ultimately results in an improved service and service delivery (Berry & Parasuraman, 1997).



### 3.3 Strategising Phase

The objective of the strategising phase is to consider the small tourism businesses' strengths and weaknesses in the context of the environment's opportunities and threats. This will allow a firm to set reasonable objectives and decide on strategies to achieve those goals (Brooksbank, 1999; Thompson & Strickland, 2001) and is equally important for SMMEs as it is for large businesses. The methods of achieving this objective include strategic planning as well as deciding on an appropriate strategic position, which are discussed below.

#### 3.3.1 Planning

A company's strategic plan incorporates its vision and mission (Kotler & Armstrong, 1999; Berkowitz *et al*, 2000). Strategic planning involves setting long-term objectives and the development and implementation of plans designed to achieve those goals (Stonehouse & Pemberton, 2002).

Despite some support for an ordered method of planning as is used in large corporations (English, 2001; Kotler & Armstrong, 1999; Megginson *et al*, 2000), the empirical results on the positive impact of strategic planning on small businesses have been equivocal (Carland, Carland & Abbey, 1989; Fredrickson & Mitchell, 1984; Greenley, 1986; Peel & Bridge, 1998; Robinson & Pearce, 1984). This is because the impact of strategic planning on small businesses may be not be uniform and may be influenced by such factors as the competitive environment (Covin & Slevin, 1989), the age and maturity of the firm, the entrepreneurial orientation of the owner (Bracker & Pearson, 1986), industry differences, the dissemination of strategic planning over time (Powell, 1992), the nature of ownership (independently owned or a subsidiary of a larger company), as well as the problems associated with defining the concept (Boyd & Reuning-Elliott, 1998; Peel & Bridge, 1998).

Although most decision making within the SMME context seems to be informal (Carson & McCartan-Quinn, 1995; Carson, Cromie, McGowan & Hill, 1995) and short term (Brush, 1992; Coviello, Brodie & Munro, 2000; Meziou, 1991), systematic planning is a significant issue in the sustainable success of any business, irrespective of size

(Brooksbank, 1999; Haynes, Becherer & Helms, 1998; Lasher, 1999; Robinson & Pearce, 1984; Siu, 2000) or the nature of the firm (George & Barksdale, 1974). It facilitates a logical focusing of objectives, synchronisation of company functions and provides unambiguous criteria for measuring performance (Kotler & Armstrong, 1999). This would obviously include the marketing function and all its components, such as Internet marketing (Berkowitz *et al*, 2000; Kotler & Armstrong, 1999).

Implicit in strategic planning is the determination of long term goals and the allocation of appropriate resources for this purpose. This involves positioning a business in such a way that it maximises the value of the capabilities and resources that distinguish it from its competitors.

### **3.3.2 Positioning**

A competitive advantage grows out of the value that a business is able to create for its customers, where customers are prepared to pay more than the cost of producing the product. In order to ensure that this competitive advantage is sustainable, a business needs to position itself appropriately (Porter, 1985). Porter (1985:12) stated that:

if a firm is to attain a competitive advantage, it must make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it. Being 'all things to all people' is a recipe for strategic mediocrity and below-average performance, because it often means that a firm has no competitive advantage at all.

Porter (1980) proposed three generic strategic positions for businesses to outperform other organisations in their industry - overall cost leadership, differentiation and focus. Although there are a number of strategy types that could have been used for a similar purpose (for example see Miles & Snow, 1978; Mintzberg, 1973), it was decided to use Porter's (1980, 1985) generic strategies because they are among the most widely used and have been empirically verified in a number of industries (Dess & Davis, 1984; Hambrick, 1983; Kim & Lim, 1988; Miller & Friesen, 1986a; Miller & Friesen, 1986b; Robinson & Pearce, 1988).

The optimal type of position may differ between industries, and Porter (1980, 1985) argues that a firm needs to make a choice as to which of the alternative strategies to follow. Inevitably, though, if a business takes one of the three strategic positions, it will involve some sort of trade off. However, if a business attempts to follow more than one strategy, it will result in the firm being “stuck in the middle” (Porter, 1980: 41) and at a disadvantage compared to its competitors, who have chosen any one of the generic strategies. This positioning strategy will result in firms achieving below industry average returns (Porter, 1980; Porter, 1985).

Porter’s model (1980, 1985) has been criticised on a number of fronts. Hill (1988) argues that, in some industries, differentiation could mean cost leadership and that in some cases a fusion of strategies may be appropriate. This is supported by Miller (1992), Murray (1988) and Wright (1987), who argue that it is prudent to have a combination of strategies. This assertion has been empirically verified in certain industries and contexts (Miller & Dess, 1993; Miller & Friesen, 1986a; Miller & Friesen, 1986b) and, in addition, Porter (1980) has not been entirely consistent in his advocacy of the generic strategies as alternatives.

Although Porter’s (1980, 1985) model has been criticised for not describing all the possible positioning strategies (Chrisman, Hofer & Boulton, 1988), the most appealing feature of Porter’s (1980, 1985) strategies, for the purpose of this study is that while it is pragmatic (Kotha & Vadlamani, 1995), it still manages to capture the essence of single business strategies (Miller & Dess, 1993). However, it is apparent from the foregoing that much of the research done in respect of Porter’s (1980, 1985) strategies has taken place in the manufacturing context, rather than in a service environment. Nevertheless, it is argued that Porter’s (1980, 1985) strategies are germane to this research and the alternative positions of cost leadership, differentiation and focus are discussed below.

### **3.3.2.1 Cost leadership**

Cost leadership occurs where a firm attempts to become the lowest cost producer in its industry although it should still have a product of respectable quality. The basis of this competitive advantage will clearly differ depending on the particular industry. The foundation for achieving better than industry profits using this strategy is keeping prices at or near industry standard while keeping costs below industry standard (Porter, 1980, 1985). This can be done by improving supply side efficiencies, reducing costs by economies of scale, and minimising costs in such areas as sales and marketing. In respect of tourism businesses, George (2001) argues that because of the growing sophistication of tourism consumers, there has been a tendency by tourism businesses to move away from this position.

### **3.3.2.2 Differentiation**

Differentiation is achieved when a business is perceived as being unique in terms of certain features that are important to buyers. These attributes will vary according to the industry and could include the distribution system, the marketing methodology or aspects of the product. The cost of maintaining this differentiated approach prevents a business from following a cost leadership approach, but this strategy would enable the firm to charge a premium price for its service (Porter, 1980; Porter, 1985). George (2001) argues that this is a common strategy used by tourism businesses.

### **3.3.2.3 Focus**

Focus involves focusing on a particular buyer, product line or geographical market. Rather than trying to achieve industry-wide objectives, such as cost leadership or differentiation, a focus strategy is built around trying to serve a particular market particularly well. Focusing on a narrow market segment will enable a business to have a competitive advantage in respect of a particular market segment, even if it does not hold a competitive advantage in respect of the whole industry (Porter, 1980; Porter, 1985). George (2001) argues that this technique is often used by small tourism businesses with few resources, but an intimate knowledge of their target market.

If a business has obtained sufficient market intelligence to be able to appreciate fully the nature of the competitive environment and make appropriate decisions about such issues as deciding on the appropriate strategic positioning and how to get there, the next phase in the marketing process will be to implement those decisions.

### 3.4 Implementing Phase

A firm's competitive strategy refers to how a particular business chooses to compete in the marketplace. At the functional level, marketing strategy refers to how a business chooses to deploy the marketing resources at its disposal to achieve its competitive positional advantage in the marketplace (Varadarajan & Yadav, 2002). Although this could be viewed as a purely communications issue (Ries & Trout, 1981), all the elements of the marketing mix are pertinent in achieving this objective (Lovelock, 2001).

In implementing the marketing mix, it is important that all its elements complement each other, so that a consistent message is communicated to the consumer (Brooksbank, 1999; Kotler & Armstrong, 1999). The marketing mix can be defined as: "the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the market" (Kotler & Armstrong, 1999:49). These tools were originally classified as: *Product*, *Price*, *Promotion* and *Place* and are colloquially known as "the four Ps" (Berkowitz *et al*, 2000). Each of these elements, in turn has its own mix of ingredients.

The objective of the marketing mix is to break the total product offering down into sections to allow strategic and tactical marketing decisions to be made. However, because of the unique characteristics of services (intangibility, inseparability, variability and perishability), Booms and Bitner (1981) argued that the original 4 P's model was not adequate. They (Booms & Bitner, 1981) proposed that not only should the marketing mix for services be extended to include *Participants (People)*, *Physical evidence* and *Process*, but that the existing four "Ps" needed to be adapted for services.



The need for a distinctive marketing mix for services has been recognised (Cowell, 1985; Kotler & Armstrong, 1999; McGrath, 1986; Palmer, 2001; Zeithaml & Bitner, 2000). This approach, however, is not without its critics; Brown and Fern (1981) argue that it is the aggregate nature of the product, rather than whether it is a good or service that determines the appropriate approach.

In addition to the extended marketing mix, a further element, *Customer service* has been contemplated (Palmer, 2001). A decision on one constituent of the marketing mix can be made only by taking the other elements into consideration, in order to maintain a sustainable positioning and the importance of each element will differ depending on the precise nature of the service offered (Kotler & Armstrong, 1999; Palmer, 2001; Zeithaml & Bitner, 2000). This principle is also apposite in the tools making up the promotion element of the marketing mix and is known as *Integrated marketing communication* and is dealt with in detail in Section 5.3.6 below.

Although the issues in respect of implementing the marketing strategy may differ between big and small business, the components making up the options are the same. The elements of the marketing mix reviewed in this research can all be used by both SMMEs and their larger counterparts although the nature and extent of their use may differ. One important difference though is that in large firms, specific products can be positioned and marketed individually. In respect of small businesses, it is more probable that the business as a whole would take a particular position and that the use of marketing tools would be consistent with this approach (Palmer, 2001).

Although there is no settled formula for the successful marketing of small tourism businesses, the unique characteristics of services suggest that the marketing mix element of promotion along with relationship marketing and building brand are the most significant marketing tools in the context of this research. These aspects are discussed below.



### 3.4.1 Promotion

Promotion is used by organisations to communicate with customers in regard to their product offerings and the promotion of services is similar to that of goods. The tools used to achieve a firm's marketing communications objectives are known as the promotions mix. This can be broken down into a number of elements: advertising, direct marketing, sponsorship, sales promotion, public relations and personal selling, although, with services, people can also be an important promotional element.

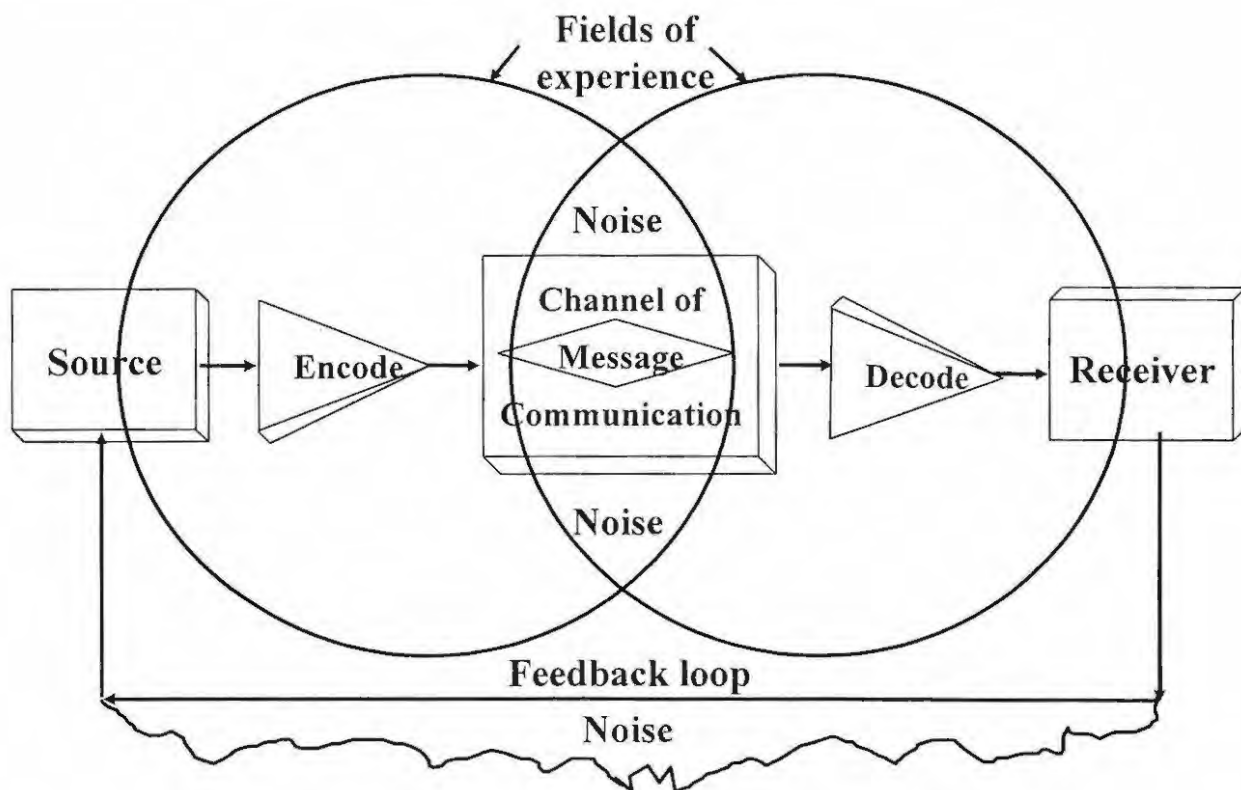
Promotion is fundamentally about communication. This goes beyond merely the process of conveying a message, since there needs to be some common understanding between parties for communication to be meaningful. In the marketing context, a message is usually sent to a specific segment of the market in order to obtain a response. The desired response will vary and, although it is beyond the scope of this research, a number of models have been developed to explain this process (for example the Aida model, the Hierarchy of effects model and the Information processing model) (Belch & Belch, 2001; Berkowitz *et al*, 2000).

A model of the process of communication is set out below in Figure 3.1. It is apparent from the diagram that the process of communication comprises a source, a message, a channel of communication, a receiver and the processes of encoding and decoding. The source is a sender; in the context of this research, this would be the small tourism business that wishes to convey certain material. The message is the information to be transmitted and the receivers are consumers who read, hear, or see the message.

Encoding is the process whereby the sender transforms an abstract idea into a set of symbols; decoding is the opposite, where the receiver takes a set of symbols, the message, and transforms them back into an abstract idea. To communicate the message effectively requires a common field of experience between the sender and receiver, that will allow the receiver to understand the message in the way it was meant by the sender. This process may be compromised by extraneous factors, known as noise, which includes technical as

well perceptual barriers to communication (Belch & Belch, 2001; Berkowitz *et al*, 2000; Schramm, 1965). Noise is a greater challenge for services than for manufactured goods because services usually have no tangible evidence (Palmer, 2001). Consequently, one of the techniques for promoting services is to accentuate the tangibility of a service, whereas with goods the opposite strategy is usually appropriate (Belch & Belch, 2001; Kotler & Armstrong, 1999; Palmer, 2001). Feedback closes the loop and refers to the consumer's response to the message (Belch & Belch, 2001; Berkowitz *et al*, 2000; Schramm, 1965).

**Figure 3.1 Process of communication model**



Source: Berkowitz *et al*, (2000:492)

Communication takes place in order to achieve the promotional objectives of a firm. The elements of the promotional mix are dealt with below.

### **3.4.1.1 Advertising**

Advertising is defined as “the use of paid mass media, by an identified sponsor, to deliver marketing communications to target audiences” (Pickton & Broderick, 2001: 454). Advertising messages are delivered in a wide variety of formats using different media including print, television, radio, outdoor advertising and the Internet. Advertising has four main purposes: to attract attention, to inform, to persuade and to remind (Koekemoer, 2004). The advantages of advertising are control over what, to whom and when the message is communicated, but the disadvantages are the lack of direct feedback and cost of communicating the advertisement (Belch & Belch, 2001; Berkowitz *et al*, 2000).

The unique characteristics of services lead to distinctive challenges in the advertising of the tourism product (Hill & Gandhi, 1992). Services are incorporeal and consequently are difficult for the consumer to conceptualise (Hill & Gandhi, 1992). Advertisements can overcome this difficulty by making the product more tangible in advertisements (George & Berry, 1981; Palmer, 2001) by either presenting the physical attributes of the service in the advertisement (Hill & Gandhi, 1992) or by using clear and unambiguous language and symbols to describe the service (Shostack, 1977). In addition, given the prominence of experience qualities in services (Nelson, 1970; Zeithaml, 2000), endeavouring to stimulate word-of-mouth is an important advertising strategy (George & Berry, 1981; Murray, 1991).

### **3.4.1.2 Personal selling**

Personal selling is an interactive exchange of information between a buyer and a seller designed to influence the buyer's purchase decision. The interaction allows the seller to assess the consumer's attitude and suitably adapt the pitch. The advantages of personal selling are the focused nature of the information flow and the flexibility of the

presentation. The disadvantage to this type of communication is the potential lack of uniformity in the message to different individuals and the high cost (Berkowitz *et al*, 2000; Belch & Belch, 2001).

#### **3.4.1.3 Public relations**

Public relations attempts to manipulate the beliefs and attitudes held by relevant stakeholders. Public relations involve the “planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics” (Pickton & Broderick, 2001: 482). Publicity, on the other hand, refers to “non-personal communications regarding an organisation, product, service, or idea not directly paid for or run under identified sponsorship” (Belch & Belch, 2001:22).

Publicity is usually not directly paid for by the businesses and consequently, its perceived objectivity allows it a credibility not realised by the other elements of the promotions mix. However, a disadvantage is the lack of control over the nature and form of the message (Belch & Belch, 2001; Berkowitz *et al*, 2000).

#### **3.4.1.4 Sales promotion**

Sales promotions are short-term incentives that are used in order to induce a transaction. The advantage of this element is that, if successful, it will generate a transaction, but the disadvantage is that this transaction often does not translate into a sustainable business relationship, if the sales promotion is terminated (Belch & Belch, 2001; Berkowitz *et al*, 2000).

#### **3.4.1.5 Direct marketing**

The objective of direct marketing is to generate a response from the consumer and may involve interactive communication. The advantage is that messages can be promptly and easily adapted to the needs of the consumers. The disadvantages of direct marketing are that it is usually reliant on an up-to-date database, which is costly to maintain, as well as

the ethical issues associated with collecting personal information (Belch & Belch, 2001; Berkowitz *et al.*, 2000).

#### **3.4.1.6 Sponsorship**

Sponsorship traditionally means that a business sponsors an event and in return the firm has the right to display its brand name or logo at the event (Seminik, 2001).

#### **3.4.2 Customer service**

This is a nebulous concept within most organisations, but is equally important for manufactured goods and service organisations. The issue of customer service in service organisations cannot be delegated to a customer service department and is an organisation-wide responsibility (Kotler & Armstrong, 1999; Palmer, 2001).

Customer service can be distinguished from a service making up the whole or part of the product. What is meant by a service has been discussed in detail above in Section 3.2.1. Customer service is the service that is provided in support of a firm's core products and can occur both during a personal or remote interaction (Palmer, 2001).

#### **3.4.3 Relationship marketing**

Relationship marketing is a relatively new field of marketing (Parvatiyar & Sheth, 2000). Defining what is meant by relationship marketing is no simple matter. Harker (1999) reviews 26 definitions of the concept, but a full review of this aspect is beyond the scope of this research. Relationship marketing for the purpose of this research is restricted to those marketing efforts that are aimed at the small tourism businesses' customers (Parvatiyar & Sheth, 2000; Strauss & Frost, 2001) and is defined as "the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost" (Parvatiyar & Sheth, 2000: 9).

The value of relationship marketing, from the small tourism businesses' perspective, is based on the premise that it is more cost effective to retain existing customers than to attract new customers (Palmer, 2001; Strauss & Frost, 2001). Existing customers are less expensive to maintain than acquiring new customers and generate a greater income stream for longer periods (Reichheld & Sasser, 1990). Relationship marketing also adds value to the consumer by lowering search and transaction costs (Strauss & Frost, 2001).

However, in many instances, it may not be appropriate to pursue a relationship marketing strategy (Parvatiyar & Sheth, 2000). This would be the case where the benefits of initiating and maintaining a relationship are outweighed by the costs of such a relationship or where the nature of the service supplied militates against the development of a relationship (Palmer, 2001). Customers will be inclined to form relationships with businesses where services are personally important, variable in quality and complex. As these services are particularly difficult to evaluate before purchase, they contain a high degree of perceived risk, which may be surmounted by an ongoing relationship between the firm and the customer (Berry, 2000).

Relationship marketing requires a greater quantity and quality of information than that of the traditional transaction orientated marketing (Sisodia & Wolfe, 2000). In the past, this could be gleaned from the personal interaction between the business and the customer. In today's world, with its high volume of transactions, information technology acts as a proxy for this encounter, enabling firms to gather the appropriate information to form and maintain relationships with customers (Sisodia & Wolfe, 2000; Treacy & Wiersma, 1993). This aspect is dealt with in more detail in Section 4.3.2 and Section 4.3.3.

#### **3.4.4 Brand**

In respect of products high in experience qualities, consumers have a higher degree of perceived risk than in respect of search goods high in search qualities (Darby & Karni, 1973; Dibb & Simkin, 1993; Nelson, 1970). This issue is compounded with services because, not only are they intangible (Zeithaml & Bitner, 2000), but they also have a much greater variability in quality, which complicates the decision making process (Murray, 1991). Given that information gathering is an expensive process (Stigler, 1961),



buyers can overcome this hurdle by using brand reputation as a way of evaluating products and as a substitute for decision making criteria (Bharadwaj, Varadarajan & Fahy, 2000). Brand allows consumers to differentiate between competing products or businesses (Bharadwaj *et al*, 2000; Levitt, 1986; Park, Jaworski & MacInnis, 1986) and to conceptualise an intangible product and, in so doing, to lower the perceived risk (Lovelock & Wright, 2002).

However, branding is more than just image (Ritchie & Ritchie, 1998) and Aaker (1991:7) defines a brand as

a distinguishing name and/or a symbol (such as a logo, trademark, or package design) intended to identify the goods or services of one seller, or group of sellers and to differentiate those goods or services from competitors who would attempt to provide products that appear to be identical.

The value attached to a particular brand is known as brand equity, which Aaker (1991:15) defines as

a set of brand assets or liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers.

The assets, which make up brand equity, include brand name awareness, brand loyalty, perceived quality and brand associations, as well as intellectual property such as patents and symbols (Aaker, 1991; Kotler & Armstrong, 1999). The brand asset of perceived quality is similar to the perceived quality used in the services marketing literature (Parasuraman, Zeithaml & Berry, 1985; Zeithaml, 1988). However, reviewing the literature, Zeithaml (1988) distinguishes between perceived quality and objective quality. Objective quality implies that the quality is measurable against some benchmark, like a technical measure whereas perceived quality is the consumer's subjective assessment of the product (Zeithaml, 1988).

There are disparate views on the prevalence of branding as a marketing strategy in respect of services (as opposed to consumer goods) (Dibb & Simkin, 1993; Ritchie & Ritchie, 1998). The intangibility of services and consequent difficulty that consumers have in distinguishing amongst services is reason to build strong identifiable brands (Cowell, 1984; Firth, 1993; Fitzgerald, 1988). However, the very intangibility of services makes the building of brands for services challenging (Dibb & Simkin, 1993). This is particularly the case where firms attempt to persuade consumers to switch to their brands and the only information that consumers have is experience of a competitor's brand (Schmalensee, 1982). While increased brand loyalty in respect of services may ease the burden of retaining existing customers, it intensifies the challenge of capturing competitors' clients (Zeithaml, 2000).

One way of dealing with the risk in a service such as the tourism product is to make the product seem more tangible. It is argued that the greater the degree of intangibility, the greater the perceived risk and consequently the greater the need to make the service offering more tangible. This can be done by placing an emphasis on the tangible components of the services (George & Berry, 1981; McDonald, De Chernatony & Harris, 2000; Shostack, 1977), which may include the supporting goods (Bharadwaj *et al*, 2000). Alternatively, a firm could focus on brand names and symbols (Shostack, 1977) or the name of a business (Berry & Parasuraman, 1991). Indeed, empirical research (Roselius, 1971; Sheth & Venkatesan, 1968) supports the contention that there is a strong correlation between brand loyalty and perceived risk.

Although the literature on services marketing is extensive, there is minimal literature on the branding of a service (De Chernatony & Dall'Omo Riley, 1999; Moorthi, 2002). While some of the principles and concepts in the branding of fast moving consumer goods (FMCG) can be used to build brand in the service sector, these will not be effective unless appropriate modifications are made (Levy, 1996; Stuart, 1997). In particular, given the inseparability of production and consumption of services, the human resources element is an important component in building brand in the services sector (De Chernatony & Dall'Omo Riley, 1999), as consumers will interact with the business across multiple interfaces (Bitner, Booms & Mohr, 1994).

A further difference, is that the individual services are less likely to be branded than individual lines of goods. Branding of services is more likely to focus on branding the business than the individual product (Berry, Lefkowitz & Clark, 1988; Dobree & Page, 1990; Olins, 1995; Palmer, 2001), although there are views to the contrary (Onkvisit & Shaw, 1989). However, given the context of this research (small tourism businesses) and given their limited product range, it is likely that the focus of branding will be on the firm rather than the individual products.

The classification of services is far more complex than that of goods (Palmer, 2001), which makes it difficult to draw conclusions in respect of the service sector as a whole (George & Berry, 1981). It follows that the importance of branding as a marketing strategy may differ amongst the different service sub-sectors (Dibb & Simkin, 1993). This is compounded in the marketing of tourism products as most services tend to have a substantial functional component, whereas most tourism services are focused on delivering a hedonistic process. Branding needs to focus on this aspect of the service and also needs to consider the fact the tourism product, from the tourists' perspective, comprises many brands (Ritchie & Ritchie, 1998).

### **3.5 Controlling**

The environment in which most firms operate is shifting rapidly. A tourism SMME's marketing plan should be similarly dynamic and the right controls and systems are important to allow marketing decision-makers to monitor the performance of marketing strategies and plans and to make the appropriate decisions and corrections (Brooksbank, 1999; Kotler & Armstrong, 1999). Larger firms have more stakeholders and it would be expected that they would have many more different measurement procedures (Coviello *et al*, 2000), whereas those in smaller firms are less comprehensive (Carson *et al*, 1995; Coviello *et al*, 2000). Given small firms' proximity to their markets (Hisrich, 1992), it would be expected that they would rely on customers' feedback, although this is not necessarily the case (Coviello *et al*, 2000).

Controlling is done by designing a marketing information system and implementing an appropriate performance tracker. Comparing actual results to forecasts and goals will allow small tourism businesses to monitor the success of the marketing and Internet plans and, if necessary, to make appropriate changes (Brooksbank, 1999; Megginson *et al*, 2000). The initial step would be to set marketing objectives and goals, which is dealt with below.

### **3.5.1 Marketing objectives and goals**

An organisation exists for a specific purpose and this is usually reflected in its mission and vision statement. A strategic plan will set long-term goals and outline plans to achieve them. This usually leads to a sequence of subordinate objectives and goals, which include marketing and Internet marketing targets (Berkowitz *et al*, 2000; Chaffey, Mayer, Johnston & Ellis-Chadwick, 2000; Kotler & Armstrong, 1999). The marketing process is dynamic and marketing objectives and targets have to be continually reviewed and reassessed (Aaker, 1998; Brooksbank, 1999; Lamb *et al*, 1998; Kotler & Armstrong, 1999; Berkowitz *et al*, 2000).

These broad marketing objectives need, ultimately, to be translated into the setting of detailed quantitative goals concerning marketing objectives and the resources that need to be employed to achieve the goals in respect of each particular product (Kotler & Armstrong, 1999; Brooksbank, 1999). In respect of large companies, the goals can be comprehensive and include such measures as sales growth, market share, profitability and customer satisfaction. Small firms are more *laissez-faire* in their measurement of performance and usually focus on a few areas (Coviello *et al*, 2000), such as customer feedback (Meziou, 1991) and profitability (Shipley & Jobber, 1994). It follows that financial and customer-based measures will be the most apposite means of setting goals for small businesses (Carson *et al*, 1995; Coviello *et al*, 2000).

## **3.6 Conclusion**

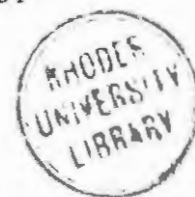
The main purpose of this chapter was to review the unique challenges faced by small tourism businesses in the marketing of their product. This was done within the framework

of the marketing process of a small business, which comprises analysing, strategising, implementing and controlling.

Although small businesses and large corporations are different in many respects there are certain areas of overlap in respect of marketing strategy. The basic principles of understanding the consumer, formulating an appropriate positioning strategy, conveying this position to the market by way of the marketing mix and monitoring the success or otherwise of the marketing initiative are universal. However, SMME's lack of access to resources and the dominant role of the owner-manager may lead small firms to differ in the nature and extent of their use of marketing tools and techniques.

Marketing research is an important link in the marketing process, but is not employed to the same extent in small businesses as in large firms, mainly due to its cost implications. Although the issues raised by the nature of tourism product are fundamentally the same for all sizes of business, small firms are inclined to market their firm as a whole rather than focus on individual products. It follows that the strategising phase will focus on the positioning of the totality of the firm rather than of particular products.

The marketing tools, of promotion, customer service, brand and relationship marketing, used for the marketing of a service, were identified as germane to this research. The tourism product differs from other services in that it is predominantly hedonistic and consequently the focus of the marketing effort is on the process rather than a functional component. Irrespective of the nature of the marketing strategy, its success needs to be measured and if the results are not meeting expectations, it should be reviewed. Although the control measures in small tourism businesses may be less sophisticated than in large tourism companies, they are no less important.





## Chapter 4

### Internet Marketing

#### 4.1 Introduction

The previous chapter reviewed the marketing of small businesses in the tourism sector. This chapter reviews the impact of the Internet on the marketing of these firms.

The Internet has fundamentally changed the communication as well as the business landscape (Deitel, Deitel & Steinbuhler, 2001; Hoffman & Novak, 1996), albeit that the full nature and extent of this impact is the subject of some conjecture (Fojt, 1996; Porter, 2001). Importantly, the Internet is not an autonomous source of competitive advantage, but should be incorporated into existing business models and structures (Porter, 2001).

Although there is much anecdotal evidence about the impact of the Internet on marketing, little research exists about the influence of this new medium on small businesses (Lynn *et al*, 1999). It is argued that the Internet has “leveled the playing fields” (Haynes, Becherer & Helms, 1998; Vargha & Pettigrew, 2001) and that large firms do not have a significant advantage over small firms when it comes to Internet marketing (Lynn *et al*, 1999; Vargha & Pettigrew, 2001). The Internet, however, is not a universal panacea for small business marketing and its impact is limited to specific areas (Cartellieri, Parsons, Rao & Zeisser, 1997).

This chapter examines the various marketing objectives that can be achieved or facilitated using the Internet and the technologies and tools that are necessary to achieve those goals. The marketing objectives are broadly identified as marketing research, relationship marketing, promotion and branding, although the Internet does have some unique techniques that are pertinent to small businesses. In order to lay the foundation for these discussions, the broader conceptual issues about the nature of the Internet and its impact on the business environment are reviewed initially.



## **4.2 The Internet**

This section serves to answer the question “What is the Internet?” As discussed above, the Internet in itself is not an autonomous source of competitive advantage (Porter, 2001). Inherent in this assertion is that, while the technology is important, the implications of the Internet for marketing go beyond and are far more complex than the mere features and technical capabilities of this nascent medium. Nevertheless it is still important to appreciate the technological features of the Internet and these are briefly discussed in Section 4.2.1.

Implicit in any new field, such as Internet marketing, is the development of terms to describe new concepts and theories. These are reviewed in Section 4.2.2 and definitions are settled on for the purpose of this thesis. In the next section (Section 4.2.3), the impact of the Internet on marketing communication is reviewed, as is the effect on value creation (Section 4.2.4). The Internet is not the first major technological shock that the marketing discipline has absorbed and it can be regarded as an innovation. In Section 4.2.5, the implications of this line of reasoning are examined.

### **4.2.1 Technical aspects**

The Internet is an enormous network of computers that are able to communicate with one another. Users of these computers potentially have access to all the information stored in this virtual world (Afuah & Tucci, 2001). A computer comprises firstly hardware. These are the physical components and all computers can be divided into the following parts: input unit, output unit, arithmetic and logic unit (ALU), central processing unit (CPU) and secondary storage unit. Secondly, the data is processed through a series of instructions known as computer programs. The generic name for the applications and operating systems that make up the computer programs is software (Afuah & Tucci, 2001; Deitel, Deitel & Nieto, 2001). The growth of the Internet has been largely fuelled by advances in hardware and software (Deitel, Deitel & Nieto, 2001), which together facilitate the connectivity that underlies this communication channel.

The Internet consists of a number of parts and includes various components, such as electronic mail (e-mail), newsgroups and Internet Relay Chat (IRC). E-mail is a way of

sending messages and files between users and is one of the most common uses of the Internet. A newsgroup (of which there are numerous on various subjects) is where a user can post messages for viewing by other people with an interest in the particular topic. The newsgroup also allows the opportunity to reply to and comment on particular messages. The IRC by contrast is more interactive and allows Internet users to converse with one another in real time. However, as with newsgroups, there are numerous special interest virtual chat rooms (Deitel, Deitel & Nieto, 2001; Schneider & Perry, 2001).

The World Wide Web (WWW) is also part of the Internet and consists of a network of computers that support the hypertext function. This allows the author of a particular hypertext page to link graphics and text to other hypertext pages that have additional text and/or graphics (Afuah & Tucci, 2001; Deitel, Deitel & Nieto, 2001; Schneider & Perry, 2001). These pages are usually put on the WWW by a business or an individual and are collectively known as a Web site. E-mail, bulletin boards, audio, video and real time chat can be implemented through a Web site with the appropriate technology (Pan & Fesenmaier, 2000). It follows that, although the Internet and the WWW are often regarded as synonymous, this is inaccurate (Afuah & Tucci, 2001; Deitel, Deitel & Nieto, 2001; Schneider & Perry, 2001).

The Internet backbone is made up of many large networks that interconnect with each other. These large networks are known as Network Service Providers (NSP). These networks communicate with each other to exchange packet traffic. Each NSP is required to connect to at least three Network Access Points (NAP) to allow packet traffic to move between different NSP's backbones. NSPs also interconnect at Metropolitan Area Exchanges (MAE). MAEs serve the same purpose as the NAPs, but are privately owned.

The Internet uses packets to send data along the backbone between computers and routers (also known as digital switches), which are computers that decide on the best route to send data to the destination computer. Each computer connected to the Internet is assigned a unique address, called an IP address, which is represented by a series of numbers. In view of the obvious difficulties in recalling a sequence of figures, a naming convention, known as the Uniform Resource Locator (URL) is used. In general, an URL

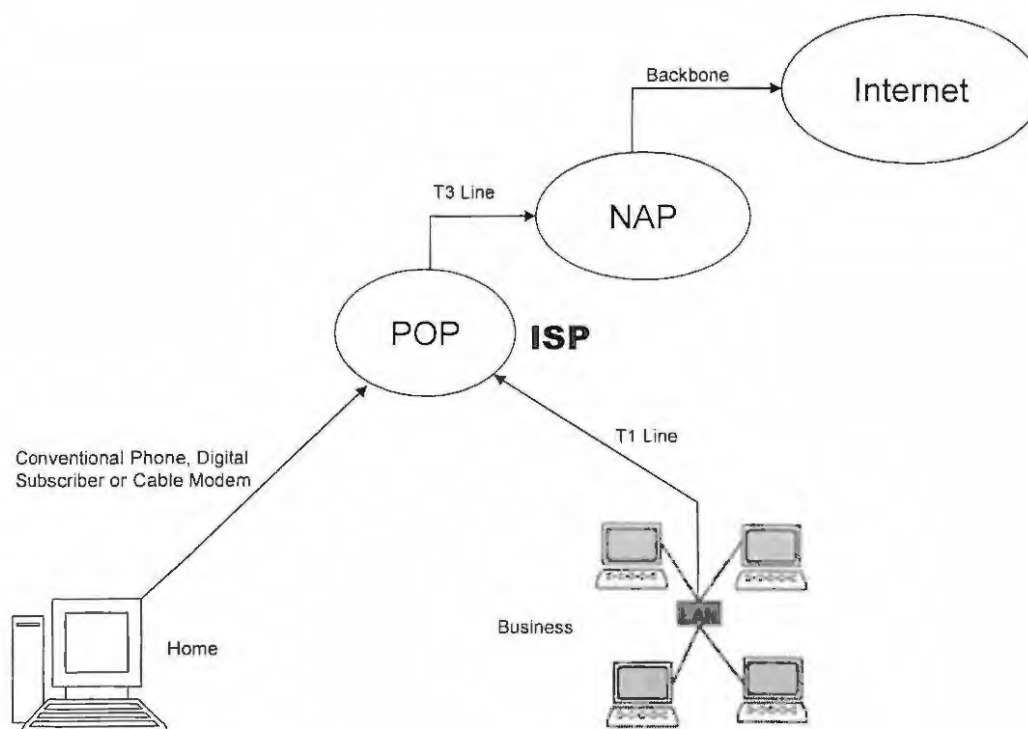
consists of the protocol used to access a resource and the location of the resource (Schneider & Perry, 2001). The issue of URLs and their use in directing traffic to a particular Web site is reviewed in Appendix 4.3.

The most common protocol used for transmitting and exhibiting Web pages is the Hypertext Transfer Protocol (also known as HTTP). The sequence is usually initiated when a users' Web browser sends a message to a remote server, which responds by sending back an appropriate message that will result in a Web page being displayed on the users' computer (Schneider & Perry, 2001). E-mail, however, is usually sent to a mail server where it is retrieved by the user using either the Simple Mail Transfer Protocol or the Post Office Protocol. For the transmission of data, the conventions are known as the Internet Protocol (IP) and the Transmission Control Protocol (TCP). IP describes how information should be encrypted by the dispatching computer and TCP defines how the message should be deciphered by the receiving computer. However, these terms are usually always used simultaneously in the format TCP/IP or IP/TCP (Afuah & Tucci, 2001; Deitel, Deitel & Nieto, 2001; Schneider & Perry, 2001). File Transfer Protocol (FTP), allows a user to transfer a file between TCP/IP connected computers, in both directions (Schneider & Perry, 2001).

This communication medium, which may be accessed by the use of servers, originally consisted of telephone lines (made out of copper wire), but is now supplemented by fibre optic cables (which are made up of flexible glass fibre) (Afuah & Tucci, 2001; Deitel, Deitel & Nieto, 2001; Schneider & Perry, 2001). Although the term server is often used within the context of client/server networks, individual users (clients) in an organisation usually connect to the Internet via a server, which is connected directly to the Internet (O'Brien, 1999). In the context of the Internet, a server may act as a Web server (stores Web pages and transfers them to clients on demand), e-mail server (manages the receipt and delivery of e-mail), database server (stores databases) and file server (a networked server used for storing files) or any combination of these (Deitel, Deitel & Steinbuhler, 2001).

Individuals and small businesses usually access the Internet by way of an Internet service provider's (ISP) point of presence (POP). This is similar to a router except that it directs information to and from end users connected to the POP (Deitel, Deitel & Nieto, 2001). There is very little difference in the nature of the access between small businesses and individuals who access the Internet via a POP and users who access the Internet through an organisational server (Afuah & Tucci, 2001).

**Figure 4.1: How small tourism businesses connect to the Internet**



**Source: Tyson (2004)**

The aspects of the Internet relevant to small tourism businesses are set out in Figure 4.1. It is apparent from this diagram that SMMEs can access the Internet either using a Local Area Network server or directly through a POP. The access can either be through a conventional phone line, or a dedicated digital or cable modem line. These mediums all serve the same purpose of connecting to the Internet and the only difference is the speed of transfer of data. Similarly, Figure 4.1 reflects that the business connects to the POP via a T1 line and the POP to the NAP via a T3 line. A T1 line is made up of 24 channels and

a T3 line comprises 672 channels. These are typically used by large organisations. Connection to the NAP results in entry to the backbone of the Internet and all the resources in this virtual world that the small tourism business is authorised to access.

#### ***4.2.2 Identification of core terms***

Although there is consensus that electronic commerce (e-commerce) involves doing business in one form or another using the Internet, there is no accord on a precise definition (Afuah & Tucci, 2001; Molla & Licker, 2001; Zwass, 1996). To compound matters, the term electronic business (e-business) is confused or used interchangeably with that of electronic commerce (e-commerce) (Deitel, Deitel & Steinbuhler, 2001; McNurlin & Sprague, 1997; Schneider & Perry, 2001). This section serves to clarify the terms e-business, e-commerce, electronic marketing (e-marketing) and Internet marketing.

E-business refers to the use of information technologies to transform business processes and internal operations (Bartels, 2000; Schneider & Perry, 2001). It includes all transactions and communications through the Internet with all stake holders including customers, suppliers, financial institutions, employees and the general public to facilitate business (Costello & Tuchen, 1998; Watson, Berthon, Pitt & Zinkhan, 2000).

E-commerce is the conduct of transactions over the Internet and can be viewed as encompassing interactions with external stakeholders such as customers, partners and suppliers (Bartels, 2000). In brief, e-commerce is buying and selling over the Internet. In this thesis, though, a narrow view of e-commerce is taken and it is defined as: "... the practice of selling real products for real money through online channels" (Rayport, 1999:1).

This definition of e-commerce implies that the whole of the transaction can be done over the Internet. In other words, there are no offline components to the transaction. Yeung,



Shim and Lai (2003) in a survey of small business use of e-commerce in Hong Kong, found that 52 percent of the small businesses surveyed would not consider implementing systems that allow customer payment over the Internet, while only seven percent have

actually implemented systems. The main barriers to e-commerce were viewed as electronic payment and data confidentiality, although the businesses surveyed were able to overcome their concerns about the integrity of data by confirming the transaction using traditional means. They (Yeung *et al*, 2003), reviewing research done elsewhere on the Pacific Rim, conclude that Hong Kong was far behind in adopting e-commerce to support business activities implying that context may have a substantial influence on the nature and extent of Internet adoption by small businesses (Yeung *et al*, 2003). In the South African environment, a survey by Goldstuck (2002) reported that online retail trade in South Africa grew from R82 million in 2000 to R162 million in 2002. However, Goldstuck (2002) reflects that e-commerce in South Africa is immature and has not substantially penetrated the markets.

E-marketing is in some respects broader than e-commerce as it uses not only information technology applications such as the Internet, but also such technologies as telecommunications, satellite and television (Coviello, Milley & Marcolin, 2001). Internet marketing is part of e-marketing, but is limited to using the Internet to achieve the marketing objectives (Chaffey *et al*, 2000), which is the focus of this research.

#### **4.2.3 Communication**

The Internet is not only a new medium of communication; it also influences the nature of communication (Chaffey *et al*, 2000). Traditionally, when firms have attempted to reach customers through the established media, this has been in the form of passive one-to-many communication that allows only limited forms of feedback from the customer. The



Internet has altered this paradigm and allows a unique form of interactivity (Alba, Lynch, Weitz, Janiszewski, Lutz, Sawyer & Wood, 1997; Deighton, 1996; Hoffman & Novak, 1996) that is fundamental to understanding the conduct of consumers in the virtual world (Varadarajan & Yadav, 2002).

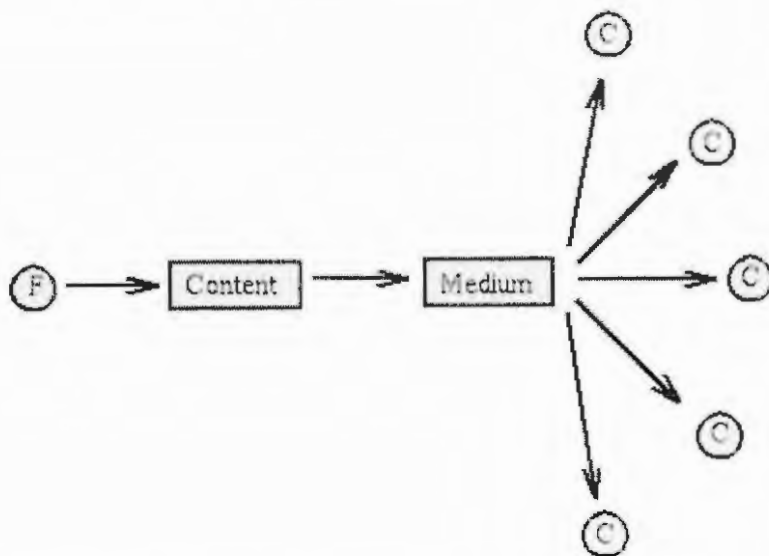
Although the term *interactivity* is generally used to describe continuous, immediate and contingent communications, there are numerous meanings attached to it in the literature. Some researchers assert that it requires physical action or reaction whereas others argue that the required condition is being able to influence the form or content of the mediated presentation or experience (Kımlıoğlu, 2004; Lombard & Snyder-Duch, 2001). When interactivity is viewed from a physical point of view, the relationship can take two forms. Interactivity can be either unmediated interactivity (direct person to person communication) or mediated interactivity (communication between persons facilitated by a technological device) (Hoffman & Novak, 1996). Steuer (1992: 84) defined mediated interactivity as the "... extent to which users can participate in modifying the form and content of a mediated environment in real time".

The various forms of communication and interactivity are discussed below:

#### **4.2.3.1 Traditional communication process**

In the traditional marketing communication process, there is no interaction between consumers and firms. This process is reflected in Figure 4.2, which represents a simplified model, illustrative of many modes of mass communication. This shows the one-to-many communications process, whereby the firm (F) transmits content through a medium to consumers (C). This process can either be static (that is text, image and graphics) and/or dynamic (that is audio, full-motion video and animation) (Hoffman & Novak, 1996).

**Figure 4.2: Traditional one-to-many marketing communications model for mass media**

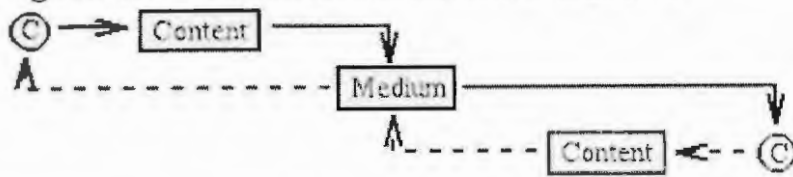


**Source: Hoffman & Novak (1996:52)**

#### **4.2.3.2 Traditional interactive media**

Traditional interactive models of communication from sender to receiver (as illustrated in Figure 4.3) present a simplified model of interpersonal communication. The lines indicate a communication flow through a medium for two distinct individuals, which allows them to interact. Although Figure 4.3 indicates a one-to-one communication between two consumers (represented by C), the model can be easily extended to represent many-to-many interpersonal communications (that is teleconferences, face-to-face group meetings or on-line “chat rooms”) (Hoffman & Novak, 1996).

**Figure 4.3: Traditional interactive medium**



**Source: Hoffman & Novak (1996:52)**

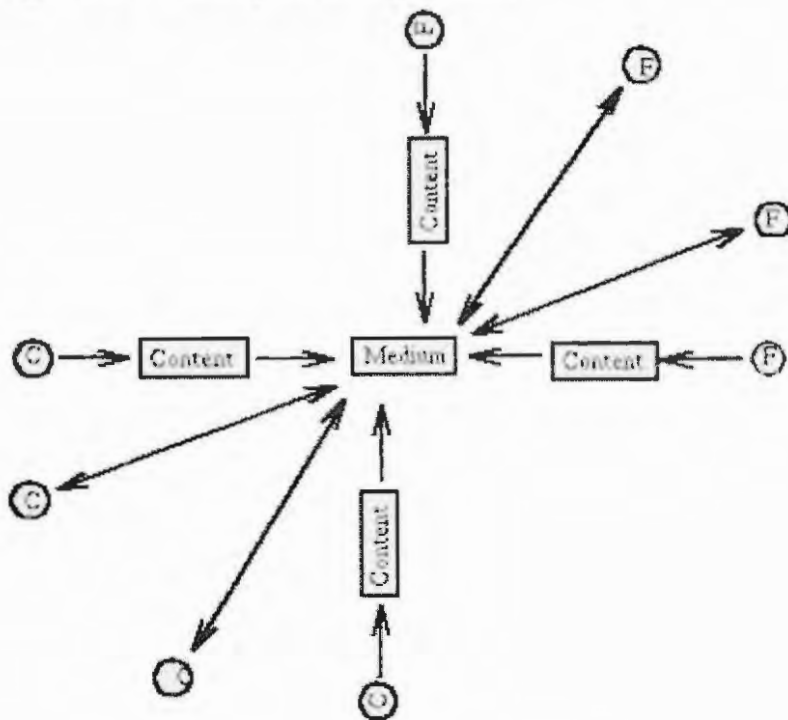
Interactivity is the key feature distinguishing Figure 4.3 from Figure 4.2. The consumers interact through a medium. Media are viewed as a conduit to send and receive messages and are only important insofar as they facilitate or hinder the communication between the parties (Hoffman & Novak, 1996; Steuer, 1992).

#### **4.2.3.3 Computer mediated environments**

The Internet allows greater freedom of choice and control for the consumer, compared with the traditional media such as television or print, as well as centrally controlled interactive multimedia systems, such as video-on-demand and home shopping on television.

This is represented in Figure 4.4, which presents a many-to-many communication model for computer mediated environments such as the Internet. The content referred to in Figure 4.4 is the environment experienced via the computer and the medium is a distributed computer network. Figure 4.4 differs from Figure 4.3 in that interactivity can take place with the medium in addition to through the medium (Hoffman & Novak, 1996; Hoffman *et al*, 1995; Steuer, 1992).

**Figure 4.4: Many to many model**



**Source: Hoffman & Novak (1996:53)**

In the context of a computer-mediated environment such as the Internet, interactivity refers to a user's ability to change the content in the computer-mediated environment (Hoffman & Novak, 1996). This is consistent with the work of Yadav and Varadarajan (2001: 6 in Varadarajan & Yadav, 2002), who defined interactivity in the electronic marketplace as: "the degree to which computer-mediated communication between entities comprising the marketplace is (a) bi-directional, (b) timely, (c) mutually controllable, and (d) responsive".

Figure 4.4 shows the range of communication relationships possible in a computer-mediated environment. The Internet can be a simplex (one-way), duplex (two-way) and multiplex (many-way) communication medium at the same time (Wang, Head & Archer, 2002). For example, placing an advertisement on a Web site would be very similar to the same exercise in the traditional media and allow no (or very little) opportunity for

interaction. If this resource was improved to allow comments or queries to be sent to the advertiser, this would be an example of duplex communication. An example of multiplex communication would be in a chat room or virtual community. This could be at the initiative of either consumers or businesses and in either case, any interested party would be able to contribute to the discourse.

Consumers can interact with the medium, as can firms. In addition, firms and consumers can provide content to the medium and consumers can provide product-related content to the medium. A computer-mediated environment can also be used for computer-mediated communication among consumers and/or firms (through the medium), and potentially, like traditional media, for one-to-many mass communication (Hoffman & Novak, 1996; Hoffman *et al.*, 1995; Steuer, 1992). The Internet enables relationships to develop between firms and consumers, as well as within the consumer community, which were not previously possible (Hoffman & Novak, 1997).

#### **4.2.4 Value creation**

In addition to changing the nature of communication and how business is done, the Internet also affects how economic value is created and extracted (Amit & Zott, 2001). The value that the Internet creates is found in the dissemination of information and more particularly its ability to separate information about a product from the product itself (Rayport & Sviokla, 1994). The Internet allows information to be distributed at a very low marginal cost, which makes it relatively easy for a business to satisfy an almost unlimited demand for information (Arthur, 1996; Carr, 2000). The Internet also allows information to be accessed and absorbed more easily and products to be arranged and priced in different ways. In some cases, information about a product can become as important to company financial objectives as the actual product or service itself (Benjamin & Wigand, 1995; Quelch & Klein, 1996; Rayport & Sviokla, 1994).

The Internet has created virtual markets, that can be described as “settings in which business transactions are conducted via open networks based on the fixed and wireless Internet infrastructure” (Amit & Zott, 2001:5). This virtual marketplace has also been described as the “marketspace” and allows for lower costs, convenience and the potential

market of every user of the Internet (Rayport & Sviokla, 1994). However, although the Internet does change the competitive landscape (Amit & Zott, 2001), the marketspace does not replace the marketplace and in most cases, these coexist simultaneously (Rayport & Sviokla, 1994). Indeed, Porter (2001) cautions against too much reliance on the marketspace, arguing that the Internet should be used by businesses to complement their traditional operations, rather than using this technology as the basis for a stand-alone enterprise.

Nevertheless, the whole value proposition needs to be reconsidered. Rayport and Sviokla (1994) argue that the traditional value proposition of the marketplace has been disaggregated by the Internet in the following manner: firstly, the content of the transaction is different; information about the physical product (or what the business is offering) replaces the products themselves. Secondly, the context in which the transaction occurs (or how the business is making the offer) is different; an electronic, on-screen transaction replaces a face-to-face transaction. Thirdly, the infrastructure that enables the transaction to occur is different; computers and communication lines replace the shop floor or other physical premises.

In the traditional marketplace, value is established and managed by controlling content, context and infrastructure through the traditional marketing mix. Once this value proposition has been formulated, it has limited flexibility, as its elements are largely inseparable. However, in the marketspace, content, context and infrastructure are easily separated and can be reformulated into new ways of creating value. It may be possible to combine content and context in ways that may appear to be dissimilar to the core transaction (Rayport & Sviokla, 1994).

The division of the market systems into the marketplace and marketspace has three primary consequences. Firstly, the information available in the marketspace will increase the efficiency of the actual product. Secondly, information becomes a product in its own right that is traded in the marketspace and can function as an autonomous source of competitive advantage. Lastly, the marketspace allows additional consumer value to be added through the concurrent use of marketplace and marketspace. Information can form



the basis of an additional utility in its own right, over and above the physical offer in the marketplace (Weiber & Kollmann, 1998).

The electronic marketplace, however, has the same purpose as the traditional marketplace and that is to bring buyers and sellers together (Varadarajan & Yadav, 2002).

In the electronic marketplace, the spatial distance between parties is eliminated and intermediaries may disappear out of the value chain (although new intermediaries are appearing) (Sheth & Sisodia, 1997). The Internet also differs from traditional media in that it is predominately a pull medium rather than a push medium (Chaffey *et al*, 2000).

#### **4.2.5 Innovation**

The adoption of the Internet can be viewed as an innovation (Bengtsson *et al*, 2003; McGowan & Durkin, 2002; Mehrtens *et al*, 2001; Kimiloğlu, 2004; Schumpeter, 1934). An innovation is something that is new to the organisation (Damanpour, 1991) and consists of not only product innovations, but also innovations in terms of production methods and ways to approach the market (Schumpeter, 1934). Internet marketing alters the way companies interact with their customers (Benjamin & Wigand, 1995; Quelch & Klein, 1996; Rayport & Sviokla, 1994), which might result in the destruction of investments in current marketing channels (Bengtsson *et al*, 2003).

Information technology is an innovation and has been successfully studied using innovation theory (Raymond, 2001; Thong & Yap, 1995). Much of the research into information technology has been focused on the factors influencing its adoption (Cragg & Zinatelli, 1995; DeLone, 1988). This, however, goes beyond the mere acquisition of the innovation and implies that it is successfully used in a productive capacity to support business functions (Thong & Yap, 1995). It follows that many of the factors relating to the successful adoption of information technology can be applied to the effective adoption and implementation of the Internet (Mehrtens *et al*, 2001).

Bengtsson *et al* (2003) distinguish between basic and advanced use of the Internet, arguing that the use of the Internet could be both a radical and an incremental innovation.

It is argued that the importance of this distinction is that the significance of various factors influencing the successful implementation of the innovation will differ, depending on whether the innovation is radical or incremental (Bengtsson *et al*, 2003; Ettlie, Bridges & O'Keefe, 1984; McDermott & O' Connor, 2002). In a review article, Kimiloğlu (2004) argues that the debate over whether or not the use of the Internet for marketing has an adaptive-evolutionary or disruptive-revolutionary impact on the discipline of marketing is one of the dominant themes of Internet marketing literature. One argument is that the Internet has created great changes in the environment, whereas the opposing view is that the Internet is simply a new medium and that existing practices and theories can be applied. This issue is beyond the scope of this thesis and, for the purposes of this study, the Internet is regarded as an innovation irrespective of the nature and extent of its application.

### **4.3 The Internet and Marketing Objectives**

This section serves to answer the question "What can the Internet do for the marketing of small tourism businesses?" Although the Internet does change the competitive landscape for tourism SMMEs, it has certain limitations. It is not the universal panacea for small business marketing and is restricted in terms of the marketing goals it can realistically achieve. In some cases, it has given impetus to certain traditional marketing tools and techniques whereas in some respects it has made very little impact.

The Internet has also introduced new means, methods and systems of marketing and these are also reviewed. Inevitably, however, this involves certain technological aspects of the Internet. The focus of this research is not on the technology *per se*, but rather on its marketing implications. Nevertheless, in some cases, it would be remiss not to consider certain aspects of the technology. Where this is the case, and in order to improve the readability of this thesis, these have been dealt with in an appendix.

#### **4.3.1 Marketing research**

The Internet provides a surfeit of resources that support marketing research and can provide both primary and secondary data. It also facilitates the seamless detection,

compilation, analysis and distribution of marketing research (Kannan, Chang & Whinston, 1998; Karakaya & Karakaya, 1998; Malhotra, 1999). The Internet allows market research to be done quickly and cost-effectively. This allows the information to be more up-to-date compared to the traditional means of collecting data (Shao, 1999; Turban *et al*, 2000).

Malhotra (1999) distinguishes between exploratory research and conclusive research. Forums, chat rooms and newsgroups can be used during the exploratory phase of the research process to facilitate a general discussion with the participants, regarding a particular idea or issue. These could also be used to set up more formal research forums such as focus groups with experts or members of the target segment. In addition, list servers, programs that automatically e-mail messages to discussion groups, can be used for interactive discussions between special interest groups and user groups (Forest, 1999; Malhotra, 1999). These resources are as accessible to small businesses as they are to large business (Haynes, Becherer & Helms, 1998) and have virtually no time or geographic constraints (Malhotra, 1999).

Similarly, the Internet can be used to uncover both the secondary as well as the primary data needed in conclusive research. This data can be gathered by using methods such as surveys, panels and experiments, as well as by observing online consumer behaviour. The number of times a page is visited, the time spent on any particular page and the use of the different links can be studied. This data may reveal personal information about an individual user or allow conclusions to be drawn about a particular target market segment (Forest, 1999; Malhotra, 1999) using data mining (Turban *et al*, 2000). However, rigorous attention to issues such as goals, instrument design and methodology are as important for market research done in the virtual world as they are for studies done in the real world (Berry & Parasuraman, 1997; Malhotra, 1999).

The Internet is particularly valuable when researching the environment or competitors (Malhotra, 1999). Although small tourism firms are at a disadvantage when it comes to market research (Haynes, Becherer & Helms, 1998), competitors' Web sites provide an easily accessible source of market intelligence. Although this approach does not elicit

detailed technical data such as log files and performance, it enables the researcher to assess the value proposition offered by competing businesses (Auger & Gallagher, 1997; Chaffey *et al*, 2000; Cloete, 2002; Haynes, Becherer & Helms, 1998; Stansfield & Grant, 2003).

There are certain limitations to collecting market intelligence over the Internet. Market research over the Internet may be feasible only in respect of certain product types, such as products high in search qualities rather than experience qualities (see Section 3.2.1.4). In addition, the users of the Internet do not represent a cross-section of the population (Sheehan, 2002; Turban *et al*, 2000) and the anonymity of the consumers surveyed may in some cases render the data unreliable (Shao, 1999). Nevertheless, the Internet is still an important source of marketing intelligence, particularly in respect of certain marketing objectives that require a high input of information such as relationship marketing (Berry, 2000).

#### **4.3.2 Relationship marketing**

It is argued that the Internet has given relationship marketing new momentum, allowing companies to have regard to the individual preferences and characteristics of customers, which would not otherwise be possible (Palmer, 2001). Although the Internet has changed the pace at which companies operate, it has not changed the basis of building relationships (Hoffman & Novak, 2000; Reichheld & Schefter, 2000). Electronic relationships require support from people and processes and a long-term view is required (O'Toole, 2003). Research by Reichheld and Schefter (2000) found that the drivers of online customer loyalty go beyond the online tools and include all the exchanges that a customer may have had with a firm; in particular, customer service (which included transparent privacy policies), supported this argument.

Relationship marketing is more expensive than traditional mass marketing and, in respect of certain market segments and products, the costs of implementing a relationship marketing strategy may be prohibitive. Advances in technology have decreased the costs of implementing relationship marketing (Berry, 2000), but substantial capital investments of information technology hardware and software are still required (Coviello *et al*, 2000).

As small businesses lack the resources available to larger organisations (Chaston, 1997; Stokes, 2000), the collection and analysis of data as a basis for relationship marketing is more likely to be practised in large organisations (Reichheld & Schefter, 2000).

Although there is little research on relationship marketing within the context of small businesses (Hultman & Shaw, 2003), O'Toole (2003) found that small firms have managed to develop unique and valuable relationships with customers using Internet technologies, even though these were not fully integrated with back office processes. Instead, the research by O'Toole (2003) revealed that there are three key issues that impact on the success of electronic relationships as a strategy for small businesses: management commitment, technological sophistication and relationship orientation. In addition, factors such as trust, reputation, positive word-of-mouth (Morgan & Hunt, 1994) and being customer-orientated are important drivers of relationship marketing (Gummesson, 1996; Rich, 2000).

In testing the understanding by the owners of small businesses of the effects of relationship marketing, Kritzinger and Du Plessis (2001) found that 95 percent of the respondents were aware of the positive effects of relationship marketing and 65 percent believed that an Internet home page played a constructive role in maintaining relationships. Despite understanding the importance of relationship marketing, 53 percent of the respondents were not familiar with the pedagogic concept of relationship marketing (Kritzinger & Du Plessis, 2001). Instead of using the Internet exclusively for relationship marketing, small businesses are more likely to rely on building relationships on a personal level, as well as networking (Coviello *et al*, 2000).

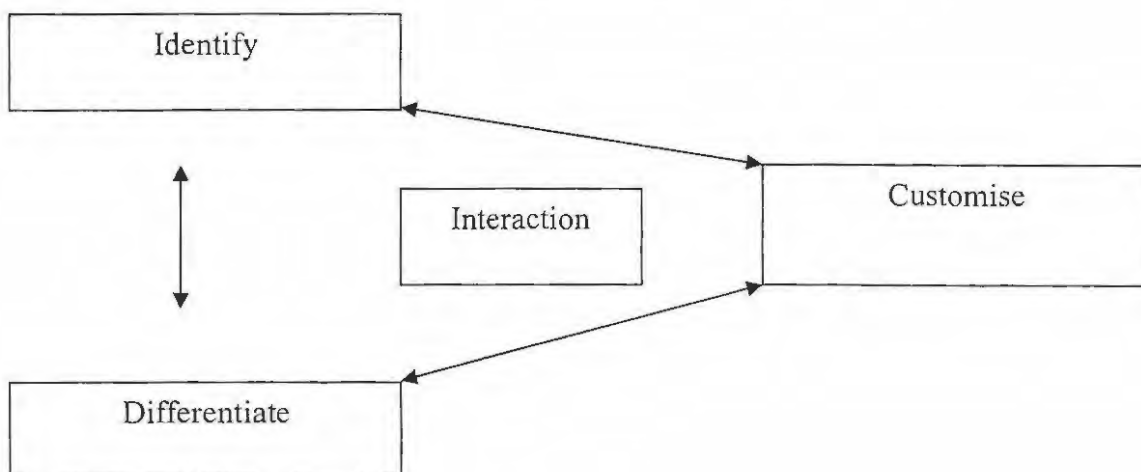
It is apparent from the discussion above that relationship marketing is much more than the application of technology although it can be used as a tool to support this objective. In spite of this, the terms "database marketing" or "customer relationship marketing" (CRM) are often confused or used interchangeably with relationship marketing. They are distinct concepts and database marketing is discussed in the next section.



### 4.3.3 Database marketing

Conceptually, the first step in database marketing is to gather pertinent information about existing and prospective clients. This can be done online or offline and with or without the consumer's consent, although there are certain legal restrictions in South Africa. The second step is to use that information to differentiate between individual consumers. The information gleaned from this process allows firms to customise their service offering when interaction takes place between the business and the consumer. This goes beyond the actual product offering and includes all the elements of the marketing mix (Strauss & Frost, 2001). This process is set out in Figure 4.5 and discussed in more detail below.

**Figure 4.5: Customer relationship management process**



**Source: Strauss & Frost (2001: 287)**

Database marketing allows the firm to manage the product and/or the marketing mix. The personalisation of a service encounter alters the nature of the product into an individualised solution for a particular customer and can take the form of choice assistance and/or customisation, which can happen in real time. The purpose of personalising a service is to move the parties from a transaction basis to a relationship level (Hanson, 2000).



There are two aspects that are essential to facilitate customisation. Firstly, there must be some direct interface between the business and the individual consumer, either through some direct communication between the parties, or the company should be able to observe the relevant behaviour of the consumer. Secondly, a business needs to have the pertinent software, such as database retrieval, dynamic Web page generation and systems of acquiring user choices (Hanson, 2000). There are a number of approaches to customisation (Gilmore & Pine, 1997), although this is beyond the scope of this thesis.

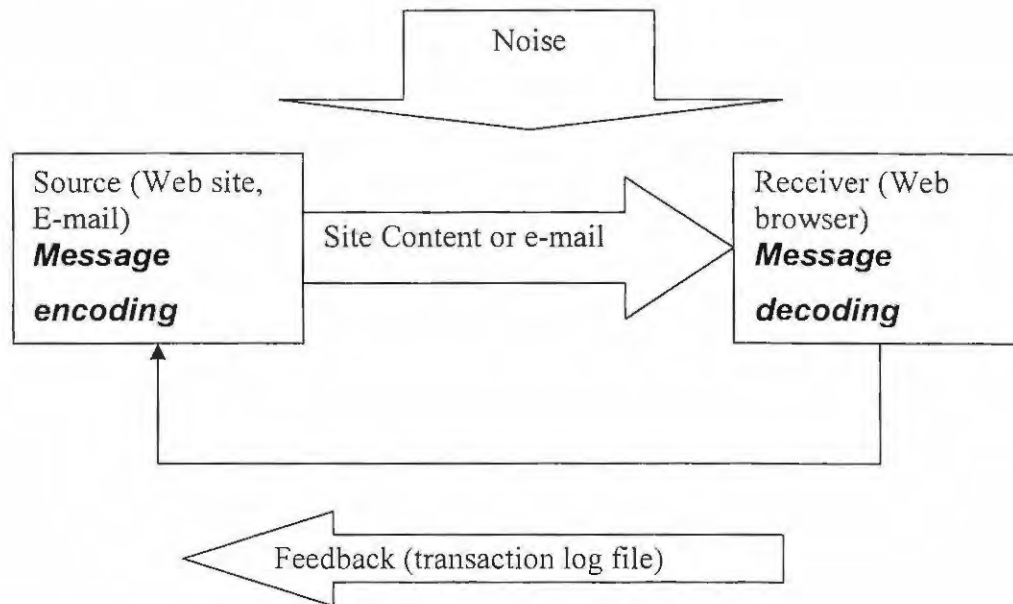
Tracking a consumer's online behaviour allows companies to judge the effectiveness of their online presence, personalise customers' experiences, as well as follow trends in customer behaviour. These tools allow a business to increase the effectiveness of its marketing, which in turn results in greater customer satisfaction (Deitel, Deitel & Steinbuhler, 2001). Despite the expedience of this technology, a full implementation of these systems may not be a viable option for small businesses, because of the resources required against a SMME's relatively small market base (Hanson, 2000).

Although the approach to this thesis is from a marketing rather than technological perspective, it is essential to appreciate the enablers of the process. The tools and techniques that are necessary to implement database marketing are discussed in Appendix 4.1. However, in many cases, these tools can be used not only for database marketing, but also for other Internet marketing objectives, such as promotion.

#### **4.3.4 Promotion**

Although the most prominent use of the Internet is one-to-one marketing, it can still be used for traditional advertising (Chaffey *et al*, 2000). The nature of the communication is fundamentally different (as discussed more fully in Section 4.2.3 above), in that the medium is more than just a conduit of information. The parties interact with the medium rather than with each other. In spite of this difference, Hoffman and Novak (1996) argue that the communication model developed by Schramm (1965), discussed in its original form in Section 3.4.1, can be adapted to explain communication over the Internet. This is set out below in Figure 4.6.

**Figure 4.6: Virtual communication model**



**Source: Chaffey *et al* (2000: 36)**

It is apparent from Figure 4.6 that there are three fundamental elements of the communications process in the Internet environment. Chaffey *et al* (2000) argue that the first step is to encode the message and this is done by designing and maintaining a Web site or composing an appropriate e-mail. The effectiveness of this communication will first depend on a comprehensive understanding of the target audience. However, the message may be affected by noise, which, in the virtual context, includes slow download times, the use of unsuitable technology or trying to convey too much information. The level of interpretation of the communication (message decoding) is impacted by the users' skill at using the Internet, as well as by their cognitive ability. Feedback on the communication process can be elicited from the transaction log file, which will reflect such information as the nature and extent of the visits to the Web site.

Although, within the context of the Internet, the use of Web sites and advertising are sometimes viewed as synonymous, this is not the position. Nevertheless, Web sites and

methods for attracting people to a particular Web site are important aspects of promotion and an appreciation of this tool is important for the effective use of the Internet as a promotional medium. Web sites are reviewed first, after which advertising within the context of the online environment is discussed. Lastly, the other elements of the promotions mix are reviewed and their use in the online environment considered.

#### **4.3.4.1 Web sites**

A Web site is one of the most important marketing communications tools (Kırmıoğlu, 2004) and can carry out the functions of creating and maintaining image, conveying information and building brand (Leong, Huang & Stanners, 1998; Schultz, 1997; Sullivan, 1999). Web sites consist of a number of individual pages that can be used to implement such online marketing tools as e-mail, bulletin boards, audio and video clips, as well as chat rooms (Pan & Fesenmaier, 2000). Although there have been a number of attempts to classify Web sites (Ho, 1997; Hoffman *et al*, 1995; Hoyer, Cappel & Myerscough, 1998; O'Neill, Lavoie & McClain, 1998), the value of this exercise has been questioned as it is based on the current implementation of technology and, as such, is transitory (Pan & Fesenmaier, 2000).

Instead, Pan and Fesenmaier (2000) argue that the focus should be on the fundamentals of Web sites, which is essentially the exchange of information. The issue of what is meant by a good (or effective) Web site is complex (Auger & Gallagher, 1997; Nel, Van Niekerk, Berthon & Davies, 1999) but clearly, the starting point of any good Web site would be to understand the needs of the user (Pan & Fesenmaier, 2000). Nevertheless, there are a few recurring themes of good Web site design in the literature (Abels, White & Hahn, 1997; Cunliffe, 2000), which are discussed in Appendix 4.2.

#### **4.3.4.2 Advertising**

Considerable differences exist between advertising over the Internet and advertising using the traditional media. Advertising on the Internet allows consumers access to the advertisement without any spatial or time constraints and without any increase in marginal cost as the business only has to pay for the technology (Kırmıoğlu, 2004; Yoon

& Kim, 2001). However, there are some reservations about the link between the effectiveness of this medium and profitability (Kımlıoğlu, 2004). Although the results of advertising are measurable, the lack of standards has raised questions in respect of their soundness (Ilfeld & Winer, 2002; Turban *et al*, 2000).

Advertising in the context of the Internet is not limited to a firm's personal Web site. In addition to placing advertisements on other Web sites using banners, businesses can use splash screens, spot leasing, e-mail, classified advertisements, URLs and portals to advertise products and attract visitors to their Web site (Chaffey *et al*, 2000; Haynes, Becherer & Helms, 1998), which are dealt with more fully in Appendix 4.3. However, a paucity of research exists on the nature and extent of advertising and the corresponding numbers of visitors to a site (Chaffey *et al*, 2000).

In addition to using the Internet tools discussed above, offline methods can also be used to attract consumers to the Web site. These usually involve highlighting the existence of the Web site and encouraging customers to visit, using existing methods of advertising in the traditional media. This typically includes displaying the URL on all marketing communications vehicles, as well as the firm's stationary (Schlosser & Kanfer, 1996; Janal, 2000; Chaffey *et al*, 2000). Word-of-mouth has also been identified as an important medium for informing users about Web sites (Chaffey *et al*, 2000), although the influence of this construct goes beyond the function of merely promoting Web sites. This aspect is dealt with in more detail in Section 4.3.7 below.

#### **4.3.4.3 Other traditional promotions mix elements**

A number of the marketing tools or objectives such as advertising, relationship marketing, building of brand and market research are readily and easily transplanted from the marketplace to the marketspace. Although the Internet is eminently suitable for communication with consumers, many of the other elements of the promotions mix have not reached the prominence of advertising within the small business sector. Although there is no research on this issue, this could be because small business owners do not understand the pedagogical concepts or because the Internet has blurred the boundaries

between these concepts. The purpose of this section is to review the other elements of the promotions mix not dealt with elsewhere in Section 4.3.4.

Deighton (1996) argues that the Internet's interactive characteristics make it apposite for personal selling and to take advantage of the opportunities the Internet offers for marketing communications, the interactive component should be used for personal communications (Deighton, 1996). Personal selling proceeds through a number of stages and the Internet can be used to support the process in different ways (Bickerton, Bickerton & Pardesi, 1996).

The Internet can be used as a vehicle for public relations by sponsoring or hosting a Web site (Chaffey *et al*, 2000). In return, sponsors get the opportunity to put advertisements on the Web site, while visitors to the site get to view its contents free (Hanson, 2000). Sponsorship of a section of a site, allows customers to integrate the advertising message and branding elements less obtrusively than with banners. Chat rooms can be sponsored by companies and can be added to a business site to allow viewers to chat and ask questions (Morris, 1999).

Catalogues are usually a fundamental tool in direct marketing. These can be placed on Web sites to provide textual descriptions and pictures, without linking them to order taking, although most catalogues integrate placement of orders and payment. Catalogues consist of a product database, a directory and a search capability and usually come in the form of either ready-made catalogues, which offer the same catalogue to any customer, or customised catalogues, which allow the catalogue to be customised according to the profile and preferences of the consumer (Turban *et al*, 2000).

If a business is able to use a catalogue to communicate its product, it presents a number of advantages. The Internet allows the catalogue to be modified quickly and efficiently, reducing printing and distribution costs and staff as there is no need to have a dedicated employee to interact with customers when they order from the catalogue. However, this technique will not necessarily improve the service to the consumer (Zinkhan, 2002).



#### **4.3.5 E-mail**

The marketing of services can be done using e-mail (Zinkhan, 2002) which can be used to provide useful and timely information to consumers (Chaffey *et al*, 2000; Strauss & Frost, 2001). Alternatively, e-mails, electronic newsletters and electronic magazines can be used to promote a Web site effectively and efficiently (Janal, 2000). E-mail addresses can be sourced from an internal or purchased database. The advantage of this method is the low marginal cost, however, in addition to the ethical issues, this technique may be regarded as spamming (Turban *et al*, 2000; Zinkhan, 2002) and Cannon (2000) argues that this technique should be used only where prior permission has been obtained. This is known as permission marketing and is dealt with below.

#### **4.3.6 Permission marketing**

One way of overcoming the danger of e-mail communication being perceived as spam or being lost in the plethora of information on the Internet is by using permission marketing. This is where the customer gives permission to the business to market its products to the consumer (Zinkhan, 2002) and is obviously a highly effective means of marketing communication and maintaining relationships (Godin, 1999; Strauss & Frost, 2001). By contrast, spam (unsolicited e-mail) focuses on customer acquisition (Strauss & Frost, 2001) and can be a controversial marketing tool (Turban *et al*, 2000).

#### **4.3.7 Word-of-mouth advertising (Viral marketing)**

Word-of-mouth is arguably the most powerful source of information, because it stems from fellow consumers (Bayus, 1985; Berkowitz *et al*, 2000). The influence is particularly profound in the case of high-risk products such as services (Grewal, Gotlieb & Marmorstein, 1994; Kotler & Armstrong, 1999), as it helps reduce the perceived risk (Herr, Kardes & Kim, 1991). Consumers are inclined to seek out the advice of others when the product is highly visible, complex or cannot easily be objectively judged (Mowen & Minor, 2001). Consumers try out the product vicariously through the objective experiences of other consumers (Murray, 1991; Mowen & Minor, 2001) and it

follows that the main benefit of information originating from word-of-mouth is its credibility (Helm, 2000).

Viral marketing is virtual word-of-mouth marketing, except that the Internet enhances the speed and reach of this exchange (Turban *et al*, 2000). In the commercial context, it refers to informal interactions between consumers about a firm and/ or their services and/or their Web site and can be both positive and negative (Helm, 2000). The business starts the viral campaign by creating some incentive that will encourage consumers to forward a promotional e-mail to their friends (Turban *et al*, 2000).

Internet technologies such as e-mail, discussion and news groups, bulletin boards and chat lines have made Internet word-of-mouth a powerful promotional tool (Helm, 2000; Dholakia & Rego, 1998). This phenomenon can take place through acquaintances or Web sites set up specifically to discuss a particular product, which may be done with, or without, the firm's sanction (Helm, 2000).

The Internet allows firms the opportunity to observe chat room conduct to enable them to understand their consumers. This allows the business to manipulate the virtual conversations, although there could be ethical considerations attached to this type of practice (Zinkhan, 2002).

#### **4.3.8 Virtual/online communities**

A marketing channel that is (by definition) unique to the Internet is online communities. The Internet allows people to interact and form communities notwithstanding geographic dispersion. Virtual communities can be formed around almost any interest and the individual community member's identity will not be apparent to other members of the community. Online social discourse is facilitated by online chatting (Deitel, Deitel & Steinbuhler, 2001).

Certain communities have Web sites and marketers are able to use them as a forum to market their products (Turban *et al*, 2000). Hagel & Armstrong (1997) view online communities as the core of online commerce, although this view is by no means

unanimous (Hanson, 2000). Hagel and Armstrong (1997) base their argument on the manner in which virtual communities function. The content of the community attracts members with similar interests, who in turn contribute to the site, resulting in greater loyalty amongst buyers, which in turn attracts more sellers (Hagel & Armstrong, 1997).

Firms can use this avenue to create powerful relationships with consumers (Armstrong & Hagel, 1996) by either leveraging existing sites or setting up their own site (Chaffey *et al*, 2000). This will encourage users to form personal relationships, which will encourage them to come back to the site, and will in turn provide the businesses with an opportunity to sell their services (Sisodia & Wolfe, 2000). Online communities can also add to the value of a brand, although there is the danger of loss of control (Muniz & O'Guinn, 2001).

Communities may offer such facilities as message boards, newsgroups, member activities and chat rooms that can be used to conduct market research for businesses, as well as possible forums to market the firm's products. This is particularly valuable for marketers as these communities normally bring together people of similar demographics and interests (Turban *et al*, 2000). The key advantage of these tools is that of low cost. However, users often resent commercial intrusion and so firms would have to advertise in subtle ways that provide real value to the participants (Kotler & Armstrong, 1999; Cannon, 2000).

#### **4.3.9 Brand**

Brands are a source of information (Aaker, 1991; Aaker, 1996) and, particularly in the marketing of services, are seen as a means of overcoming consumers' concerns about quality (Bharadwaj *et al*, 2000). However, the importance and relevance of brands in marketing over the Internet has been questioned, given the ease of access to information about competing products (Chen, 2001; Sealey, 1999; Sinha, 2000).

In the marketplace, physical cues about the quality of a product are absent and consequently many consumers turn to brands as a surrogate for this product intelligence (Moore & Andradi, 1996). Small businesses may communicate additional information by

entering into brand alliances, which create the perception that the brands are linked (Moore & Andradi, 1996; Rao & Ruekert, 1994), and in so doing create service quality expectations (Moore & Andradi, 1996). Indeed, Davis, Buchanan-Oliver and Brodie (1999) argue that building brand image within the marketspace will not be successful, unless brand-building alliances are formed with appropriate partners.

Although there is some debate as to its precise meaning, brand image creates a promise in the mind of the consumer (Ambler & Barwise, 1998). This image, although very subjective, can be manipulated by the marketing tools and the interactions that a consumer has with the firm (Dobni & Zinkhan, 1990). Building brand within a service industry goes beyond the virtual interaction a consumer has with a business and the service encounter and the conduct of the employees is still crucial (De Chernatony & Harris, 2000).

Despite the accessibility of information over the Internet, inexperienced users may still incur substantial transaction costs when acquiring information about products. They would be more likely to use brands as proxies for product information and accordingly a branding strategy directed at experienced users of the Internet is likely to be less effective than one directed at inexperienced users (Ward & Lee, 2000).

#### **4.3.10 Customer service**

Customer service is a concept that may involve any number of activities. To achieve the goal of customer service, the Internet has many tools such as personalised Web pages, frequently asked questions (FAQ), chat room, e-mail and automated response, as well as help desks and call centres (Turban *et al*, 2000). Internet customer service not only helps improve sales and bookings, but also assists in building relationships with customers (Geiger & Martin, 1999).

Customers serve themselves and are no longer limited by time. A business can receive customer queries and/ or booking enquiries and provide answers 24 hours a day (Turban *et al*, 2000). However, although this feature is convenient and cost effective, it may not increase service quality in respect of certain customers, who may still prefer face-to-face

contacts (Gabbott & Colgate, 1999). Nevertheless, Internet delivered customer service may still assist the business in achieving its marketing goals when used with circumspection (Bitner, 2001; Bitner, Brown & Meuter, 2000).

## 4.4 Conclusion

The primary purpose of this chapter was to appreciate the nature and the extent of the impact of the Internet on the marketing of small tourism businesses, although the approach taken in this research is that the Internet is a resource to be managed rather than the origin of a competitive advantage. It follows that the focus of this chapter is on the marketing implications of the Internet.

The structure of the technology cannot be totally ignored and is considered to the extent that it impacts on the marketing of small tourism businesses. An important conclusion about the Internet is that it can be regarded as an innovation and accordingly many of the factors that influence the successful adoption and implementation of innovations are germane to this study.

The Internet fundamentally changes the communication process and the way value is created. Earlier communication media were only important to the extent that they facilitated or hindered communication. The Internet not only allows both businesses and consumers to communicate on a one-to-one, one-to-many or many-to-many basis, but also allows the parties to add content to the medium.

Although the Internet adds value to the marketing process of small businesses, it is not a universal panacea. *Marketing research, relationship marketing, database marketing*, the building of *brand* and *customer service* are marketing objectives that are readily realisable on the Internet. One element of the promotions mix that has made extensive use of the Internet is that of *advertising*. The other elements (*personal selling, public relations, sales promotion, direct marketing* and *sponsorship*) are, however, less prominent.

There are also a number of marketing tools that the Internet has introduced or made feasible. *E-mail, Web sites, newsgroups, database marketing and virtual communities* are all potential marketing tools that the Internet has made available to small tourism businesses. This nascent medium has also given new momentum to, or made practicable, such techniques as *word-of-mouth marketing, permission marketing and relationship marketing*.

This chapter has confirmed the importance of the Internet as a tool for the marketing of small tourism businesses. There are, however, many factors that can influence the success or failure of Internet marketing. These factors are scrutinised in Chapter 5.



## **Chapter 5**

### **Factors that Influence the Success of Internet Marketing**

#### **5.1 Introduction**

What is meant by the term Internet and the Internet's impact on small business in the tourism sector marketing were discussed in the previous chapter. However, in addition to understanding the nature and extent of the influence of the Internet on these enterprises, it is also important to appreciate the factors influencing Internet marketing success.

This chapter examines the factors influencing the success of Internet marketing in respect of small tourism businesses. A distinction is drawn between those factors that are particular to the Internet marketing of small tourism businesses (Owner-manager as product champion, Owner-manager knowledge, Alliances, Trust and Owner-manager involvement) and generic managerial or marketing factors (Planning, Market orientation, Entrepreneurial orientation, Long term orientation, Strategy type and Integrated Marketing Orientation) that are not specific to Internet marketing. Setting realistic marketing goals is also an important factor in the pursuit of Internet marketing success and this aspect is also reviewed.

#### **5.2 Internet Specific Factors**

##### ***5.2.1 Owner-manager as product champion***

Product champions are the people who recognise the potential of a particular project and take the necessary action to implement the innovation. Although many of the issues surrounding the realisation of an innovation in a large business may not be relevant for small businesses, one area of overlap is the enthusiasm of the product champion (Markham & Aiman-Smith, 2001).

The embracing of the Internet by owner-managers as a significant medium to achieve organisational goals is a critical factor in its adoption and success (Bengtsson *et al*, 2003; Mehrtens *et al*, 2001; Stansfield & Grant, 2003; Thong & Yap, 1995). It follows that if Internet marketing is to be successful in small tourism businesses, the owner-manager should act as a product champion in respect of this initiative. Indeed, research (Bengtsson *et al*, 2003) suggests that a product champion in respect of use of the Internet for marketing may be more important for small and medium sized firms than for large firms.

The adoption of the Internet can be viewed as an innovation (Bengtsson *et al*, 2003; Mehrtens *et al*, 2001; Schumpeter, 1934) and this aspect is reviewed in Section 4.2.5. The importance of a product champion for the successful implementation of an innovation has been established (Cragg & King, 1993; Ettlie *et al*, 1984). However, Bengtsson *et al*, (2003) extend this argument and distinguish between basic and advanced use of the Internet, arguing that the use of the Internet could be both a radical and incremental innovation. The importance of this distinction is that greater top management support is required for radical innovations (Ettlie *et al*, 1984; McDermott & O' Connor, 2002). It is argued that the importance of the owner-manager acting as a product champion is particularly important in small tourism businesses because of the inseparability of production and consumption (Palmer, 2001) and the significant influence of the owner-manager in small businesses (Carson *et al*, 1998; Gilmore, Carson & Grant, 2001; Larkin & Elliott, 2003).

This conclusion is consistent with research done in respect of the successful adoption and implementation of information technology (IT) by small businesses, which found that management enthusiasm in respect of the initiative is a critical factor in its successful implementation (Cragg & Zinatelli, 1995; DeLone, 1988; Thong & Yap, 1995). This is unsurprising, since both the adoption of the Internet and IT by small businesses can be regarded as an innovation. This is supported by Cragg and King (1993), who found that the most important factor in ensuring the growth of IT systems in small businesses was the backing and support of the owner-manager.

Poon and Swatman (1997, 1999) argue that much of the research done in respect of IT systems and small businesses should be regarded with circumspection, because IT systems are mostly internal, whereas the focus of the Internet is on communications between organisations. The Internet, however, has many similarities to electronic data interchange (EDI) and in both cases having a product champion is important (Mehrtens *et al*, 2001; Runge & Earl, 1988).

In order to act as a product champion, it would be expected that the owner-manager would have a reasonable understanding of the technology (Stansfield & Grant, 2003), although this would not necessarily consist of formal training (Poon & Swatman, 1999). This aspect is dealt with in more detail below.

### **5.2.2 Owner-manager knowledge**

Some level of technical knowledge by the owner-manager has been found to be an important factor in the successful adoption and implementation of information technology systems (Cragg & King, 1993; Thong & Yap, 1995), as it has for the Internet (McGowan & Durkin, 2002; Mehrtens *et al*, 2001).

In order to integrate the Internet as a core tool for marketing, Durkin and McGowan (2001) posit that "technical ability" is a competency that needs to be acquired by the owner-manager. They (Durkin & McGowan, 2001) argue that this does not necessarily mean that the owner-manager is able to implement all the technical attributes of this technology, but rather that he appreciates the fundamental issues pertaining to its management and exploitation. Technical ability, however, did not necessarily presuppose a broader appreciation of the strategic benefits that the Internet could facilitate.

It is argued that innovations such as the Internet require a knowledge that is greater than a general appreciation of the technology (Jones, Hecker & Holland, 2003; Shane & Venkataraman, 2000). Rogers (1995) argues that the successful implementation of complex innovations (such as the Internet), in addition to a basic understanding of the principles, requires specialised knowledge of how to operate the technology. However, research done by Poon and Swatman (1997) found that the majority of the owners of the small businesses surveyed had not received formal training in information technology.

The owner-manager of a small tourism business does not necessarily have to have the technical competence to implement the Internet personally, as much of the required knowledge could be sourced from his personal contact network (McGowan, Durkin, Allen, Dougan & Nixon, 2001). This point is supported by Yeung *et al* (2003), who conducted research into the adoption of e-commerce by small and medium enterprises in Hong Kong and found that 69 percent of companies with Web sites relied on outside services to design and maintain their Web sites. Nevertheless, a reasonable knowledge and understanding of the Internet by the owner-manager of a small business is necessary for the successful implementation of the Internet for marketing (Marshall, Sor & McKay, 2000; Neveling, 2004; Stansfield & Grant, 2003), as only the owner-manager appreciates the critical issues and is in a position to make informed decisions (O'Toole, 2003; Delone, 1988).

### **5.2.3 Alliances**

Alliances can take a number of forms (Dean & Holmes, 1997) and include personal contact networks, social networks, business networks, industry and marketing networks (Donckels & Lambrecht, 1997; Gilmore, Carson & Grant, 2001; Piercy & Cravens, 1995). A number of terms such as confederations of specialists, networks and alliances are used to describe these cooperative relationships (Piercy & Cravens, 1995). These take on a particular importance for small businesses when implementing the Internet (Jones *et al*, 2003; McGowan & Durkin, 2002).

Alliances play a crucial role in small firm marketing by reducing uncertainty, facilitating trust and, in so doing, reducing the risk for all the parties (McGowan *et al*, 2001). These networks are also used by small organisations to access market information (Carson *et al*, 1995), as small businesses do not have the time or resources to buy market information or seek the advice of business advisors (Collinson & Shaw, 2001). Not only do alliances contribute to the information resources of small businesses, but they also have an influence on decision making (Collinson & Shaw, 2001; Hill & McGowan, 1996).

Firms may lack the specialised knowledge necessary for the successful planning and implementation of Internet technology to achieve their business objectives (Jones *et al*, 2003). Cooperative behaviours will allow firms to expand their knowledge and overcome resource weaknesses (Lado, Boyd & Hanlon, 1997) in respect of Internet marketing (Hoffman & Novak, 1997; McGowan & Durkin, 2002; McGowan *et al*, 2001; Rayport & Jaworski, 2001). This is particularly germane for small firms, as acquiring the resources to exploit the Internet for marketing purposes may be unfeasible (Jones *et al*, 2003).

Hoffman and Novak (1997) argue that firms should maintain a cooperative approach, rather than a competitive approach to marketing orientation when implementing the Internet for marketing purposes. This type of behaviour is prevalent in small businesses (Gilmore, Carson & Grant, 2001) and cooperating with competitors allows firms to participate in innovative value-adding activities and to develop new products (Rayport & Jaworski, 2001). This is particularly apposite for small tourism businesses as tourists regard a destination as a combination of all the individual tourism business and attractions (Bennett, 2000; Middleton & Clarke, 2001).

#### **5.2.4 Trust**

Although the issue of trust is at the core of e-commerce (Urban, Sultan & Qualls, 2000), the lack of trust is based on issues of security rather than the lack of interpersonal interaction (Durkan, Durkin & Gillen, 2003; Hoffman, Novak & Peralta, 1999). This is supported by the research done by Bhatnagar and Ghose (2004) which revealed that consumers were more concerned about areas of potential risk, such as the integrity of information and the reliability of the vendor, than the benefits of transacting.

Security over the Internet is also a concern for small business owner-managers (Vargha & Pettigrew, 2001) and research done within the South African context by Kritzinger and Du Plessis (2001) found that 78 percent of respondents felt that security was the main issue to be addressed prior to doing business over the Internet and 80 percent felt that the lack of consumer trust was the biggest factor deterring online commerce (Kritzinger & Du Plessis, 2001). The issue of trust stems from concerns about information privacy with



regard to both environmental control and the secondary use of information (Hoffman *et al*, 1999).

Environmental control reflects consumers' confidence in the security of information disclosed online to effect a transaction or initiate a relationship. Concerns about the secondary use of information stem from the application of personal information disclosed during the course of a transaction. Although, a concern about the privacy of information does span the different media types, this concern is far greater (and will constitute a barrier to transactions/ relationships) in the virtual media (Hoffman *et al*, 1999).

While the concerns raised by environmental control are jointly shared by small tourism businesses and online consumers, views on the secondary use of information diverge between these two role-players. This is compounded by the ease of collecting personal information about the individual and its analysis by way of data mining and data warehousing (Hoffman *et al*, 1999).

The way to achieve trust is to focus on building a cooperative relationship rather than one dominated by the business (Hoffman & Novak, 1997), which may mean implementing policies that allow consumers to elect not to disclose personal information (Hoffman *et al*, 1999; Urban *et al*, 2000; Venkatraman, 2000). Although this should result in greater levels of trust and loyalty (Hoffman *et al*, 1999), security may still be an issue that will obstruct the building of relationships.

Trust is also an important element of relationship marketing (Morgan & Hunt, 1994), but is particularly challenging in the case of doing business over the Internet where there are no physical cues. Only if customers trust a business, will they be willing to share personal information, which is crucial for being able to build a relationship (Hoffman *et al*, 1999; Reichheld & Schefter, 2000). This in turn allows the business to customise products for individuals, which in turn leads to greater trust, which strengthens the relationship (Reichheld & Schefter, 2000). Although trust is important in building relationships over the Internet, this medium does provide opportunities to build trust (Hart, Doherty & Ellis-Chadwick, 2000; Reichheld & Schefter, 2000).



One way of dealing with the risk (or lack of trust) associated with interacting online is the building of brand (Morrison & Firmstone, 2000), although Durkan *et al* (2003) argue that building of brand in the online context is not sufficient to generate trust and that, in addition, firms need to implement trust mark brands. These brands act as a form of quality assurance, verified by a third party, in respect of security and privacy issues (Durkan *et al*, 2003; Ratnasingham, 2000).

The research by Durkan *et al* (2003), found that a trust-mark brand assists in the initial gaining of trust by small businesses, but that this alone is not sufficient. Trust is achieved through meeting expectations, giving appropriate guarantees, third party references, contact details of the business that allow consumers to contact the firm directly using traditional media, as well as relevant and up-to-date information together with photographs of the owner-manager and employees (Durkan *et al*, 2003; McCole, 2002; Urban *et al*, 2000).

### **5.2.5 Owner-manager involvement**

Durkin and McGowan (2001) developed a theoretical model that attempted to describe the role and importance of the Internet on the marketing activities of entrepreneurial firms. It attempted to explain the competencies that such a firm would need to move from conceptualising the Internet as a marketing tool to its successful implementation.

They (Durkin & McGowan, 2001) argue that the first competency that is required is that the entrepreneur should have a “vision” of what the Internet can achieve. The second competency which is hypothesised is “value”, which implies that the owner-manager takes his vision further and actually acquires the technology and technical competencies to exploit this medium. The third competency is that of “technical ability”, which is dealt with in Section 5.2.2. The last competency proposed is that of “control”. This implies that the owner-manager manages the Internet within the context of the overall business and marketing activities on a continuous basis (Durkin & McGowan, 2001). Clearly, however, these steps would require a substantial commitment in terms of time by the

owner-manager, and if this were not forthcoming, it would compromise the effective implementation of an information system such as the Internet (Cragg & King, 1993).

McGowan *et al* (2001), attempted to test the model developed by Durkin and McGowan (2001), by conducting 25 in-depth interviews with small firm entrepreneurs who used the Internet. The research was conducted across a number of different sectors within the context of using the Internet to manage buyer- seller relationships. The research confirmed the importance of the involvement of the owner-manager in the everyday management of Internet marketing (as did the research of McGowan and Durkin, 2002). These findings are supported by the earlier research by Delone (1988), in respect of information technology, who found that where computers are onsite, this is correlated with their successful use. It was argued that the reason for this was that where the computers were on the premises, as opposed to in a remote location, they triggered management involvement in their use. In small businesses, it is usual that only the owner-manager has access to information and resources to make and implement appropriate decisions (O'Toole, 2003) and this finding is particularly germane to small tourism businesses because of the inseparability of production and consumption (Palmer, 2001).

## **5.3 Management Specific Competencies**

### **5.3.1 Planning**

The Internet is an important marketing tool and warrants a distinctive plan. This will, of course, be subordinate to and incorporated into the coexisting and overall strategic and marketing plans. Although, such external influences as market structure and demand, competitive strategies and emerging opportunities and threats have an impact on the Internet marketing strategy, planning is an important driver of Internet marketing success (Chaffey *et al*, 2000; Delone, 1988; Reedy, Schullo & Zimmerman, 2000; Strauss & Frost, 2001). Chaffey *et al* (2000:151) define an Internet marketing plan as: “a short term, operational planning device detailing both the implementation of the Web site and associated marketing communications to achieve the aims of an Internet marketing strategy.”

Despite the obvious value of planning for successful marketing over the Internet, the literature has revealed that this does not happen in practice. Research by Chaston, Badger, Mangles and Sadler-Smith (2001) and Jones *et al* (2003) found that firms underestimated the value of planning. However, research done by Kritzing and Du Plessis (2001), found that small businesses, while aware of the importance of planning an Internet marketing strategy, did not carry out this function. Instead, argues McBride (1997), the decision to use the Internet as a marketing tool is based on anecdotal or hearsay evidence rather than a rigorous appraisal of goals, costs and benefits. The value of planning is that it allows the competencies and resources required for the successful implementation of the Internet to be integrated and directed towards a measurable goal (McGowan *et al*, 2001).

### **5.3.2 Market orientation**

*Market* orientation is a term to describe the implementation of the marketing concept. This is distinct from *marketing* orientation, which describes a functional approach to meeting the consumers' needs, whereas the term *market* orientation describes an organisation-wide approach (Lafferty & Hult, 2001; Shapiro, 1988; Slater, 2001). However, these terms are often confused and in some cases are used interchangeably (Gray, Matear, Boshoff & Matheson, 1998).

The issue of what comprises market orientation is complex and Lafferty and Hult (2001), in a review article, distinguish between five different approaches to understanding the market orientation concept. They (Lafferty & Hult, 2001) conclude that there are four areas in which the different approaches have consensus: the primacy of customers as a focus; the value of shared market intelligence; inter-functional coordination of marketing activities and implementing the apposite action, where necessary. Although there is no consensus on the definition of market orientation, the models of Kohli and Jaworski (1990) and Narver and Slater (1990) are generally accepted as incorporating most of the essential elements (Gray *et al*, 1998).

Narver and Slater (1990) argue that there are three behavioural components making up a market orientation construct, which are customer market orientation, competitor market orientation and inter-functional orientation, as well as two decision criteria, namely long term focus and profit objective. Customer orientation is understood as the function of understanding the needs of customers in order to provide them with sustainable value. Competitor orientation is ensuring that the firm appreciates its competitor's capabilities and strategies. Lastly, inter-functional coordination refers to the coordination between the firm's various components to ensure customer value (Narver & Slater, 1990).

In contrast, Kohli and Jaworski (1990) argued that that market orientation was best viewed as a continuum rather than as a dichotomous construct. They identified the generation of market intelligence, the dissemination of this information and the response of the organisation as key issues in this construct. However, research by Venkatesan and Soutar (2000) revealed that the construct developed by Narver and Slater (1990), with the exception of the factor measuring inter-functional coordination, was the most appropriate to measure market orientation in small businesses.

Much of the research in this area has been directed towards establishing a link between market orientation and improved returns. Research (Greenley, 1995; Jaworski & Kohli, 1993; Narver & Slater, 1990; Pitt, Caruana & Berthon, 1996) has found that market orientation is positively correlated with improved results although it is conceded that this relationship is not entirely clear (Pelham, 2000). The link between market orientation and improved returns is based on the rationale of maintaining a sustainable competitive advantage (Lado, Boyd & Wright, 1992; Pelham & Wilson, 1996) and this principle applies equally in small firms (Brooksbank, 1999; Megginson *et al*, 2000).

Although there is some support for the link between market orientation and improved returns in studies done in the United States of America (Kohli & Jaworski, 1990; Narver & Slater, 1990), Greenley (1995) in a study done in the United Kingdom, found that the link was not as direct as suggested by these two studies (Kohli & Jaworski, 1990; Narver & Slater, 1990) and that the impact of market orientation may be diminished by other variables. In particular, Greenley (1995) found that market orientation may not be

effective in facilitating improved returns in extremely turbulent markets, in conditions of low customer power and high technological change.

Pelham and Wilson (1996) argue that, because small firms lack systematic strategic planning and thinking, market orientation could provide firms with the necessary focus to overcome this impediment. This is particularly germane given that small firms will have difficulty in obtaining other sources of competitive advantage considering their lack of resources. Many successful small firms are not market-orientated and although it could be argued that a market orientation is not essential to obtain success (Carson *et al*, 1995; Siu, 2000; Webster, 1981), globalisation and the advent of the Internet have given this construct new momentum (Pelham, 2000).

A firm's market orientation supports the integration of the Internet into the small tourism business. The basis of this argument is that a market orientation enhances organisational learning that is crucial during the implementation of a technological innovation such as the Internet (Glazer, 1991; Hoffman & Novak, 1997; Morgan, Katsikeas & Appuh-Adu, 1998). A market orientation allows tourism SMMEs to use the Internet to maintain a competitive advantage, as it facilitates customer, market and technology intelligence (Hoffman & Novak, 1997; Jones *et al*, 2003). This conclusion is supported by research that suggests that the degree to which a business successfully introduces innovations, such as new products, depends on the extent and nature of its market orientation (Atuahene-Gima & Ko, 2001; Hurley & Hult, 1998).

### **5.3.3 Entrepreneurial orientation**

The definitions of what is meant by entrepreneur and entrepreneurship are diverse and this debate is not settled (Carland *et al*, 1984; Poon & Swatman, 1997; Smart & Conant, 1994). This is in spite of the fact that the first entrepreneurial theories originated in the 18<sup>th</sup> century (Guzman-Cuevas, 1994). The focus in recent years has been on the entrepreneurs' conduct rather than their traits (Gartner, 1988; Smart & Conant, 1994).

There are a number of similarities between entrepreneurship and marketing, both have a customer focus (Hisrich, 1992), are strongly impacted by the changes in the environment



(Hisrich, 1992; Carson *et al*, 1995) and both involve innovation and change (McGowan & Durkin, 2002). Although the concepts of small business and entrepreneurship may overlap, they are distinct entities (Carland *et al*, 1984) and entrepreneurial conduct may extend to large organisations (Collinson & Shaw, 2001). Implicit in this argument is that many small businesses may not be entrepreneurial (Chaston, 2000; Megginson *et al*, 2000).

It is trite to say that the advent of the Internet has inexorably altered the marketing environment of small businesses by doing away with spatial and time barriers. Conventions and practices that have been accepted for aeons are no longer tolerable (Haynes, Becherer & Helms, 1998; Vargha & Pettigrew, 2001). This unpredictability is typical of hostile environments that require an entrepreneurial orientation to negotiate successfully (Covin & Slevin, 1989).

It is argued that innovation is one characteristic that distinguishes entrepreneurial organisations from non-entrepreneurial companies (Carland *et al*, 1984). An entrepreneurial orientation also includes the propensity to take risk (Covin & Slevin, 1989; Miller, 1983; Miller & Friesen, 1983), although Schumpeter (1934) argued that taking risks is inherent in the ownership of an enterprise. This view is supported by the research of Brockhaus (1980), which suggested that a risk-taking propensity could not be used as a characteristic to distinguish between entrepreneurs and non-entrepreneurs. Covin and Slevin (1989) argue that entrepreneurial conduct entails taking more risk than non-entrepreneurial behaviour. In other words, the concept of risk can be viewed as existing in a continuum with non-entrepreneurial firms embracing moderate or low risk and entrepreneurial firms taking on high degrees of risk.

In addition to innovation and the taking of risks, entrepreneurial orientation includes the degree to which managers embrace change (Covin & Slevin, 1989; Miller, 1983; Miller & Friesen, 1983). This is supported by Hills and LaForge (1992), who, in a review of entrepreneurship literature, conclude that entrepreneurship requires the creation of new entities, innovation, uniqueness and growth.

Miller (1983) surveying large firms in Canada found a significant correlation between their success in hostile environments and entrepreneurial orientation (operationalised as innovation, proactiveness and risk taking); however, a study done by Miller and Friesen (1983), also in respect of large firms, was inconclusive. A study done by Khandwalla (1977), in respect of small firms, found that an entrepreneurial management style was more apposite in a hostile environment although he did operationalise entrepreneurial orientation differently from Miller (1983) and Miller and Friesen (1983). However, Covin and Slevin (1989) found that, in hostile environments, performance by small firms with a high entrepreneurial orientation was superior to that of small firms with low levels of entrepreneurial orientation.

These findings are consistent with the research of Poon and Swatman (1997) and Bengtsson *et al* (2003) who argue that the level of entrepreneurship in a firm may be one of the requisites in successfully implementing the Internet. This is consistent with the work of Schumpeter (1942) who points out that entrepreneurs play the important role of not only initiating, but also transforming an innovation from an idea into reality. This is because they have both the capacity to identify opportunities, as well as coordinate the aspects to realise the opportunity (Atuahene-Gima & Ko, 2001; Kirzner, 1973).

### **5.3.4 Long term orientation**

Small businesses are more concerned with immediate marketing concerns than with taking a long-term view (Jocumsen, 2000). Nevertheless, most marketing theories are relevant only in the long term. This is because, in the short term, only marginal changes to marketing specifications can be made, whereas fundamental changes can be made only in the long run. Although there is no precise definition, the short term is from 1-2 years, whereas, the long term is at least three years ahead (Middleton & Clarke, 2001).

In research done in respect of information systems use in small businesses, it was found that the time in use of the information systems was not correlated with their successful implementation (Montazemi, 1988; Raymond, 1985). Similarly, with regard to computers, there was no correlation between the length of time that computers had been in use and the success of their implementation (Delone, 1988).

Poon and Swatman (1999) found that businesses were not obtaining any significant benefits from the Internet in the short term; however, they (Poon & Swatman, 1999) argued that, given the exponential growth of the Internet, it was likely that firms would reap rewards in the long term. This view is supported by research done by O'Toole (2003), which suggests that, in respect of e-relationship marketing, a long-term perspective is necessary to justify the costs and benefits from fully integrated e-relationships.

It is argued in Section 5.3.2 that market orientation is an important influence on the success of Internet marketing. However, the literature suggests that any benefits that may accrue as a consequence of a firm's implementation of market orientation will be in the long term. This supports the argument that a long-term focus is necessary for the successful implementation of Internet marketing (Felton, 1959; Houston, 1986; Kohli & Jaworski, 1990; Narver & Slater, 1990) in tourism SMMEs.

### **5.3.5 Strategy type**

A company's strategic choice influences the degree to which a firm can successfully develop and implement an innovation (Frambach, Prabhu & Verhallen, 2003; Kickul & Walters, 2002). An innovation, though, is more than new product development and includes new production methods, and ways of approaching the market (Schumpeter, 1934), such as a firm's use of the Internet for marketing. Consequently, the nature and extent to which a firm successfully uses the Internet for the marketing of its service is influenced by the nature of the strategy followed (Bengtsson *et al*, 2003; Frambach *et al*, 2003). A substantial amount of research has been conducted on the factors leading to the successful introduction of innovations, such as new product developments, although there are limited studies on the effect of business strategies on such innovations (Frambach *et al*, 2003; Zahra, 1993; Zahra & Covin, 1993). Miles and Snow (1978) argue that prospector firms are generally more engaged in innovation than are defender firms. Similarly, firms following a differentiation strategy are more likely to be innovative than firms following one of the other generic strategies (Porter, 1980).

In this research, a distinction is made between firms taking a low cost, differentiation and focus approach to achieving a sustainable competitive advantage (Section 3.3.2). Differentiation strategies focus on external aspects of the firm, such as brand image, product features, technology and distribution network. A low cost strategy is essentially internal and seeks to pass on cost advantages to consumers (Porter, 1980; Porter, 1985). Porter (1980, 1985) argues that any of the generic strategies (but not a combination) are appropriate for the positioning of a business, as this will facilitate above industry-average returns. There is, however, evidence to the contrary (Hill, 1988; Miller, 1992; Miller & Dess, 1993; Miller & Friesen, 1986a; Miller & Friesen, 1986b; Murray, 1988; Wright, 1987). In addition, Pelham and Wilson (1996) argue that a low cost strategy is not an appropriate positioning strategy for small businesses. This is because the SMME's lack of resources does not allow it to pursue a low cost strategy in the long term and it should rather follow a differentiated strategy (Pelham & Wilson, 1996).

Much of the research into Porter's (1980, 1985) generic strategies has been within the context of large business and within the context of industries other than service industries where the focus has been on the impact on company returns (for example Dess & Davis, 1984; Hambrick, 1983; Kim & Lim, 1988; Miller & Friesen, 1986a; Miller & Friesen, 1986b), although its applicability to tourism businesses has been established (George, 2001). More recently, research has been conducted into the impact of Porter's (1980, 1985) generic strategies on new product success (Pelham & Wilson, 1996) and new product activity (Frambach *et al*, 2003; Zahra, 1993). Conventional tools and concepts of marketing such as Porter's (1980, 1985) generic strategies can be applied to the Internet marketing environment (Merrilees, 2001). Although no research has been conducted into the impact of the different strategy positions on the success of Internet marketing, as is the focus of this research, it is argued that the research in respect of the impact of strategy on new product activity is relevant to Internet marketing, as both are innovations (Frambach *et al*, 2003; Zahra, 1993).

It is argued that small tourism businesses following a low cost strategy are unlikely to engage successfully in marketing over the Internet since their cost leadership positions are mostly achieved by refining existing products or models rather than by managing

innovations such as marketing over the Internet or new product development (Dess & Davis, 1984; Frambach *et al*, 2003; George, 2001). This is contrary to tourism SMMEs that follow a differentiation strategy, which are more likely to use innovations such as marketing over the Internet to distinguish themselves from the competition (Campbell-Hunt, 2000; Frambach *et al*, 2003; George, 2001).

A focus strategy allows firms to compete because it is “able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly” (Porter, 1980:38). Small tourism businesses following this strategy attempt to serve a particular market really well, which would imply that they would be innovative in respect of that particular market (George, 2001). However, Frambach *et al* (2003) argue that this is not necessarily the case and that firms following a focus strategy are less likely to be innovative. They (Frambach *et al*, 2003), base this argument on the fact that these businesses serve narrower markets, with fewer market segments. These market niches, which are relatively free of competition, imply that these businesses are under less pressure to be innovative. This view is supported by empirical results that found that a focus strategy had a negative influence on new product activity. This finding is consistent with the research of Zahra (1993), which found that new product activity is carried out less in firms following a focus strategy than other types of firms, and that of Campbell-Hunt (2000), who did not find a positive relationship between focus and new product activity.

There is, however, some authority to the contrary. It has been argued that it is important to focus any Internet marketing campaign (Chaffey *et al*, 2000; McBride, 1997; Reichheld & Schefter, 2000; Seybold, 1998; Nel *et al*, 1999). However, focus goes beyond simply focusing a communication campaign and needs to be a reflection of a company’s strategy to maintain a competitive advantage (Brooksbank, 1999; George, 2001; Kotler & Armstrong, 1999; Lovelock, 2001). This is particularly apposite in the case of tourism services, where the production and consumption of a service are inseparable (Palmer, 2001).



### **5.3.6 Integrated marketing communication**

It is argued that the Internet is more than simply another marketing communications medium and requires its own distinctive marketing plan (Chaffey *et al*, 2000). However, integrating the Internet into the integrated marketing communication (IMC) plan of the firm will facilitate synergy between the various communication components and increase its effectiveness. Internet marketing should be integrated into the firm's marketing mix rather than be used as a stand-alone medium (Leong *et al*, 1998; Schlosser & Kanfer, 1996).

The focus of marketing communications was originally on advertising. Where other elements of the promotions mix were used; they were viewed as autonomous tools. A decision about an element's use was made without regard to the messages being portrayed by the other tools of the marketing mix. This had the consequence of conveying conflicting and confused messages to the consumer (Belch & Belch, 2001; Yeshin, 2000). This inefficiency resulted in the conception of the IMC framework (Kotler & Armstrong, 1999).

No generally accepted definition of IMC exists (Duncan & Everett, 1993; Kitchen & Schultz, 1998) and this has compromised the development of research in this area (Low, 2000). However, for the purpose of this thesis, IMC is defined as:

a concept of marketing communications planning that recognises the added value of a comprehensive plan that evaluates the strategic roles of a variety of communications disciplines (for example general advertising, direct response, sales promotion, and public relations) ... and combines these disciplines to provide clarity, consistency, and maximum communications impact (Kitchen & Schultz, 1998:469).

An IMC campaign ensures that a company's messages, positioning and use of communication tools are coordinated and consistent. The benefits of synergy underpin the arguments in favour of implementing IMC (Arens, 1996; Duncan & Everett, 1993).

IMC also has regard for the important role that employees have in conveying a consistent message (Belch & Belch, 2001; Kotler & Armstrong, 1999). The implementation of IMC is particularly pertinent in regard to services where there is no physical product to differentiate from other products (George & Berry, 1981).

One of the drivers of IMC has been the advent of the Internet. It blurs the boundaries between traditional promotional tools and allows them to be integrated in ways that were not previously possible (Low, 2000). Indeed, Schultz (1996) argues that, because of technology, consumers combine different messages from companies, irrespective of whether they are part of an integrated plan or not. Although businesses recognise the importance of integrating the Internet into an overall communication strategy (Sheehan & Doherty, 2001; Vargha & Pettigrew, 2001), this is not yet happening (Kimiloğlu, 2004). In order to be effective, the Internet needs to be integrated and synchronised with other elements of the marketing mix (Schumann, Artis & Rivera, 2001; Sheehan & Doherty, 2001). This is particularly important in the marketing of high contact services such as the tourism product, where there is very little distinction between the marketing and operational aspect of the business (Palmer, 2001).

## **5.4 Marketing Objectives**

The Internet, with its very low barriers to entry, allows small tourism businesses to target otherwise inaccessible markets through online channels (Hormozi, Harding & Bose, 1998). This medium also allows firms to do market research and gather intelligence on the tourism industry, competitors, potential new markets and product offering (Dandridge & Levenburg, 2000).

Although popular literature suggests that the Internet may be the universal panacea for the marketing challenges of tourism SMMs, this is not the case. In respect of services, the extended marketing mix (Booms & Bitner, 1981) and the SERVQUAL model (Parasuraman *et al*, 1985) suggest that the issues affecting successful marketing of the tourism product go well beyond the scope of the Internet. However, the Internet can still have a meaningful impact on certain facets of the marketing process.

The Internet needs to be implemented within the broad context of marketing and a key decision that needs to be made is to decide to which marketing functions the Internet can contribute (Chaffey, 2000; Leong *et al*, 1998; Vargha & Pettigrew, 2001).

Chaffey (2000) argues that the marketing functions to which the Internet can contribute are marketing research, promotion (advertising, sales promotion, personal selling, public relations and direct marketing), as well as relationship marketing. Although some services allow the Internet to be the sole interface between the client and the business, this is not the case in respect of the tourism product. Clearly, in the tourism industry, an important component of the product is the process of personally visiting a destination, venue or event.

Although there is much anecdotal evidence about the impact of the Internet on marketing, little research exists on the influence of this new medium on small businesses (Lynn *et al*, 1999). It is argued that the Internet has “leveled the playing fields” (Haynes, Becherer & Helms, 1998; Vargha & Pettigrew, 2001) and that large firms do not have a significant advantage over small firms when it comes to Internet marketing (Lynn *et al*, 1999; Vargha & Pettigrew, 2001). In the small business context, though, the Internet is used primarily to create awareness of products rather than to conclude transactions (Leong *et al*, 1998; Vargha & Pettigrew, 2001).

Defining small businesses as companies with fewer than 500 employees, Lynn *et al* (1999), using a ten-point Likert scale, compared the use of the Internet in big businesses with small businesses. They found that in respect of the use of the WWW to facilitate communication with customers (market research, advertising and e-mail), small businesses had a mean of 5.52 against a mean of 4.65 for the larger firms ( $p = 0.015$ ). They (Lynn *et al*, 1999) reasoned that this was probably because small businesses do not have the resources to do market research and promotion using traditional means. Unsurprisingly, however, the use of technology in facilitating internal communications did not rate as highly in small businesses as in large businesses, given the shorter lines of communication in SMMEs (Lynn *et al*, 1999).

In a study done by Auger and Gallagher (1997) comparing Internet usage in small firms to that in medium-sized businesses, the most important reason why all firms used the Internet was to obtain and disseminate information. In addition, the barriers to an effective use of the Internet were similar in the two classes of firms surveyed with the difficulty in promoting the Web site being the most prominent (Auger & Gallagher, 1997). Although this research was done in respect of non-service firms, research by Yeung *et al* (2003) revealed that there was no difference between service and manufacturing sectors in terms of the nature of electronic business functions implemented.

Following on the research of Auger and Gallagher (1997), Haynes, Becherer and Helms (1998) investigated the difference in Internet usage by large, mid-sized and small businesses. They found that small businesses were the most likely to have a home page and the principal rationale behind this feature was to promote the business to both current and future customers, although the Internet was used primarily to communicate with customers by e-mail. The Internet, however, was used by all three groups to monitor the changes in their competitive environment (Haynes *et al*, 1998). This is consistent with the findings of Auger and Gallagher (1997) who found that acquiring industry intelligence and the disseminating of information were the most important uses of the Internet for businesses.

Bengtsson *et al* (2003) distinguished between basic uses of the Internet and advanced uses of the Internet in respect of small (1-19 employees), medium (20-199 employees) and large (greater than 200 employees) companies. Their research into manufacturing firms revealed that very small companies have not embraced basic Internet functions to the same degree as their larger counterparts. They argued that this could be because of their lack of technical ability or because there was no need to use complex technology to achieve small business Internet marketing goals. In South Africa, the nature and extent of Internet adoption by SMMEs (as defined by the act) is still a matter of conjecture (Cloete, 2002).

Yeung *et al* (2003) conducted research into the adoption of e-commerce by small and medium enterprises in Hong Kong that revealed that 91 percent of small businesses have access to the Internet and e-mail (Yeung *et al*, 2003). In South Africa, research done by Cloete (2002) found that 71 percent of companies used e-mail which is consistent with the research of Stansfield and Grant (2003) that revealed that 71 percent of small businesses surveyed used e-mail.

The business function that was found to be the most prevalent by Yeung *et al* (2003) was the collection of information. Surprisingly, however, Web sites were the sixth ranked business function implemented, although only 16 percent of the respondents did not consider implementing a Web site. It is hypothesised that the reason for this surprisingly low incidence is that companies do not wish to disclose information to competitors (Yeung *et al*, 2003).

In terms of the perceived benefits of implementing e-commerce, these were identified by service companies as (in order of importance): the improvement of information exchange with customers; reducing the cost of maintaining business information; and improving customer service, while enhancing customer loyalty. Customer retention and international market exposure were ranked equally, although the research implied that the context of the business may have a profound impact on e-commerce adoption and implementation (Yeung *et al*, 2003).

The research done by Cloete (2002) revealed that only 49 percent of South African SMMEs surveyed used the Internet for marketing, although it is not clear how many of these enterprises were in the service sector. Efficiency of communication, research and the gathering of information, relationship marketing and advertising ranked in the top ten perceived benefits of using the Internet. The reasons for not using the Internet were identified as: lack of resources, no necessity and security and risk, which were similar to the reasons given as problems experienced when using the Internet (Cloete, 2002).



In the research done by Stansfield and Grant (2003) in Scotland, the most popular current or planned use of the Internet by small businesses was market research; however, only 33.6 percent actually monitored hits on their Web site, while a further 19.2 percent planned to do so in the future. Surprisingly, however only 26.2 percent currently sold their products over the Internet, while an additional 22.9 percent planned to implement this function. As with the results obtained by Cloete (2002), Stansfield and Grant (2003) found that lack of resources and the issue of security were prominent as reasons for not connecting to the Internet.

## 5.5 Conclusion

This chapter has attempted to identify the factors influencing Internet marketing success for tourism SMMEs. These factors can be separated into three categories of *Internet Specific Factors*, *Generic factors* and *Marketing Objectives*.

The term *Internet specific factors* refers to those factors that are related specifically to the implementation of the Internet for the use of marketing in small tourism businesses. The influential role of the owner-manager in a small business implies that he needs to play certain roles in order to influence the use of the Internet for marketing appropriately. In particular, he needs to be a *Product champion* of Internet marketing, as without his support and enthusiasm it is unlikely that the initiative will succeed. *Owner-manager involvement* in the everyday management of the Internet marketing of the firm is also an important factor as, usually only the owner-manager has access to the resources to implement appropriate action. However, in order to make decisions to achieve goals in respect of the Internet, the owner-manager would need some *knowledge* about the application of the Internet. This would not necessarily mean that he would be able to implement the technology, but rather that he would appreciate the broader business implications of the technology. One source of this knowledge, as well as a potential source of creating value in terms of developing new products is *Alliances*. However, fundamental to the successful use of the Internet for marketing is the issue of *Trust*. In the online environment this is defined as allaying the consumer's privacy and security concerns.

Identifying *Generic factors* as one of the categories that influences Internet marketing success implies that there are specific inherent qualities in certain small tourism businesses that render them predisposed to a successful deployment of the Internet for this purpose. Clearly the generic *Strategy type* that a business selects will influence the success with which the Internet is deployed for marketing. *Planning*, in respect of Internet marketing, which needs to be incorporated into the broader strategic planning, will influence the implementation of these various strategic positions. *Market orientation* and *Entrepreneurial orientation* both have an impact on Internet marketing, both directly and indirectly. It is a truism that there are no short term solutions to success in marketing and Internet marketing is no exception. Accordingly, a *Long-term orientation* is essential for success. The Internet is not a universal panacea for small business marketing and needs to be integrated with other Internet marketing tools, which is known as *Integrated marketing communication*.

Much of the research in respect of Internet marketing has been anecdotal or conceptual. Tourism SMMEs should set themselves realistic *Marketing objectives* in respect of what they intend to achieve with Internet marketing, as a failure to do so will obviously compromise the perceived success of Internet marketing. Market research, communication, promotion, image building, customer service and relationship marketing have been identified as feasible marketing goals by small South African tourism businesses.

Against the background of these factors, the next chapter will present the theoretical model proposed to bring about perceived success in Internet marketing for tourism SMMEs.

## **Chapter 6**

### **A Theoretical Model for Achieving Internet Marketing Success**

#### **6.1 Introduction**

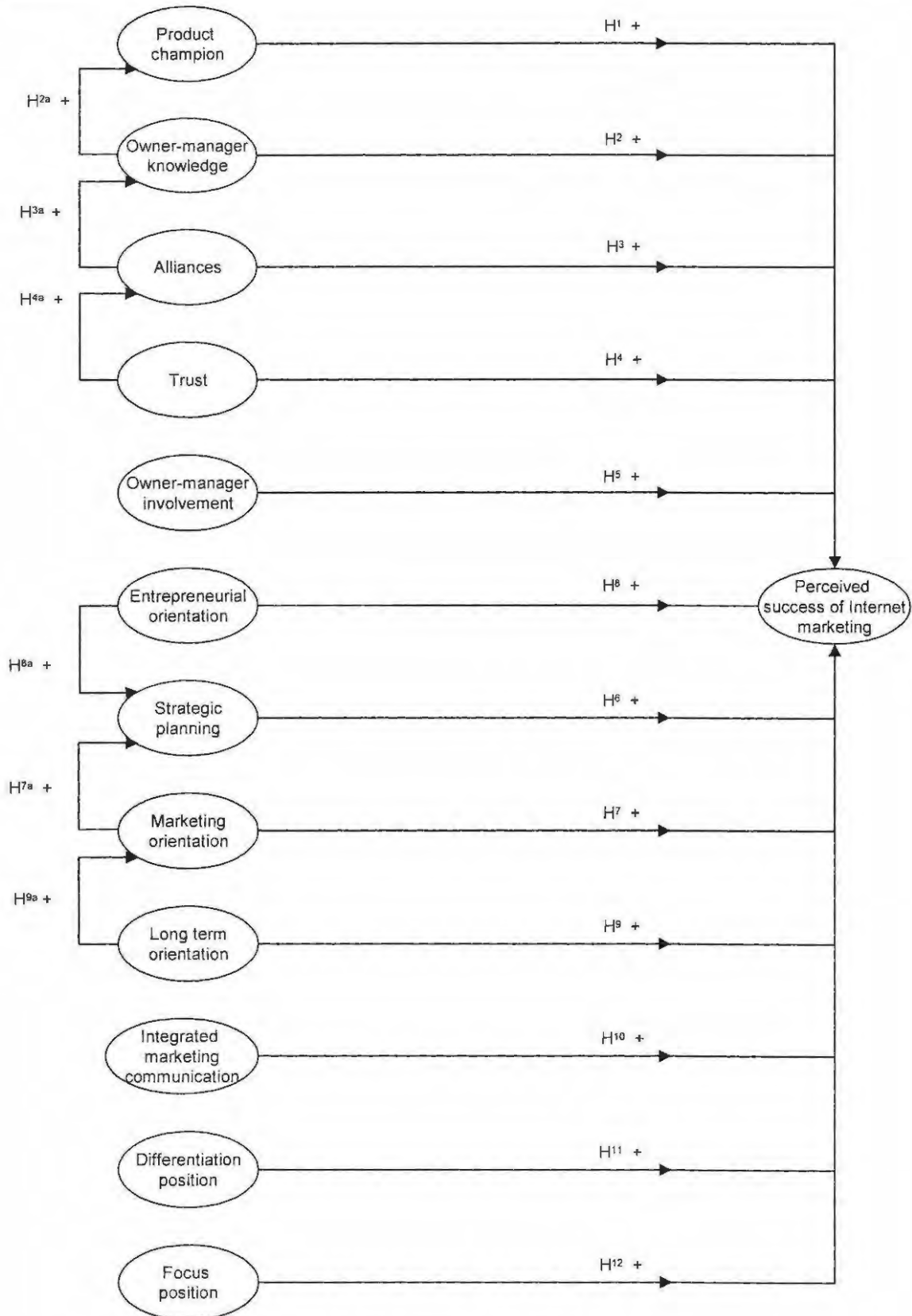
The previous chapter reviewed the factors that impact on the success of Internet marketing. These issues can broadly be described as Internet specific factors, generic (management and marketing) factors and marketing objectives.

This chapter presents a theoretical model to examine the relationship between the variables that are hypothesised to influence the success of Internet marketing. The dependent variable and the various independent variables will be reviewed as will the resulting hypothesised relationships. These variables, together with their hypothesised relationships are reflected in Figure 6.1.

#### **6.2 Perceived Success of Internet Marketing**

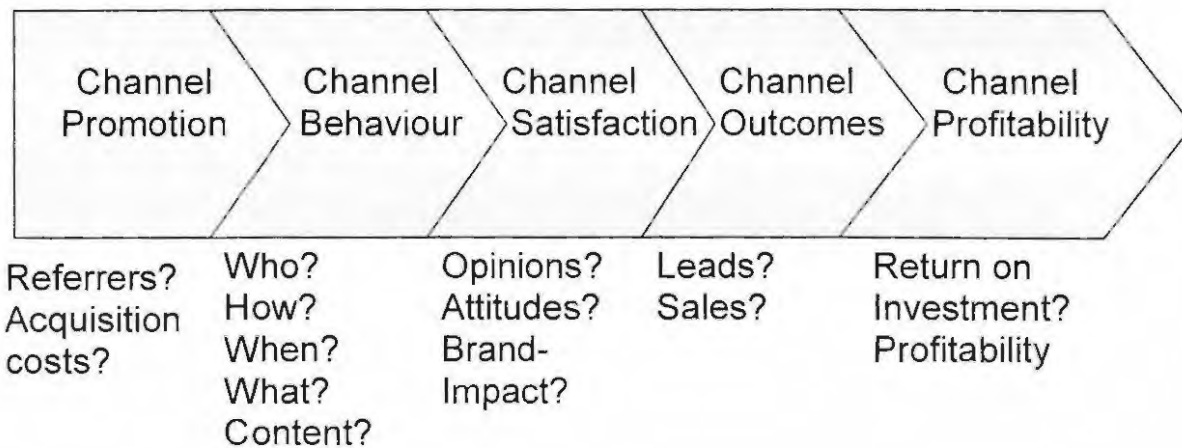
The dependent variable in this study is the perceived success of Internet marketing. The factors impacting on the perceived success of Internet marketing are reflected in Figure 6.1.

**Figure 6.1: A theoretical model for achieving Internet marketing success**



There is little consensus on what is meant by Internet marketing success. However, the Internet marketing goals and objectives need to be set within the broader strategic objectives of the company and the consequent marketing objectives (Carland *et al*, 1989; Chaffey, Mayer, Johnston & Chadwick-Ellis, 2000; Kritzing & Du Plessis, 2001). Chaffey (2000) regards a Web site as a fundamental component of Internet marketing and has developed a framework for analysing Internet marketing. Internet marketing success is described as channel profitability. The other elements in the framework are channel promotion, channel buyer behaviour, channel satisfaction and channel outcomes. This framework is set out in Figure 6.2. In terms of the framework, achieving the objectives in the channel to the left assists in achieving the objectives in the channel to the right. He (Chaffey, 2000) argues that it is important to have objectives and measures in all the channels to assist in assessing the performance of each element.

**Figure 6.2: A framework for measuring Internet marketing success**



**Source: Chaffey (2000: 39)**

Channel promotion is successful if the Web site meets targets in terms of the quantity and quality of traffic. Measures of quantity are the number of visitors, as well as the time they spend on the Web site and the quality of the visitor will be determined by whether or not they are the target market. Success in terms of channel behaviour will be determined by the conduct of the visitors, which is relatively easy to measure as opposed to channel



satisfaction. The traditional marketing outcomes, such as number of sales, leads, conversion rates and customer acquisition are assessed and compared to other channels in channel outcomes. The model, as reflected in Figure 6.2, also emphasises the importance of an Internet marketing initiative to contribute to the overall profitability of the business (channel profitability). The importance of this model is that it illustrates that it is important to have micro as well as macro Internet marketing goals.

One of the major problems with measuring internet marketing success is the lack of standards (Kimiloğlu, 2004). Web visitor tracking, time spent on the Web site, how the visitor accessed the site, click-through rates, cost per click, cost per impression and retention efficiency are some of the technical measures used to evaluate Internet marketing effectiveness (Berthon, Pitt & Watson, 1996; Goodwin, 1999; Quelch & Klein, 1996). Researchers, have, however, questioned the validity of the hypothesised link between these measures and concomitant revenue (Ilfeld & Winer, 2002).

Qualitative measures such as flow (Hoffman & Novak, 1997; Trevino & Webster, 1992) satisfaction, trust, persuasion, brand equity and benefits to the consumer have also been used (Pavlou & Stewart, 2000) to measure Internet marketing success. Ultimately, though, the objective of any Internet marketing initiative is financial and measures such as return on investment, payback period for enhancements and the cost of processing transaction and contribution to profitability cannot be ignored (Chaffey, 2000).

Accordingly, in order to realise success in using the Internet for marketing, the owner-managers of small tourism businesses need to be satisfied with not only achieving marketing goals, but that the attainment of these objectives needs to be reflected in increased bookings, sales, revenue and profitability.

### **6.3 Internet Specific Factors**

The Internet specific factors are those that are specific to the Internet. In other words, they would not exist were it not for the firm's Internet marketing initiative. The principal feature of these variables is the importance of the owner-manager as the fulcrum around

which these factors turn. The independent variables relating to product champion, knowledge of the business implications of the Internet and the everyday management of the Internet all emphasise the importance of the owner-manager. Similarly, it would be expected that the owner-manager would be the driving force behind the formation of alliances. Trust is the exception, although it would be expected that the owner-manager would have a substantial influence on the decisions made to engender trust.

### **6.3.1 Owner-manager as product champion**

Research has revealed the importance of the owner-manager acting as product champion in respect of the use of the Internet for marketing. This aspect is discussed fully in Section 5.2.1. This is based on the argument that the Internet is an innovation (Bengtsson *et al*, 2003; Mehrtens *et al*, 2001; Schumpeter, 1934), as well as research done in respect of information technology (Cragg & King, 1993; Cragg & Zinatelli, 1995; DeLone, 1988; Thong & Yap, 1995). Although there is some conjecture that the influence of the product champion depends on the nature and extent of the application of the Internet (Bengtsson *et al*, 2003; Ettlie *et al*, 1984; McDermott & O' Connor, 2002), it is nevertheless an important issue in the use of the Internet for marketing.

It is therefore hypothesised that:

*H<sup>1</sup>: There is a positive relationship between the owner-manager being product champion in respect of marketing over the Internet and the perceived success of Internet marketing.*

### **6.3.2 Owner-manager knowledge**

The nature and extent of the required technical knowledge of the owner-manager for successful implementation of the Internet is not clear from the literature. It is argued that considerable technical ability is required for the implementation of a technology such as the Internet (DeLone, 1988; Rogers, 1995; Shane & Venkataraman, 2000), but there are also views to the contrary (McGowan & Durkin, 2002; Poon & Swatman, 1997; Yeung *et al*, 2003). Technical ability does not necessarily presuppose an understanding of the broader strategic issues (McGowan *et al*, 2001; Neveling, 2004) and it is argued that an

appreciation by the owner-manager of the core business issues surrounding the implementation of the Internet is the critical issue rather than the ability to implement specific technologies (Neveling, 2004).

It is therefore hypothesised that:

*H<sup>2</sup>: There is a positive relationship between the extent of the owner-manager's knowledge of the business implications of marketing over the Internet and the perceived success of Internet marketing.*

In order to exercise the role of product champion, it would be expected that the owner-manager would have a reasonable understanding of the technology (Stansfield & Grant, 2003). The owner-manager need not be a "technophile", but should not be a "technophobe" (McGowan & Durkin, 2002); however, research by Poon and Swatman (1999) suggests that most of the product champions did not have formal IT training. Although it is argued above that an appreciation of the broader issues of implementing the Internet will have a positive and direct influence on the perceived success of Internet marketing, this influence may also be indirect. Product champions will not be able to exercise their role in the absence of appropriate technical knowledge.

It is therefore hypothesised that:

*H<sup>2a</sup>: There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the owner-manager being a product champion.*

### **6.3.3 Alliances**

It is a truism that one of the challenges facing small businesses is a lack of resources. This deficiency is particularly exposed when SMMEs attempt to integrate the Internet into their marketing function. One way of overcoming this problem is the use of alliances. This goes beyond the use of personal, social, business, industry and marketing networks and includes networking with competitors, consumers and purveyors of

complementary products (Gilmore, Carson & Grant, 2001). These alliances expand the resources and access to knowledge of small businesses (Hoffman & Novak, 1997; McGowan & Durkin, 2002; McGowan *et al*, 2001; Rayport & Jaworski, 2001).

Although enterprises involved in alliances still compete against each other in the market, they may pool their resources (Dean & Holmes, 1997). These alliances may create value in terms developing new products and ways of marketing existing and new products using the Internet (Gilmore, Carson & Grant, 2001; Hoffman & Novak, 1997; Jones *et al*, 2003; Rayport & Jaworski, 2001). This aspect is dealt with more fully in Section 5.2.3.

It is therefore hypothesised that:

*H<sup>3</sup>: There is a positive relationship between the existence of alliances and the perceived success of Internet marketing.*

An important function of alliances is to assist firms in gaining knowledge for the successful implementation of the Internet. Indeed, it is argued that, without appropriate knowledge, firms will not be in a position to implement Internet marketing successfully. The impact of alliances may be indirect and influence the perceived success of Internet marketing by increasing the knowledge of the owner-manager. This aspect is dealt with more fully in Section 5.2.3.

It is therefore hypothesised that:

*H<sup>3a</sup>: There is a positive relationship between the existence of alliances and the owner-manager's knowledge of the business implications of marketing over the Internet.*

#### **6.3.4 Trust**

The issue of trust is at the core of doing business and marketing over the Internet (Urban *et al*, 2000), but is based on issues of security and privacy rather than the lack of interpersonal interaction (Bhatnagar & Ghose, 2004; Durkan *et al*, 2003; Hoffman *et al*, 1999). This stems from concerns about information privacy in both environmental control

and the secondary use of information (Hoffman *et al*, 1999). This is discussed more fully in Section 5.2.5.

It is therefore hypothesised that:

*H<sup>4</sup>: There is a positive relationship between the existence of trust and the perceived success of Internet marketing.*

The lack of trust in the online environment is likely to be founded on security concerns, (as is more fully discussed in Section 5.2.4) and ways of building trust include meeting expectations, giving appropriate guarantees, third party references and giving relevant and up to date information (Durkan *et al*, 2003; McCole, 2002; Urban *et al*, 2000). Although alliances do have the ability to access important expertise for small businesses, this is based on trust (Dubini & Aldrich, 1991; Michell, Reast & Lynch, 1998). Consequently, it is argued that trust may have an indirect impact on the perceived success of Internet marketing by having a positive impact on alliances.

It is therefore hypothesised that:

*H<sup>4a</sup>: There is a positive relationship between the existence of trust and the existence of alliances.*

### **6.3.5 Owner-manager involvement**

Research has shown that the involvement of the owner-manager in the managing of an Internet initiative will positively impact on the perceived success of Internet marketing as is more fully discussed in Section 5.2.5.

It is therefore hypothesised that:

*H<sup>5</sup>: There is a positive relationship between the involvement of the owner-manager in the management of Internet marketing and the perceived success of Internet marketing.*



## 6.3 Generic Factors

The generic factors influencing the success of Internet marketing are also presented. These are factors that would be expected to be inherent in certain small tourism businesses, irrespective of whether the Internet is used for marketing or not. The variables identified as having an influence on Internet marketing are identified as strategic planning, marketing orientation, entrepreneurial orientation, long term orientation, integrated marketing orientation and strategic positioning.

### 6.3.1 Strategic Planning

The empirical results of whether or not strategic planning contributes to the success of a business are equivocal (Carland *et al*, 1989; Fredrickson & Mitchell, 1984; Greenley, 1986; Peel & Bridge, 1998; Robinson & Pearce, 1984), although there is strong support for an ordered method of planning (English, 2001; Kotler & Armstrong, 1999; Megginson *et al*, 2000).

Clearly, marketing is a functional area that needs to be incorporated into the strategic plan and this is particularly significant in a service industry, such as tourism, because of the inseparability of production and consumption. This is supported by Simpson and Taylor (2002), who argue that it is generally accepted that a good marketing planning process requires a good strategic planning process.

In a review article, Kımıloğlu (2004) points out that one of the criticisms emerging from the literature about the way businesses approach Internet marketing is that it is still viewed from a technical perspective. Consequently Internet marketing forms part of the tactical plans rather than the strategic plans. Internet marketing should be integrated into the overall strategic direction of the firm and this is achieved by strategic planning. This allows the competencies for the successful implementation of Internet marketing to be integrated and directed in an appropriate direction (Carland *et al*, 1989; Chaffey *et al*, 2000; Jones *et al*, 2003; Kritzingner & Du Plessis, 2001; McGowan *et al*, 2001).

It is accordingly hypothesised that:

H<sup>6</sup>: *There is a positive relationship between the extent of strategic planning and the perceived success of Internet marketing.*

### **6.3.2 Market orientation**

Although there is some conjecture about the composition of market orientation constructs (Lafferty & Hult, 2001; Kohli & Jaworski, 1990; Narver & Slater, 1990), research has revealed that the most appropriate constitution in the small business context is that market orientation is made up of two dimensions, namely competitor orientation and customer orientation (Venkatesan & Soutar, 2000). This issue is discussed more fully in Section 5.3.2.

Market orientation will facilitate the assimilation of market intelligence (Hoffman & Novak, 1997; Jones *et al*, 2003), as well as organisational learning, which is crucial during the planning and implementation of Internet marketing (Glazer, 1991; Hoffman & Novak, 1997; Morgan *et al*, 1998). This is particularly important for small businesses given the paucity of their resources.

It is therefore hypothesised that:

H<sup>7</sup>: *There is a positive relationship between the existence of a market orientation in the business and the perceived success of Internet marketing.*

Small firms are noted for their lack of formal planning and strategic thinking (Robinson, 1982; Robinson & Pearce, 1984; Sexton & Van Auken, 1982). A market orientation may influence performance by providing a focus for a small firm's planning process and the implementation of the plan (Pelham & Wilson, 1996). Consequently, it is argued that a market orientation may have an indirect influence on Internet marketing through its positive impact on strategic planning.

It is accordingly hypothesised that:

H<sup>7a</sup>: *There is a positive relationship between the existence of a market orientation in the business and the extent of strategic planning.*

### **6.3.3 Entrepreneurial orientation**

The Internet has changed existing marketing paradigms and consequently the marketing environment for SMME's is uncertain and unpredictable (Bengsston *et al*, 2003), which is a characteristic of hostile environments. It has been found that firms with an advanced entrepreneurial orientation are more successful in hostile environments than those that are not entrepreneurially orientated (Covin & Slevin, 1989; Miller, 1983; Miller & Friesen, 1983). This is consistent with the research of Poon and Swatman (1997), who argue that the level of entrepreneurship in a firm may be one of the factors influencing the successful implementation the Internet. This may be because an entrepreneurial orientation would allow a firm to visualise the benefits that would in turn lead to specific learning behaviours about the most appropriate way to achieve Internet marketing success (Jones *et al*, 2003).

Accordingly it is hypothesised that:

H<sup>8</sup>: *There is a positive relationship between the existence of an entrepreneurial orientation in the business and the perceived success of Internet marketing.*

Studies (Bracker & Pearson, 1986; Bracker, Keats & Pearson, 1988) have revealed that what is referred to as an opportunistic entrepreneurial orientation (which is similar to the definition of entrepreneurial orientation in this study) combined with planning sophistication resulted in superior performance differences. These results suggested that an entrepreneurial orientation may have a positive impact on the effectiveness of strategic planning. It is posited that the reason for this is that planning *per se* will not necessarily result in improved results, but that the entrepreneurial orientation underlying the strategic planning may be an important element in its success. The impact of entrepreneurial orientation on the perceived success of Internet marketing may be indirect via its effect on strategic planning (Bracker *et al*, 1988; Jones *et al*, 2003). Accordingly, it is hypothesised that:

H<sup>8a</sup>: *There is a positive relationship between the existence of an entrepreneurial orientation in the business and the extent of strategic planning.*

#### **6.3.4 Long term orientation**

It is argued in Section 5.3.4, that implementing the Internet for use in marketing is a long-term venture. It follows that a long term orientation is necessary to appreciate the nature and scope of Internet marketing. It is therefore hypothesised that:

H<sup>9</sup>: *There is a positive relationship between the existence of a long term orientation in the business and the perceived success of Internet marketing.*

The importance of a marketing orientation in using the Internet for marketing has been discussed above in Section 5.3.2. It is argued that a long-term perspective is necessary both in implementing a marketing orientation (Houston, 1986; Kohli & Jaworski, 1990) and achieving returns (Felton, 1959). It is therefore hypothesised that:

H<sup>9a</sup>: *There is a positive relationship between the existence of a long term orientation in the business and marketing orientation.*

#### **6.3.5 Integrated marketing communication**

The concept of IMC as the idea that all a company's communication mediums send out consistent messages is well recognised, as are its benefits (see Section 5.3.6). In Section 5.3.6 it was argued that it is imperative to implement this practice to take advantage of the Internet for marketing (Low, 2000; Zinkhan & Watson, 1996). As with all elements of the marketing communication mix, the Internet needs to be integrated and synchronised into a cohesive whole in order to be effective (Schumann *et al*, 2001; Sheehan & Doherty, 2001).

The empirical research done in respect of this topic is limited (Low, 2000) and in particular, there are no empirical studies that have tested the impact of IMC on the success of Internet marketing. It is therefore hypothesised that:

*H<sup>10</sup>: There is a positive relationship between integrated marketing communication and the perceived success of Internet marketing.*

### **6.3.4 Positioning**

It is argued that firms following a low cost strategy are unlikely to engage successfully in marketing over the Internet as their cost leadership positions are mostly achieved by refining existing products or models, rather than managing innovations, such as marketing over the Internet (Dess & Davis, 1984; Frambach *et al*, 2003). This is contrary to those companies that follow a differentiation strategy which are better positioned to use the Internet successfully for marketing (Campbell-Hunt, 2000; Frambach *et al*, 2003).

It is accordingly hypothesised that:

*H<sup>11</sup>: There is a positive relationship between the business taking a differentiation position and the perceived success of Internet marketing.*

Research (Campbell-Hunt, 2000; Frambach *et al*, 2003; Zahra, 1993) shows that there is not a positive relationship between firms following a focus strategy and the innovation of new product activity. Although this research is relevant to the use of the Internet for marketing, as both can be classified as innovations, there is authority to the contrary. Indeed, it is argued, that to be successful, Internet marketing needs to be focused, meaning not only that the marketing communication needs to focus on a particular market segment, but that this needs to be a reflection of the business's strategic positioning (Brooksbank, 1999; Chaffey *et al*, 2000; George, 2001; Kotler & Armstrong, 1999; Lovelock, 2001; McBride, 1997; Reichheld & Scheffer, 2000; Seybold, 1998; Nel *et al*, 1999).

Accordingly it is hypothesised that:



H<sup>12</sup>: *There is a positive relationship between the business taking a focus position and the perceived success of Internet marketing.*

## 6.4 Marketing Objectives

Clearly, the Internet can be only part of the marketing of a small tourism business. Not only is it limited in terms of the possible objectives it can realistically achieve, but its role may be limited to supporting traditional marketing initiatives. Nevertheless, setting realistic goals for the Internet marketing of a business may be a significant issue in achieving Internet marketing success.

The issues of building brand for a service such as tourism are complex and extend far beyond the realm of the interaction that the consumer has with the tourism SMME via the Internet (Bitner *et al*, 1994; De Chernatony, 1999; Ind, 1997; Moorthi, 2002). Brands are a source of information (Aaker, 1991; Aaker, 1996) and, particularly in the marketing of services, are seen as a means of overcoming consumers' concerns about quality (Bharadwaj *et al*, 2000). However, there is uncertainty about the effectiveness of the Internet for building brands in respect of services. This is compounded by the unique characteristics of the tourism product as it is predominately hedonistic and is likely to be viewed as a family of brands (Ritchie & Ritchie, 1998). In addition, Anckar and Walden (2001) argue that tourists show very little brand loyalty focusing rather on price. This argument is supported by Chen (2001) and others (Sealey, 1999; Sinha, 2000), who argue that the Internet, with its plethora of easily accessible resources, will make the concept of brand redundant and that price will become the distinguishing variable. However, this argument is not supported by the research of Reichheld and Schefter (2000), who found that, in the marketplace, price was not the primary motivator and that consumers were more inclined towards loyalty.

Using the Internet for the building of brand for small businesses in the tourism sector is complex. This complexity is compounded by the difficulty in settling on a definition of what is meant by such concepts as brand, brand image and brand equity (Dobni &

Zinkhan, 1990; Mackay, 2001; Moorthi, 2002). Characteristic of this difficulty is that, although the empirical studies corroborate the multidimensionality of brand, there is no consensus on the number of dimensions making up this construct (Bhat & Reddy, 1998; De Chernatony & Dall'Olmo Riley, 1998; Goodyear, 1996; Harris & De Chernatony, 2001).

In respect of services, the focus of branding is usually on the business rather than the individual products (Berry & Parasuraman, 1991). This is because of the characteristic of the inseparability of services. The communications of a business cannot be separated from the operations of the firm. The objective of building brand is to convey some unique proposition, image or a quality product. It is accordingly argued that it is more likely to be effective in respect of firms following a differentiation strategy than a low cost position.

Although for firms the whole of the extended marketing mix is relevant in the building of brand in respect of services, the element of promotion is still an important factor. Promotion is used by organisations to communicate with customers with regard to their product offerings (Rowley, 2000). McGowan and Durkin (2002) found that respondents felt that the Internet could afford an effective means of promoting the firm and its products. The Internet has a particularly beneficial impact on the element of promotion (Cartellieri *et al*, 1997) and small businesses are particularly adept at using the Internet for this purpose.

Although the concept of building relationship for the purpose of marketing is relatively new within the academic context (Parvatiyar & Sheth, 2000), its importance has been recognised (Palmer, 2001; Reichheld & Sasser, 1990; Strauss & Frost, 2001). This is particularly the case in respect of services as Berry (2000) argues that consumers would be inclined to form relationships with businesses where services are personally important, variable in quality and/ or complex, as they are difficult to evaluate before purchase and may contain a high degree of perceived risk. Although it is conceded in the literature that effective relationship marketing extends far beyond the realms of the marketplace the Internet can still be a useful tool for achieving the objective of relationship marketing.

An important foundation of relationship marketing is information. The Internet facilitates the collection of information and provides a surfeit of resources that support marketing research and can provide both primary and secondary data (Malhotra, 1999). Data can be obtained regarding both the customer and also competitors. However, for the purposes of this research a distinction is made between the data collected about a customer as a consequence of their virtual interaction with the company and/or the subsequent tracking of their behaviour and market research. The former exercise is included in the definition of database marketing, whereas market research refers to the gathering of market intelligence on the Internet, as is more fully set out in Section 4.3.1. Primary and secondary research can be easily conducted in the Internet environment (Kannan *et al*, 1998; Karakaya & Karakaya, 1998). It can be used to gather intelligence about the environment, personal details of consumers, consumer trends and the activities of competitors (Forest, 1999; Burke, 1996).

Although the Internet affords businesses the opportunity to track and understand their customers, Reichheld & Schefter (2000) found that this occurred in very few firms. In addition, SMMEs may find the costs of implementing database marketing prohibitive, given their lack of resources (Chaston, 1997; Coviello *et al*, 2000; Stokes, 2000). Nevertheless, it is argued that, where it is implemented, it will not have a positive impact on the perceived success of Internet marketing in the absence of an appropriate relationship marketing strategy.

Based on these conflicting findings, it was decided to test the influence of these variables on the success of Internet marketing.

It is therefore hypothesised that:

*H<sup>0</sup>: There is no relationship between marketing objectives and the perceived success of Internet marketing.*

## 6.5 Synopsis of Hypotheses

The hypotheses developed in Section 6.4 and Section 6.5 are set out in Table 6.1.

**Table 6.1: Synopsis of hypotheses**

|                   |  |
|-------------------|--|
| H <sup>1</sup> :  | <i>There is a positive relationship between the owner-manager being a product champion in respect of marketing over the Internet and the perceived success of Internet marketing.</i>      |
| H <sup>2</sup> :  | <i>There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the perceived success of Internet marketing.</i> |
| H <sup>2a</sup> : | <i>There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the owner-manager being a product champion.</i>  |
| H <sup>3</sup> :  | <i>There is a positive relationship between the existence of alliances and the perceived success of Internet marketing.</i>  |
| H <sup>3a</sup> : | <i>There is a positive relationship between the existence of alliances and the owner-manager's knowledge of the business implications of marketing over the Internet.</i>                  |
| H <sup>4</sup> :  | <i>There is a positive relationship between the existence of trust and the perceived success of Internet marketing.</i>  |
| H <sup>4a</sup> : | <i>There is a positive relationship between the existence of trust and the existence of alliances.</i>   |
| H <sup>5</sup> :  | <i>There is a positive relationship between the involvement of the owner-manager in the management of Internet marketing and the perceived success of Internet marketing.</i>              |
| H <sup>6</sup> :  | <i>There is a positive relationship between the extent of strategic planning in the business and the perceived success of Internet marketing.</i>  |
| H <sup>7</sup> :  | <i>There is a positive relationship between the existence of a market orientation in the business and the perceived success of Internet marketing.</i>                                     |
| H <sup>7a</sup> : | <i>There is a positive relationship between the existence of a market orientation in the business and the extent of strategic planning in the business.</i>                                |

|                   |   |
|-------------------|---|
| H <sup>8</sup> :  | <i>There is a positive relationship between the existence of an entrepreneurial orientation in the business and the perceived success of Internet marketing.</i>      |
| H <sup>8a</sup> : | <i>There is a positive relationship between the existence of an entrepreneurial orientation in the business and the extent of strategic planning in the business.</i> |
| H <sup>9</sup> :  | <i>There is a positive relationship between the existence of a long term orientation in the business and the perceived success of Internet marketing.</i>             |
| H <sup>9a</sup> : | <i>There is a positive relationship between the existence of a long term orientation in the business and marketing orientation..</i>                                  |
| H <sup>10</sup> : | <i>There is a positive relationship between integrated marketing communication and the perceived success of Internet marketing.</i>                                   |
| H <sup>11</sup> : | <i>There is a positive relationship between the business taking a differentiation position and the perceived success of Internet marketing.</i>                       |
| H <sup>12</sup> : | <i>There is a positive relationship between the business taking a focus position and the perceived success of Internet marketing.</i>                                 |
| H <sup>0</sup> :  | <i>There is no relationship between marketing objectives and the perceived success of Internet marketing.</i>   |

## 6.6 Conclusion

This chapter has set out the theoretical model of the factors that impact on the success of Internet marketing. These were divided into three broad categories of Internet specific factors, generic factors and marketing objectives. The factors that influence the perceived success of Internet marketing appear to revolve around the twelve major determinants of *product champion, owner-manager knowledge, alliances, trust, owner-manager involvement, strategic planning, market orientation, entrepreneurial orientation, long term orientation, integrated marketing communication, differentiation position and focus position*. Altogether, 18 hypotheses were developed that are reflected graphically in Figure 6.1 and summarised in Table 6.1.



In addition to the determinants of Internet marketing success, discussed above, it was further hypothesised that marketing objectives would have no significant influence on Internet marketing.

In the next chapter, the instruments used to measure the various variables of this theoretical model are reviewed and details of the research design used for this study are presented.

## **Chapter 7**

### **Research Methodology**

#### **7.1 Introduction**

Chapter 6 described the various hypotheses and the formulation of the theoretical model. This chapter presents the research process and approach planned for the empirical study.

The research methodology is discussed with special reference to data collection, questionnaire design and statistical procedures to be used. The tests employed to assess the validity and reliability of the instruments used to measure the variables in the theoretical model are discussed, as is the structural equation modelling (SEM) technique used to test the theoretical model. This chapter will conclude with a discussion of the statistical technique used to analyse the impact of marketing objectives on the success of Internet marketing.

#### **7.2 Preliminary Testing of the Model**

The literature review serves as a firm basis on which to construct a theoretical model. The model must then be tested, initially by formal discussion and, principally, by empirical analysis. Preliminary scrutiny included:

- The theoretical model was presented at a conference of SAIMS in September 2003
- The model was presented to a research colloquium of the Information Systems Department, Rhodes University during the course in March 2004
- The model was deliberated with four academics on an individual basis
- During the course of April 2004, the theoretical model was discussed with five owners of small tourism businesses

The preliminary exploratory qualitative work revealed that that there were a number of hypothesised independent variables that were not relevant to small tourism business. A

further confounding factor was that there were various interpretations of what certain terms meant to small tourism businesses. In addition, when deciding on which variables of the original theoretical model to exclude, the principle of parsimony was considered. This dictates that a desire to include all the variables must be balanced against the practical limitations of SEM (Hair, Anderson, Tatham & Black, 1998).

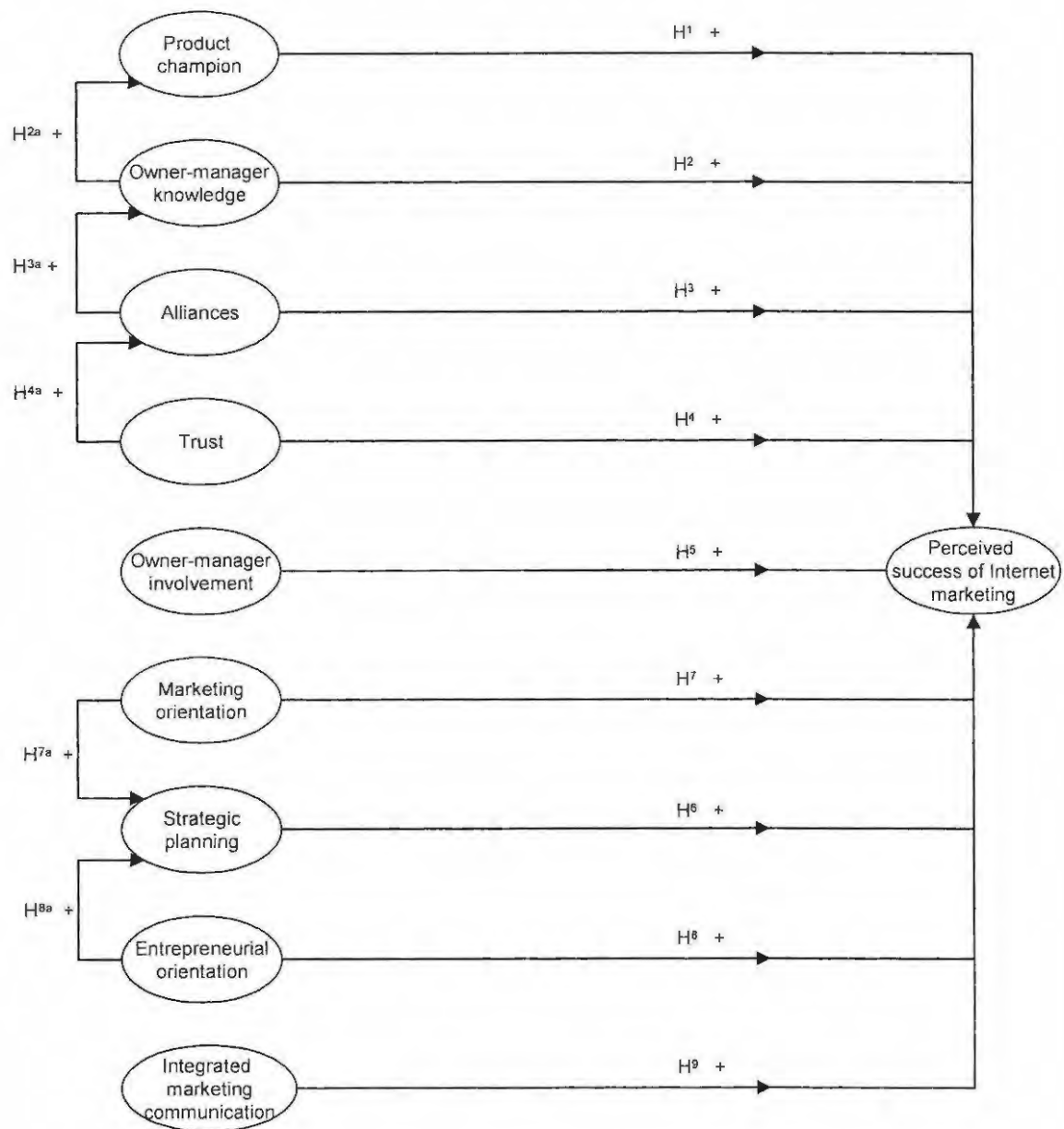
The variables that were omitted are the strategic positioning variables of *differentiation*, *focus* and *cost leadership* (although there was no hypothesis in respect of the latter variable), as well as *long term orientation*. In other words, of the hypotheses derived in Chapter 6, H<sup>9</sup>, H<sup>9a</sup>, H<sup>11</sup> and H<sup>12</sup> were omitted and H<sup>10</sup> was renamed H<sup>9</sup>. This series of interdependent relationships, set out in Table 7.1, comprised the revised theoretical model that would be tested among SMMEs in the tourism sector in South Africa. This revised model is set out graphically in Figure 7.1.

**Table 7.1 Hypotheses for testing**

| <b>Hypotheses</b> |  | <b>Comment</b> |
|-------------------|--|----------------|
| H <sup>1</sup> :  | <i>There is a positive relationship between the owner-manager being a product champion in respect of marketing over the Internet and the perceived success of Internet marketing.</i>      | Retained       |
| H <sup>2</sup> :  | <i>There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the perceived success of Internet marketing.</i> | Retained       |
| H <sup>2a</sup> : | <i>There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the owner-manager being a product champion.</i>  | Retained       |
| H <sup>3</sup> :  | <i>There is a positive relationship between the existence of alliances and the perceived success of Internet marketing.</i>  | Retained       |

|                   |   |                                      |
|-------------------|---|--------------------------------------|
| H <sup>3a</sup> : | <i>There is a positive relationship between the existence of alliances and the owner-manager's knowledge of the business implications of marketing over the Internet.</i>     | Retained                             |
| H <sup>4</sup> :  | <i>There is a positive relationship between the existence of trust and the perceived success of Internet marketing.</i>   | Retained                             |
| H <sup>4a</sup> : | <i>There is a positive relationship between the existence of trust and the existence of alliances.</i>  | Retained                             |
| H <sup>5</sup> :  | <i>There is a positive relationship between the involvement of the owner-manager in the management of Internet marketing and the perceived success of Internet marketing.</i> | Retained                             |
| H <sup>6</sup> :  | <i>There is a positive relationship between the extent of strategic planning in the business and the perceived success of Internet marketing.</i>                             | Retained                             |
| H <sup>7</sup> :  | <i>There is a positive relationship between the existence of a market orientation in the business and the perceived success of Internet marketing.</i>                        | Retained                             |
| H <sup>7a</sup> : | <i>There is a positive relationship between the existence of a market orientation in the business and the extent of strategic planning in the business.</i>                   | Retained                             |
| H <sup>8</sup> :  | <i>There is a positive relationship between the existence of an entrepreneurial orientation in the business and the perceived success of Internet marketing.</i>              | Retained                             |
| H <sup>8a</sup> : | <i>There is a positive relationship between the existence of an entrepreneurial orientation in the business and the extent of strategic planning in the business.</i>         | Retained                             |
| H <sup>9</sup> :  | <i>There is a positive relationship between integrated marketing communication and the perceived success of Internet marketing.</i>   | Renumbered, formerly H <sup>10</sup> |
| H <sup>0</sup> :  | <i>There is no relationship between marketing objectives and the perceived success of Internet marketing.</i>   | Retained                             |

**Figure 7.1: Revised theoretical model**





## 7.3 Quantitative Testing and Analysis

Data on the factors that could influence the successful use of the Internet was collected by means of a structured questionnaire. This section sets out, firstly, how the population was defined, secondly, how the instrument was developed, thirdly, the operationalisation of the variables and, lastly, the administration of the questionnaires.

### 7.3.1 Population studied

Despite the importance of tourism in creating employment and generally growing the economy in South Africa (see Section 2.5), there is no comprehensive database of tourism operators in South Africa (Myles, 2003; Seymour, 2002). Although regional tourism authorities such as the Eastern Cape Tourism Board, the KwaZulu-Natal Tourism Authority and the Western Cape Tourism Board have databases of tourism businesses, these are not comprehensive as registration with these organisations is not mandatory. A further source of information on tourism businesses is the local tourism authorities although none of these organisations distinguishes between small businesses and large businesses.

The population of this study comprises *small businesses (SMMEs) operating in the tourism sector that use the Internet to market their businesses*. A *small business* for the purposes of this research is defined as any enterprise that has 100 or fewer employees and is independently owned (see Section 2.3).

To define what is meant by the term *use the Internet to market their businesses* is no straightforward matter. Clearly, it can be argued that firms using a simple feature such as e-mail can be included in this definition. However, such a wide definition does not add any value to the research as owner-managers would not really have to engage with the issues that generated successful Internet marketing. Similarly, a simple information page about a particular business forming part the larger Web site of a tourism authority or tourism marketing organisation would not allow the firm to exercise the practices necessary to successfully use the Internet for marketing. It was therefore decided to

restrict the population, for the purposes of this study, to those organisations who, in addition the other criteria discussed in this section, have their own independent Web site.

The challenge of defining the sample population is compounded by the difficulty in defining what is meant by the tourism industry and more particularly, what its components are (see Section 2.4). This is confirmed in the research done by Visser (2002) who, in the South African context, found that a number of tourism businesses (such as accommodation, adventure and recreation businesses), who outwardly fall within the definition of tourism business operator, felt that they were not part of the tourism industry.

In order to overcome this problem, it was decided to use the convenience sampling technique and use the databases of the various tourism authorities as the population. The logic behind this approach was that if a tourism business incurred the cost (transactional and financial) of registering with a tourism body, then they evidently intended to target the tourism market. This method, though, was not without its challenges as many of the businesses reflected in these databases did not fall within the sample population.

Ultimately, it was decided to focus on tourism operators who operated exclusively or predominately in the tourism market and whose undertakings were compatible with Internet marketing. Some organisations that operated on the periphery of the tourism market such as transport providers (for example bus operators and car hire companies) and restaurants, and/or for whom the Internet was not a significant marketing tool were excluded from the sample. This approach is consistent with the findings of South African Tourism Industry Empowerment and Transformation Annual Review (TBCSA, 2002), which found that the tourism industry comprised many distinct types of enterprises that had very little similarity besides having certain customers in common.

This approach is also justified by the lack of consistency amongst the regional authorities in classifying the various tourism products. The Western Cape Tourism Board (the Western Cape Province tourism authority) distinguishes between accommodation, conference organisers, conference venues, travel services, tour operators, tour guides,

travel agents, transport and attractions as the different types of tourism businesses. The Eastern Cape Tourism Board (Eastern Cape Province tourism authority) distinguishes between accommodation and game reserves as well as attractions, conference venues and restaurants. They also make reference to “experiences” such as culture and history, adventure and sport, holiday and leisure, as well cities and towns. The KwaZulu-Natal Tourism Authority (KwaZulu-Natal Province tourism authority) distinguishes between accommodation, sports facilities, events, dive sites, marinas and boating, beaches, fishing and hunting, trails, botanical features, cultural assets, travel services, built features, recreation and entertainment and conference venues. It follows that it would be problematic to construct a comprehensive taxonomy of small tourism business types to use as a basis to define the sample population.

### ***7.3.2 Questionnaire development***

In order to ensure validity and reliability, measuring instruments from previous studies were, where possible, used to measure both the independent variables and the dependent variable. There are, however, few reliable scales to measure most of the aspects of e-business (Wu, Mahajan & Balasubramanian, 2003). Where instruments were inadequate or unavailable, additional questions were formulated, based on the literature, to ensure that each variable was measured by at least five items.

The preliminary testing of the questionnaire took place in two stages. Initially the researcher interviewed five respondents about the nature and relevance of the independent variables identified as well as the ease of understanding the items and the use of correct phraseology. Following on this exercise, certain minor alterations were made to the questionnaire. The questions were then randomly sequenced and thereafter distributed to nine members of the population. The purpose of this exercise was to ensure ease of understanding and also to measure the time taken to complete the questionnaire.

This sample group's nine completed questionnaires were then used to conduct a preliminary analysis of the reliability of the instrument using Cronbach's coefficient alpha. On reviewing the results and in an attempt to increase the reliability of the instrument, it was decided to delete 11 items from the questionnaire and change the

wording in a further two items. This meant that the questionnaire, in addition to the demographic and control questions, comprised a total of 80 items, of which ten were devoted to the marketing objectives of the firm and would not be used in the main statistical analysis of SEM. The ten questions in respect of marketing objectives would be used to measure the impact of marketing objectives on the success of Internet marketing using correlation analysis.

The questionnaire is annexed hereto marked Appendix 7.1.

### **7.3.3 Operationalisation of variables**

Much of the previous research into Internet marketing has been either conceptual or based on case studies. Consequently there is a paucity of constructs that have been empirically tested and scales that have been proved valid and reliable. Nevertheless, variables that have been operationalised previously were, as far as possible, used. Where no measures existed, these were developed by the researcher, based on the literature, and refined during the pre-test stage.

The operationalisation of the variables (independent and dependent) is discussed below:

#### **7.3.3.1 Product champion**

There is a paucity of empirical research in respect of product champions. In this study, the construct product champion is defined as the degree to which the owner-manager recognises the potential of the use of the Internet for marketing and is motivated, enthusiastic and committed to its use in the marketing of the firm.

Bengtsson *et al* (2003) used a single item to measure the support of management for the use of the Internet for marketing. Thong and Yap (1995) used the instrument of Moore and Benbasat (1991) to measure the attitude of Chief Executive Officers (CEO) of small businesses towards the adoption of IT innovations. Although this instrument was designed as a tool to study the initial adoption of IT innovations by individuals in organisations, Thong and Yap (1995) argued that it could be used as a tool to measure the

attitude of the owners of small businesses. In their (Thong & Yap, 1995) study of 166 small businesses, the instrument of Moore and Benbasat (1991) returned a Cronbach alpha coefficient of 0.87 and the exploratory factor analysis confirmed the reliability of the items making up this instrument.

The items measuring the construct of product champion are self-constructed, after having reviewed the literature.

### **7.3.3.2 Owner-manager knowledge**

This construct (Owner-manager knowledge) seeks to measure the owner-manager's broader appreciation of the implications of the Internet, rather than being able to implement specific technologies. Owner-manager knowledge is defined as the extent to which the owner-manager of a small tourism business appreciates and understands the business implications of the Internet, which allows him to make informed decisions about the use of the Internet for marketing purposes.

Although there are no instruments developed to measure the construct of Owner-manager knowledge, Thong and Yap (1995) developed a scale to measure what they referred to as CEO IT knowledge. They (Thong & Yap, 1995) argue that CEO IT knowledge is multi-dimensional and concede that there is insufficient research into the relative importance of the different dimensions of CEO IT knowledge. The construct of CEO IT knowledge recorded a Cronbach alpha coefficient of 0.62 (Thong & Yap, 1995) and one item from this scale was adapted and used to measure the construct of Owner-manager knowledge. The balance of the items are self-generated by the researcher, based on the literature.

### **7.3.3.3 Alliances**

Although alliances or networks can take a number of forms (Dean & Holmes, 1997; Donckels & Lambrecht, 1997; Gilmore, Carson & Grant, 2001; Piercy & Cravens, 1995), for the purpose of this research, alliances refer to the extent to which tourism SMMEs use contact networks as a resource to plan and implement their Internet marketing strategy.



A four scale item was developed by Kickul and Walters (2002) to measure external relationships. This included items on partnerships with complementary e-commerce players, the sharing of business information, the sharing of learning and the strength of the relationship in the alliance. The instrument of Kickul and Walters (2002) recorded a Cronbach alpha coefficient of 0.71 and is used as the basis for this construct. One of these items was excluded as it focused on the access which customers and suppliers had to the resources of the firm, whereas this construct is focused on the benefits that accrue to a firm as a result of alliances, rather than the value added to network partners. A further two items were added to this construct that were self-generated by the researcher and based on the literature.

#### **7.3.3.4 Trust**

Trust is a complicated concept (Ratnasingham, 2000), best described by McCole (2002) in a review article in which ten dimensions of trust were identified. Trust in the virtual world comprises two elements - security and privacy (Molla & Licker, 2001) and may directly impact upon the propensity of consumers to interact with a particular business. Security refers to the protection of the integrity of the e-commerce system and privacy refers to the ability (or at least the perception) of the consumer to keep their personal details confidential (Molla & Licker, 2001; Warrington, Abgrab & Caldwell, 2000).

The definition of trust in the Internet environment is not inconsistent with the concept of trust within relationships (Moorman, Zaltman & Deshpande, 1992; Morgan & Hunt, 1994), which reflects a confidence and belief in the reliability of the other party (Anderson & Narus, 1990; Moorman, Zaltman & Deshpande, 1992). Indeed, Morgan and Hunt (1994:23) define trust in this context as the "confidence in an exchange partner's reliability and integrity".

It is beyond the scope of this research to measure the trust of the respective businesses' customers. Rather the focus is on the steps that companies take to engender trust in consumers. It is argued that where firms have taken appropriate measures to ensure the integrity of the consumer's personal details (and consumers are aware of these steps) and have ethical practices in respect the secondary use of consumers' information, this will

result in trust. Companies are able assure consumers of their integrity by way of building brand, individually or by association; furnishing up to date information via their Web site or other means and fulfilling their online assurances, which will have the effect of reducing risk.

Trust for the purposes of this thesis is defined as the extent to which companies secure the integrity of their consumers' data and restrict the secondary use of the data, have links to their Web site from other reputable tourism organisations, fulfil their online obligations and keep their Web site updated.

The questionnaire items are self constructed by the researcher and based on the literature.

#### **7.3.3.5 Owner-manager involvement**

Owner-manager involvement is defined as the extent to which the owner-manager actively participates in the managing of Internet marketing in terms of decision making and monitoring the progress of Internet marketing.

No measuring instruments are available to test this construct and the items were self-constructed by the researcher, based on the literature (Cragg & King, 1993; Delone, 1988; Durkin & McGowan, 2001; McGowan *et al*, 2001; O'Toole, 2003).

#### **7.3.3.6 Strategic planning**

Strategic planning is as important for small businesses as it is for large businesses. Although planning can be unsystematic, for the purposes of this study, it is limited to a formal and measured process. For the purpose of this study, strategic planning is defined as the extent to which a small tourism business has a mission statement, the regularity with which it monitors trends, sets itself periodic goals, has short term action plans and measures the performance of the business against formal goals.

Much of the previous research into strategic planning has been characterised by inconsistencies in conceptualising and operationalising the concept of strategic planning.

Compounding this problem is the fact that many of the studies do not report the reliability and validity tests for their studies (Boyd & Reuning-Elliott, 1998). Boyd and Reuning-Elliott (1998) reviewing the literature, identified the following items as key indicators of strategic planning: the existence of mission statements, trend analysis, long term and annual goals, action plans and ongoing evaluation. Boyd and Reuning-Elliott's (1998) instrument was tested in two different contexts and recorded Cronbach alpha coefficients of 0.82 and 0.84. Although two of the indicators (trend analysis and competitor analysis) had relatively low reliability scores, and the research was done in the context of large business, this instrument was used as a basis to measure strategic planning. A further item (in respect of the regularity of the planning process) is gleaned from the research of Glaister and Falshaw (1999).

### **7.3.3.7 Marketing orientation**

Venkatesan and Soutar (2000) tested the instruments of Kohli and Jaworski (1990) and Narver and Slater (1990) for use in the small business context to measure market orientation. The instrument of Kohli and Jaworski (1990) is made up of the dimensions of intelligence generation (on customers, competitors, the environment and market forces), intelligence dissemination throughout the organisation and the response of the organisation as a whole. The research of Venkatesan and Soutar (2000) revealed that the intelligence generation dimension of Kohli and Jaworski (1990) is reliable with its Cronbach alpha coefficient recorded at 0.71. The other dimensions of intelligence dissemination with a Cronbach alpha coefficient of 0.64, response (design) with a Cronbach alpha of (0.13) and response (implementation) with a Cronbach alpha of (0.46) were not reliable. This suggested that the model of Kohli & Jaworski (1990) was not functional in the small business environment (Venkatesan & Soutar, 2000).

Narver and Slater (1990) took a slightly different approach and examined market orientation from a behavioural perspective. Their (Narver & Slater, 1990) research revealed that there are three dimensions making up marketing orientation, which are inter-functional coordination, customer orientation and competitor orientation. However, preliminary qualitative research by Venkatesan and Soutar (2000) found that the functions in small businesses were not separated and accordingly, the inter-functional

coordination construct was not relevant and accordingly not tested. The two remaining constructs (customer orientation and competitor orientation) were both found to be reliable, with Cronbach alpha coefficients of 0.71 and 0.74 respectively.

The findings of Venkatesan and Soutar (2000) in regard to the inapplicability of the inter-functional coordination has been confirmed by other studies (Carson, 1985; Carson & Cromie, 1990), which suggest that specialist functions requiring coordination do not exist in small businesses. This dimension was accordingly not included in the measurement of marketing orientation.

The instrument used to measure marketing orientation in this study is based on that of Narver and Slater (1990), as it is the most appropriate in respect of small business (Pelham, 1993, in Pelham & Wilson, 1996; Venkatesan & Soutar, 2000) and comprises the two dimensions of customer orientation and competitor orientation. In the original research of Narver and Slater (1990), in respect of the competitor orientation dimension, the Cronbach alpha measured 0.86 and 0.87 (the sample was split into two groups of 190 and 175). In respect of the competitor orientation, the instrument recorded Cronbach alpha coefficients of 0.72 and 0.73 for the two different sample groups. Frambach *et al* (2003) also tested the constructs of customer orientation and customer orientation of Narver and Slater (1990) and found that they recorded Cronbach alpha coefficients of 0.72 and 0.80 respectively.

Gray *et al* (1998), having regard to the work of Deng and Dart (1994) and Narver and Slater (1990), attempted to, *inter alia*, refine the dimensions of customer orientation and competitor orientation in a New Zealand context. In respect of customer orientation, not all of the items of Narver and Slater (1990) loaded on the construct of customer orientation (which had a Cronbach alpha coefficient of 0.75), although this did occur with certain other items. One of these additional items was included in the measure of customer orientation in this study.

In respect of competitor orientation, all Narver and Slater's (1990) items loaded together in this study with an additional two developed by Gray *et al* (1998), recording a

Cronbach alpha coefficient of 0.97. These two additional items are included in the construct to measure competitor orientation. In both cases, the wording of the constructs is adapted to make them more appropriate to the context of the tourism industry.

In this study, the customer orientation dimension of marketing orientation is defined as the extent to which the business is committed to customers, monitors customer preferences and is concerned with customer satisfaction. Competitor orientation is defined as knowing and understanding the businesses' competition and includes the actions taken to acquire that knowledge and understanding.

### **7.3.3.8 Entrepreneurial orientation**

Covin and Slevin (1988) developed an instrument based on the definition of Miller (1983) that has become the most widely accepted tool for assessing entrepreneurial behaviour (Chaston, 2000; Smart & Conant, 1994; Weaver, Dickson, Gibson & Turner, 2002) and has both cross-country reliability and validity (Knight, 1997; Weaver *et al*, 2002). These measures were subsequently expanded by Covin and Slevin (1989) for use in the small businesses arena, although the focus of the research was the manufacturing environment. This scale developed by Covin and Slevin (1989) focused on the different dimensions of entrepreneurial orientation (innovation, proactiveness and risk taking) and was factor analysed to assess their factor loading. All items loaded above 0.5 on a single factor with an average loading of 0.66, indicating that it is appropriate to combine these constructs into a single scale. In addition, the instrument produced a Cronbach alpha coefficient of 0.87 and is used as the basis for the measurement of entrepreneurial orientation.

The entrepreneurial orientation instrument restricts the operationalisation of the innovation dimension to that of product development and associated activities. Innovation though goes beyond new product development and includes new ways to access the market (Schumpeter, 1934) such as the Internet (Bengtsson *et al*, 2003; Kimiloğlu, 2004; McGowan & Durkin, 2002; Mehrtens *et al*, 2001). After reviewing the literature, two further self-constructed items were added to allow for this aspect, after reviewing the literature. In addition, the items of Covin and Slevin (1989) were changed from a scale of



1-7 with two incongruous statements at either side of the scale to a single statement requesting that the respondent indicate the level of their agreement (or disagreement) with the statement. This was to maintain consistency in the questionnaire.

#### **7.3.3.9 Integrated marketing communication**

Although research into integrated marketing communication (IMC) is increasing, there are few empirical studies that describe how to measure this construct as most of the research published in respect of this concept has been case studies or conceptual work (Low, 2000). This is compounded by the inconsistencies in defining the concept (Ewing, De Bussy & Caruana, 2000; Low, 2000). The construct of IMC, for the purposes of this study, is defined as the extent to which a business coordinates and obtains consistency in its marketing communication activities.

Low (2000) after interviewing 15 senior managers, attempted to develop scales to measure IMC. Four items were developed and after discarding one item, the remaining three items recorded a coefficient alpha of 0.70. In regard to the item that was rejected by Low (2000), it was felt that the reason for this may have been that it was reverse scored and the respondents may have found it confusing. It was therefore decided to use all items developed by Low (2000) after having made appropriate adjustments to the rejected item.

Ewing, De Bussy and Ramaseshan (1998, in Ewing *et al*, 2000) developed a four-dimension measure of IMC including direct marketing, increased responsibility, response goals and one voice. Direct marketing indicates the significance direct response activities to IMC. Increased responsibility reflects the shift in focus from traditional marketing communication practices to below-the-line activities. Response goals suggest that there is a tactical component to IMC orientation. The one voice dimension (comprising four items) was deemed to be appropriate for the purposes of this study as it reflects the central tenets of IMC being consistency, integration and synergy. The scale in respect of one voice was also used in Ewing *et al* (2000), where it recorded a Cronbach alpha of 0.83. Two of these items were adapted and added to the instrument of Low (2000) and used to measure the construct of IMC.

#### **7.3.3.10 Dependent variable (Perceived success of Internet marketing)**

In this study, the perceived success of Internet marketing is defined as the extent to which various owner-managers are satisfied with the performance of the Internet in achieving marketing objectives and goals. These goals could be either financial or focused on a particular marketing objective. However, there are no absolute measures for evaluating marketing performance and it essentially comprises measuring results against expectations (Bonoma, 1989; Connor & Tynan, 1999). This difficulty is compounded in respect of Internet marketing as it is difficult to isolate the impact of this medium on various measures (Chaffey *et al*, 2000).

Inherent in small business is the lack of formal procedures and controls. It follows that, while it is difficult to obtain objective measures in large businesses, this problem is compounded in small businesses. In addition, small firms are reluctant and unable to disclose financial data (Fiorito & LaForge, 1986; Pelham & Wilson, 1996). Research (Dess & Robinson, 1984; Venkatraman & Ramanujam, 1987) revealed that subjective assessments by senior managers can be used as satisfactory proxies for business economic performance measures.

Covin and Slevin (1989) measured financial performance by modifying an instrument developed by Gupta and Govindarajan (1984) that first of all asked respondents to indicate on a Likert-type scale the importance of certain financial performance indicators. These respondents were then asked, using (once again) a Likert-type scale, to rank their satisfaction in their firms' performances in terms of these measures. The performance measures were then multiplied by the satisfaction measures and this resulted in a weighted average performance for each firm. This instrument had an inter-item reliability coefficient of 0.88 (Covin & Slevin (1989).

The multidimensional nature of business performance and the importance of multiple measures of those dimensions have been recognised (Venkatraman & Ramanujam, 1987). Wu *et al* (2003) developed an instrument to measure business performance with respect to e-business adoption. The measures included in this instrument are : efficiency – five

items, with a coefficient alpha of 0.74; sales performance – five items with a coefficient alpha of 0.84; customer satisfaction – three items with a coefficient alpha of 0.78; relationship development – two items with a coefficient alpha of 0.92. This is consistent with a conceptual paper by Molla and Licker (2001), who argue that although satisfaction for the user is at the core of e-commerce success, this is a multi-dimensional construct.

A ten-item scale was developed to measure the perceived success, which was defined as the satisfaction that the owner-manager felt regarding the impact of the Internet on improving the efficiency of marketing, sales performance, customer satisfaction, relationship development, market research, image and/or brand, promotion and customer service. These items were self-constructed, based on the literature.

#### ***7.3.4 Administration of the questionnaires***

A Web based questionnaire was set up that allowed the respondent to complete the questionnaire online. A paper-based copy of the questionnaire can be found in Appendix 7.1. On completion of the questionnaire, the respondent would click on a button marked “submit” at the end of the form and the questionnaire would automatically be loaded into a database that would enable the researcher to view the results on both a Web page and in an Excel spreadsheet format.

The databases of the tourism businesses registered with the Western Cape Tourism authority, KwaZulu-Natal tourism authority and the Eastern Cape Tourism authority were obtained. In the case of the Eastern Cape database, this was supplemented by the databases of the tourism authorities of Buffalo City, Nelson Mandela Metropolis and the Wild Coast as no integration exists between these various databases. The contact details of those qualifying tourism businesses with Web sites were identified.

The databases were screened to ensure that only organisations that met the requirements were approached to participate in the survey. Nevertheless certain control questions were put in place in order to ensure that the respondents qualified as members of the sample. Two qualifying criteria were employed. Based on these questions and a further review of

the organisations by the researcher, the questionnaires returned by the respondents were either rejected or accepted to form part of the sampling frame.

The information was gathered during a five week period in June/July 2004. A number of students were employed as research assistants. Their function was to telephone the owner-managers of qualifying firms to explain the nature and scope of the research and request them to fill in the questionnaire. Respondents were also assured that all information would be regarded as confidential. If the owner-managers agreed to participate, an e-mail was sent to them setting out the Web address of the questionnaire and repeating the request that they participate in the survey. This allowed them to click on the URL and the questionnaire would automatically appear on their computer screens. In some cases, though, the respondents preferred to have the questionnaire faxed to them, in which case, on its completion, it was entered into the database, using the method described above, by one of the research assistants.

Although using a Web based questionnaire to collect the data could be considered a limiting factor, it could be reasonably assumed that all of the potential respondents would have Internet access, particularly considering that one of the qualifying criteria was that they had to have a Web site. Studies that have compared online and traditional mail respondents have found that there are no significant biases between these two methods with regard to demographic and attitudinal data (Bachmann, Elfrink & Vazzana, 1996; Mehta & Sivadas, 1995).

The approach to the collection of the data is examined in this section. The methods of analysing the data collected are discussed in the remainder of the chapter.

## **7.4 Method of Analysis**

This section describes the various statistical techniques used to analyse the data collected from the respondents who completed the questionnaire.

#### **7.4.1 Reliability of research instrument**

Reliability is the consistency or stability of empirical indicators from measurement to measurement. A measure can be viewed as reliable when the items purporting to measure a particular variable agree (Parasuraman, 1991). The reliability of an instrument depends on how much of the variation in scores is attributable to random errors (Churchill, 1979). This involves a comparison of the scales measuring a particular construct. If the association between the different items is high, they are consistent in giving the same results and therefore reliable (Parasuraman, 1991).

One way of measuring reliability is using Cronbach's alpha coefficient, which is based on the average correlation of items within a test, and is regarded as an indication of internal consistency. The Cronbach's alpha coefficient values vary from 0-1 and coefficient values of less than 0.60 are considered poor, reliabilities in the 0.70 range acceptable and scores over 0.80 are considered good (Cooper & Emory, 1995; Sekaran, 2000). However, what is considered acceptable will vary depending on the nature of the research (Churchill, 1979) and in exploratory studies such as this study, this may be reduced to 0.60 (Hair *et al*, 1998).

#### **7.4.2 Validity of research instrument**

Validity is concerned with accuracy of measurement. In other words, validity is concerned with the extent to which a scale is an authentic measure of the underlying variable it is attempting to measure (Churchill, 1979; Parasuraman, 1991; Welman & Kruger, 1999). A scale will have high construct validity if it possesses both convergent validity and discriminant validity (Parasuraman, 1991).

Construct validity refers to the extent to which a scale measures the intended construct rather than other irrelevant variables or measurement error (Churchill, 1979; Welman & Kruger, 1999). Convergent validity is where a construct reflects a strong association with other scales that it is expected to be related to on theoretical grounds. Discriminant validity, by contrast, represents the degree to which a construct is not associated with



different measures where no relationship is expected on theoretical grounds (Parasuraman, 1991; Welman & Kruger, 1999).

The focus of assessing the validity of the measuring instrument is on establishing discriminant validity, given that the relationships set out in the theoretical model are driven by the literature review. This is done by using an exploratory factor analysis, which can determine the number of factors present in a construct, as well as the items that load most highly onto each factor (Churchill, 1979; Parasuraman, 1991; Cooper, 1983).

The computer program Bio Medical Data Processing computer package (BMDP - 4M) (Frane, Jenrich & Sampson, 1992) was used to conduct the exploratory factor analysis. Initially, a maximum likelihood factor analysis is specified as the method of factor extraction and a direct quartimin oblique rotation was undertaken to allow for inter-correlation between the factors. No restriction on the number of factors was originally specified and Kaiser's rule of eigenvalues greater than one in combination with the scree test was used to determine the number of factors. Items were excluded from the exploratory factor analysis if they either loaded on significantly (0.35 or greater) on more than one factor or the greatest loading on any factor was less than 0.35.

### ***7.4.3 Structural equation modelling***

Structural equation modelling (SEM) overcomes the limitations of techniques such as multiple regression, factor analysis, multivariate analysis of variance, discriminant analysis and canonical analysis, which only allow the analysis of a single relationship between the dependent and independent variables. SEM enables the researcher to examine a series of interdependent relationships simultaneously. To achieve this, SEM incorporates a number of statistical models, such as covariance structure analysis, latent variable analysis and confirmatory factor analysis, which can be done using any number of software packages. SEM is particularly appealing because it not only facilitates an uncomplicated and efficient way of dealing with numerous relationships, but it also allows a switch from exploratory to confirmatory analysis.

SEM is distinguished from other statistical techniques firstly because it is able to estimate multiple and interrelated dependence relationships and, secondly, by its capacity to represent unobserved variables in these relationships, as well as to account for the measurement error. These unobserved variables are known as latent variables, which are hypothesised, but unobserved variables that can only be projected with reference to the observed variables, also known as manifest variables (Godfrey & Hill, 1995; Hair *et al*, 1998). SEM is a technique that is used in a wide variety of disciplines and has been regularly used by marketing researchers in the last two decades (Baumgartner & Homburg, 1996; Hulland, Chow & Lams, 1996).

As with other multivariate techniques, no prescribed way exists to utilise SEM and the approach taken depends on the objectives of the researcher. There are three distinct strategies: the confirmatory modelling strategy, the competing models strategy and the model development strategy. In respect of the confirmatory modelling strategy, SEM is used to assess the statistical significance in respect of a single model. This approach does have a confirmation bias and an acceptable fit according to prescribed criteria will confirm that the proposed model is one of several models that might be adequate. A more rigorous process may be the use of the competing models strategy, where different models are tested. A further approach may be the use of the model development strategy, where the hypothesised model is improved through various modifications (Godfrey & Hill, 1995; Hair *et al*, 1998).

Hair *et al* (1998) propose a seven step process to ensure that SEM is used appropriately and that it generates valid results. These stages are discussed below:

#### **7.4.3.1 Step 1: Developing a theoretically based model**

The first step of the model conceptualisation starts with the initial formulation of the structural model comprising the relationships amongst the latent variables. In this research, the latent variables are based on the conceptual model developed in Chapter 6. This was done primarily by reviewing the literature in the field and thereafter discussing the model with experts as well as practitioners.

SEM is a theory-led statistical technique and its function is to confirm theory rather than act as an exploratory tool. It follows that SEM does not allow the researcher to specify a basic model and allow the statistical program to insert the default values. The use of SEM should be soundly based on a theoretical model and each of the components of the model must be specified by the researcher. Indeed, the strength with which a researcher can argue that there is causation between two variables, lies not with the analyses, but with the theoretical justification used by the researcher to support the statistical analyses. SEM itself does not prove causation without some cogent theoretical justification.

#### **7.4.3.2 Step 2: Constructing a path diagram of causal relationships**

Path diagrams are used to portray causal relationships. This allows the researcher to display not only predictive relationships, but also where it is expected that constructs would be highly correlated. These typically represent the hypotheses that have emerged from the theory in respect of the particular phenomena being investigated.

All constructs in a path diagram can be defined as either exogenous or endogenous constructs. Exogenous constructs are independent variables that are not caused or predicted by any of the other constructs in the model. Contrarily, endogenous variables are predicted by other variables that can, in turn, predict other endogenous constructs.

#### **7.4.3.3 Step 3: Converting the path diagram into a set of structural and measurement models**

After completing the above steps, the researcher denotes the model in formal terms. This is done by formulating a sequence of equations that describe the structural equations linking the constructs, known as the structural model, and setting out the measurement model, which specifies which items or questions measure which constructs.

SEM comprises two major stages, the measurement model and the structural model. The measurement model is first estimated in order to assess the validity and reliability of the measurement items before the structural model is estimated. The items (also called manifest variables) are identified during exploratory factor analysis and the factors (also

called constructs or latent variables) on which the items loaded are identified as the basis for the structural model.

The second step is the formulation of the structural model, in which the path diagram is translated into a series of structural equations. In particular, each endogenous construct is depicted as a dependent variable in a separate equation specifying the endogenous or exogenous constructs that exert an influence. In addition, in each equation, a structural coefficient ( $b$ ) and an error term ( $\epsilon$ ) are included to allow for the effects of specification and random error.

#### **7.4.3.4 Step 4: Choosing the input matrix type and estimating the proposed model**

SEM uses only variance-covariance or correlation matrix as its input data. Although individual observations can be input into the respective computer programs, they are converted to either a variance-covariance or correlation matrix before the information is processed. The focus of SEM is not on individual observations, but rather on the pattern of relationships across respondents.

Although many computer programs exist that can be used for SEM, LISREL (Linear Structural Relations) is the most widely used and is used in this study. There have been certain deficiencies in earlier versions of LISREL (Cudeck, 1989), *inter alia* that it yielded incorrect standard errors and measures of fit when applied to correlation matrices. This problem has, however, been overcome in version 8.54 of the program, which was used for the present study.

#### **7.4.3.5 Step 5: Assessing the identification of the structural model**

The most probable cause of a computer program producing illogical or meaningless results is a problem with the identification of the structural model. This is essentially the failure of the computer program to generate unique estimates. An identification problem can usually be recognised by a number of symptoms which are (1) considerable standard errors for certain of the coefficients, (2) the inability of the program to invert the

information matrix, (3) irrational or impossible estimates such as negative error variances or (4) high correlations (approximately 0.90 or higher) amongst estimated coefficients.

Three common causes of an identification problem are a large number of estimated coefficients relative to the number of covariances or correlations (indicative of this is the small number of degrees of freedom), use of reciprocal effects between constructs and the failure to fix the scale of a construct. This could be remedied by adding more constraints to the model by deleting some of the estimated coefficients. The deleting of paths from the path diagram should continue until the problem is remedied.

#### **7.4.3.6 Step 6: Evaluating goodness-of-fit criteria**

As soon as it has been established that the model provides acceptable estimates, the goodness-of-fit must be appraised first for the overall model and thereafter separately for the measurement and structural models. Problems are indicated by what are known as “offending estimates” - estimated coefficients that exceed acceptable ranges. A goodness-of-fit measure is a measure of how well the actual input correlation matrix matches the matrix that is predicted by the theoretical model.

There are three types of goodness-of-fit measures - absolute fit measures assess the overall model fit, that is, both the structural and measurement models; incremental fit measures compare the theoretical model to another specified model and parsimonious fit measures provide comparisons between models with differing estimated coefficients.

The purpose of this study is to assess the overall fit of the proposed model of factors that influence the perceived success of Internet marketing. Given the uncertainty about the adequacy of individual methods of assessing, it is prudent to use multiple measures to assess model fit (Schumacker & Lomax, 1996). Accordingly, the absolute fit measures of chi-square ( $\chi^2$ ), root mean square error of approximation (RMSEA), goodness-of-fit index (GFI) and the adjusted goodness-of-fit index (AGFI) are used in this research.

The  $\chi^2$  is one of the most widely used statistical techniques in SEM. This assesses the difference between the observed sample covariance matrix and the fitted covariance



matrix. This is usually presented with a probability level to indicate whether this measure is statistically significant. A statistically significant  $\chi^2$  test shows that the difference between the sample and fitted covariance matrixes is due to sample variation. A statistically non-significant  $\chi^2$  test will show that there is model fit (Kunnan, 1998), although a criticism of this technique is its inability to distinguish between equivalent models (Hair, Anderson, Tatham & Black, 1995; Kunnan, 1998).

A problem with the  $\chi^2$  technique is that it tends to indicate significant differences between the predicted and actual matrices as the sample size increases, which, in some cases, may lead to the unjustified rejection of a model. One way of dealing with this effect of large sample sizes is by using the  $\chi^2/\text{degrees of freedom}$  ratio (Kunnan, 1998).

The RMSEA gives an indication of the goodness-of-fit and compensates for the shortcomings of the  $\chi^2$  test in terms of large samples. It expresses model fit in terms of the population and not just in terms of the sample that the researcher used to estimate the model (Baumgartner & Homburg, 1996). An acceptable level of RMSEA is a value less than 0.05 although values between 0.05 and 0.08 can represent a reasonable fit whereas values between 0.08 and 0.10 represent a mediocre fit and values above 0.10 a poor fit (MacCullum, Browne & Sugawara, 1996; Marumaya, 1998; Schumacker & Lomax, 1996).

Another measure of fit that is used in this research is the GFI. The GFI indicates the population of the observed covariance explained by the model-implied covariance. The ratio varies from zero (poorest fit) to 1.0 (perfect fit) and is based on the proportion of variance accounted for in the model. Values close to or above 0.90 have been established as indicating satisfactory fit (Hair *et al*, 1998; Hulland *et al*, 1996).

A related index is the AGFI. This index takes into account the model complexity, that is, it allows for the degrees of freedom available for testing the model. It is recommended that a model should have a value of about 0.90 with a minimum value of 0.80 (Baumgartner & Homburg, 1996; Hair *et al*, 1998; Hulland *et al*, 1996).

#### **7.4.3.7 Step 7: Interpreting and modifying the model.**

Once it is decided that the model is acceptable, the model should be examined and compared to corresponding theory. The modification of the model can only take place if there is a theoretical justification for the amendment. Potential modification areas to the model are indicated in the modification indices.

Significant causal relationships at the 0.05 level are indicated by a t-value of greater than 2.58. In this study, significant relationships will be identified at both the 0.01 and 0.05 levels.

#### **7.4.4 Effect of marketing objective variables**

The focus of this study is to measure the influence of various constructs on the success of Internet marketing. One important aspect that is not included in the structural equation model is that of marketing objectives as it is felt that if this is done, the model would be too big in terms of the number of parameters to be estimated. The impact of marketing objectives on the dependent variable, the *Perceived success of Internet marketing*, is done by way of a correlation analysis. The marketing objectives are regarded as the independent variables for the purposes of this analysis, with the dependent variable being the *Perceived success of Internet marketing*, as discussed more fully in Section 7.3.3.10.

### **7.5 Conclusion**

This chapter has described the research procedure followed in this research. It has described how the theoretical model is pre-tested with reference to experts and practitioners in the field. Definitions have been given for all the variables and the physical administration of the research was described. This was followed by a review of the statistical techniques that are used in this research to ensure validity and reliability as well as to test the hypotheses. The next chapter describes the application of these statistical techniques to the empirical data collected.

## **Chapter 8**

### **Empirical Results**

#### **8.1 Introduction**

The previous chapter (Chapter 7) discussed the research methodology used to collect and analyse the data in order to analyse the theoretical model and hypotheses proposed in Chapter 6. This chapter reports and analyses the empirical evidence collected.

Once the data was collected from the respondents, the discriminant validity of the measuring instrument was assessed using exploratory factor analysis, after which the Cronbach reliability coefficients were calculated in order to confirm the reliability of these scales. Next, the theoretical model identified in Chapter 6 and amended in Chapter 7 was revisited and the path diagrams reformulated to reflect the new factors identified by way of exploratory factor analysis. These path diagrams were converted into a structural model for which the path coefficients were calculated and goodness-of-fit criteria measures assessed. This chapter concludes with a test of the impact of marketing objectives on the success of Internet marketing using correlation analysis.

#### **8.2 Data Collection**

Altogether 2011 potential respondents were contacted and 316 usable questionnaires were received, giving a response rate of 15.7 percent. There is, however, no minimum acceptable response rate (Fink, 1995; Fowler, 2002), although Malhotra (1999) argues that response rates of less than 15 percent can occur when no prior contact is made and only then are they problematic.

There are four factors that determine the sample size that is required to apply SEM successfully. These are the likelihood of model misspecification, model size, departures from normality and the estimation procedure (Hair *et al*, 1998).

A sound theoretical basis has been used to formulate this model and some variables used have been researched before. It follows that the likelihood of misspecification due to the omission of variables is reduced and there is no necessity to increase the sample size over what would normally be required.

The maximum likelihood estimation is applied in this research. Although valid results can be found in sample sizes as low as 50, it is recommended that minimum sample size should be between 100 and 150. Similarly, where sample size exceeds 400 to 500, this may compromise the effectiveness of this technique (Hair *et al*, 1998). The 316 usable questionnaires returned represent a sample size that is adequate for the intended statistical analysis.

All returned questionnaires were inspected on receipt and, where possible, the respondents were contacted telephonically to obtain missing demographic data (Section B of the questionnaire). All missing data required for the statistical analysis (items from Section A) was substituted with the mean score for that variable. This facilitated the statistical analysis without skewing the results (Hair *et al*, 1998). This data was gleaned from Section A of the questionnaire. The demographic information about the organisation was obtained from certain questions in Section B. This information is summarised in Table 8.1.

**Table 8.1: Demographic information**

Table 5.1: Demographic information

|   |     | Total | Percentage |
|---|-----|-------|------------|
| Number of Partners/ Owners/Members/ shareholders involved in business |     |       |            |
| 0 to 1  | 108 | 34.2  |            |
| 2   | 173 | 54.7  |            |
| 3   | 23  | 7.3   |            |
| 4   | 5   | 1.6   |            |
| 5   | 3   | 1.00  |            |
| 6   | 1   | 0.3   |            |
| 7   | 2   | 0.6   |            |
| 8   | 1   | 0.3   |            |
|   |     | 316   | 100        |
| Number of full-time employees   |     |       |            |
| 0   | 108 | 34.2  |            |
| 1   | 71  | 22.5  |            |
| 2   | 57  | 18.0  |            |
| 3   | 31  | 9.8   |            |
| 4   | 20  | 6.3   |            |
| 5   | 9   | 2.9   |            |
| 6 to 10   | 13  | 4.1   |            |
| 11 to 20  | 4   | 1.3   |            |
| 21 to 30  | 1   | 0.3   |            |
| 31 to 40  | 1   | 0.3   |            |
| 41 to 50  |     | 0.00  |            |
| 51 to 60  | 1   | 0.3   |            |
|   |     | 316   | 100        |
| Number of part-time employees   |     |       |            |
| 0   | 53  | 16.8  |            |
| 1   | 56  | 17.8  |            |
| 2   | 51  | 16.1  |            |
| 3   | 31  | 9.8   |            |
| 4   | 30  | 9.5   |            |
| 5   | 18  | 5.7   |            |
| 6 to 10   | 35  | 11.0  |            |
| 11 to 20  | 24  | 7.6   |            |
| 21 to 30  | 8   | 2.5   |            |
| 31 to 40  | 4   | 1.3   |            |
| 41 to 50  | 5   | 1.6   |            |
| 51 to 60  | 0   | 0.00  |            |
| 61 to 70  | 1   | 0.3   |            |
|   |     | 316   | 100        |



**Total number of employees (part-time and full-time)**

0  
1  
2  
3  
4  
5  
6 to 10  
11 to 20  
21 to 30  
31 to 40  
41 to 50  
51 to 60  
61 to 70

| Total | Percentage |
|-------|------------|
| 13    | 4.1        |
| 27    | 8.5        |
| 39    | 12.3       |
| 53    | 16.8       |
| 47    | 14.9       |
| 23    | 7.3        |
| 54    | 17.1       |
| 30    | 9.5        |
| 13    | 4.1        |
| 7     | 2.2        |
| 6     | 1.9        |
| 3     | 1.00       |
| 1     | 0.3        |
| 316   | 100        |

**Time in business**

0-0.9 years  
1 to 1.9  
2 to 2.9  
3 to 3.9  
4 to 4.9  
5 to 5.9  
6 to 6.9  
7 to 7.9  
8 to 8.9  
9 to 9.9  
10 to 10.9  
11-15  
16-20  
21-25  
26-30  
30 and older

|     |      |
|-----|------|
| 20  | 6.3  |
| 28  | 8.9  |
| 18  | 5.7  |
| 22  | 7.00 |
| 30  | 9.5  |
| 34  | 10.8 |
| 18  | 5.70 |
| 34  | 10.8 |
| 35  | 11.0 |
| 13  | 4.1  |
| 20  | 6.3  |
| 26  | 8.2  |
| 5   | 1.6  |
| 5   | 1.6  |
| 1   | 0.3  |
| 7   | 2.2  |
| 316 | 100  |

**Situation of business**

Urban  
Rural

|     |      |
|-----|------|
| 216 | 68.3 |
| 100 | 31.7 |
| 316 | 100  |

|  | Total | Percentage |
|--|-------|------------|
| <b>Access to computer</b>                    |       |            |
| Computer on Premises                         | 315   | 99.7       |
| Occasional Use of computer                   | 0     | 0          |
| No access to the Internet                    | 1     | 0.3        |
|  | 316   | 100        |
| <b>Time using the Internet for Marketing</b> |       |            |
| 0-0.9 years                                  | 33    | 10.4       |
| 1 to 1.9                                     | 31    | 9.8        |
| 2 to 2.9                                     | 42    | 13.2       |
| 3 to 3.9                                     | 41    | 13.0       |
| 4 to 4.9                                     | 58    | 18.4       |
| 5 to 5.9                                     | 41    | 13.0       |
| 6 to 6.9                                     | 22    | 7.0        |
| 7 to 7.9                                     | 19    | 6.0        |
| 8 to 8.9                                     | 14    | 4.4        |
| 9 to 9.9                                     | 6     | 1.9        |
| 10 to 10.9                                   | 9     | 2.9        |
|  | 316   | 100        |

A total of 316 usable questionnaires were analysed. In respect of the shareholding of the businesses, 96.2 percent of the businesses had three or fewer partners/ owners/members/ shareholders involved in the running of the business. These figures are consistent with the figures in respect of full-time employees, with 59.5 percent of the businesses employing between one and five workers, while, 34.2 percent of the businesses made no use of a workforce. In respect of part-time employees, only 16.8 percent of the businesses surveyed, did not make use of this source of labour, which is consistent with the irregular demand faced by many businesses in the tourism sector. The total number of workers (both full-time and part time) was also calculated and this revealed that only 4.1 percent of the businesses did not create any direct employment opportunities, which is consistent with the perceived high labour absorption nature of small tourism businesses (Ntsika, 2002).

Altogether, 79.8 percent of businesses have been in existence for less than ten years, indicating the growth of SMME's in the tourism sector since 1994. Most of the businesses (68.3%) are situated in urban rather than rural areas. With regard to access to the Internet, all but one business has a computer on the premises to access the Internet, which could possibly be explained by the fact that this particular business is situated in a rural area.

Understandably, most of the businesses have only recently started using the Internet for marketing with 77.8 percent having implemented this initiative within six years.

The demographic data obtained from Section B of the questionnaire is discussed in this section. A statistical analysis of the data collected in Section A of the questionnaire follows in the rest of the chapter.

### **8.3 Validity of Measuring Instrument**

The initial step in the data analysis was to assess the discriminant validity of the instrument. This was done using the multivariate technique of exploratory factor analysis with the purpose of establishing which of the variables measured the same concept. This is done by first identifying the separate dimensions of the structure and thereafter determining the extent to which each dimension is explained by each variable.

Exploratory factor analysis was done using the BMDP (4M) computer program (Frane, Jennrich & Sampson, 1992). Initially, maximum likelihood was used as the method of factor extraction and a direct quartimin oblique rotation was specified (Jennrich & Sampson, 1996).

In view of the items : observations ratio, the matrix of responses was divided into two sections for the purposes of this analysis: concepts that are specific to Internet marketing (Internet variables) and those constructs measuring generic management or marketing concepts (Generic variables). No exploratory factor analysis was run in respect of the dependent variable (*Perceived success of Internet marketing*) as it was considered that this would be pointless given the diversity of measures making up this construct. As a consequence it was anticipated that no underlying dimensions of this measure would exist. Similarly, no exploratory factor analysis was done in respect of the marketing objectives, which is analysed separately in Section 8.16.

In both subdivisions (Internet and Generic), the maximum likelihood factor analysis (common factor analysis) was used to identify the latent dimensions measured by the variables. This is done by first extracting the combinations of variables explaining the greatest amount of variance and thereafter the factors explaining lesser amounts of variance. Although the number of factors was not initially specified, the eigenvalues in combination with the scree test suggested that, in respect of the Internet variables, seven variables would be appropriate and, in respect of the Generic variables, that five factors would be apposite.

These factors were identified by an iterative process, deleting variables that either did not load higher than 0.35 on any factor or alternatively loaded more than 0.35 on two or more factors. This was achieved by four iterations in regard to the Internet variables and six iterations in respect of the Generic variables. These results are set out below in Table 8.2 and Table 8.3.

**Table 8.2: Rotated factor loadings: Internet variables**

| Item             | Factor 1<br>Product<br>champion | Factor 2<br>Owner-<br>manager<br>knowledge | Factor 3<br>Alliances | Factor 4<br>Links | Factor 5<br>Owner-<br>manager<br>decision<br>making | Factor 6<br>Owner-<br>manager<br>involvement | Factor 7<br>Owner-<br>manager<br>vision |
|------------------|---------------------------------|--|-----------------------|-------------------|---|--|---|
| PC1              | 0.902                           | -0.042                                     | 0.025                 | 0.011             | -0.019  | 0.040  | -0.016                                  |
| PC2              | 0.835                           | 0.003                                      | 0.017                 | 0.034             | -0.002  | -0.010                                       | 0.065                                   |
| TK1              | 0.793                           | 0.035                                      | -0.033                | -0.051            | 0.029   | 0.057  | 0.035                                   |
| PC4              | 0.667                           | 0.172                                      | 0.050                 | 0.044             | -0.038  | 0.028  | 0.016                                   |
| PC3              | 0.554                           | 0.084                                      | 0.084                 | -0.081            | 0.250   | 0.000  | 0.064                                   |
| TK4              | 0.006                           | 0.881                                      | -0.005                | -0.034            | 0.067   | -0.001                                       | 0.050                                   |
| TK3              | 0.011                           | 0.785                                      | 0.005                 | 0.045             | -0.007  | 0.007  | 0.099                                   |
| TK5              | 0.059                           | 0.670                                      | 0.051                 | 0.041             | -0.086  | 0.195  | 0.048                                   |
| TK2              | 0.136                           | 0.609                                      | 0.035                 | 0.072             | 0.158   | 0.031  | -0.116                                  |
| OI4              | 0.062                           | 0.429                                      | 0.132                 | 0.139             | 0.004   | 0.199  | -0.031                                  |
| ALI3             | 0.020                           | -0.027                                     | 0.763                 | 0.042             | -0.015  | -0.028                                       | -0.001                                  |
| ALI4             | 0.029                           | -0.083                                     | 0.708                 | 0.036             | 0.015   | 0.081  | -0.020                                  |
| ALI2             | -0.070                          | 0.154                                      | 0.673                 | -0.118            | 0.000   | -0.017                                       | 0.045                                   |
| ALI5             | 0.138                           | 0.025                                      | 0.416                 | 0.108             | 0.046   | -0.012                                       | 0.050                                   |
| TRU6             | -0.037                          | 0.036                                      | 0.090                 | 0.991             | -0.021  | -0.012                                       | -0.058                                  |
| TRU5             | 0.001                           | 0.009                                      | -0.062                | 0.667             | 0.038   | 0.007  | 0.066                                   |
| OI3              | -0.060                          | -0.001                                     | -0.005                | -0.001            | 0.875   | 0.034  | 0.025                                   |
| OI2              | 0.099                           | 0.052                                      | 0.026                 | 0.048             | 0.675   | 0.032  | 0.018                                   |
| OI5              | 0.009                           | 0.020                                      | -0.022                | -0.034            | 0.098   | 0.929  | -0.013                                  |
| OI6              | 0.087                           | 0.120                                      | 0.092                 | 0.086             | -0.070  | 0.566  | 0.170                                   |
| TK6              | 0.032                           | 0.042                                      | 0.050                 | 0.041             | 0.037   | 0.051  | 0.889                                   |
| PC7              | 0.344                           | -0.001                                     | -0.010                | 0.027             | 0.151   | 0.055  | 0.392                                   |
| Eigen-<br>Values | 10.283                          | 1.923                                      | 1.522                 | 1.269             | 0.990   | 0.680  | 0.625                                   |

Table 8.2 sets out the factor loadings in respect of the Internet variables and indicates that a total of 22 variables were grouped into seven factors, explaining a total of 70 percent of the variance in the data. The seven factors revealed in Table 8.2 are named Product champion, Owner-manager knowledge, Alliances, Links, Owner-manager decision making, Owner-manager involvement and Owner-manager vision. These factors are discussed in detail in Section 8.5.1.



**Table 8.3: Rotated factor loadings: Generic variables**

| <b>Items</b>             | <b>Factor 1</b><br>Strategic<br>planning | <b>Factor 2</b><br>Entrepreneurial<br>orientation | <b>Factor 3</b><br>Competitor<br>awareness | <b>Factor 4</b><br>Proactive<br>competitor<br>orientation | <b>Factor 5</b><br>Customer<br>orientation |
|--------------------------|--|---|--|---|--|
| <b>SP6</b>               | 0.714                                    | -0.020  | -0.021                                     | 0.045   | 0.085                                      |
| <b>SP4</b>               | 0.687                                    | 0.121   | -0.063                                     | -0.063  | 0.230                                      |
| <b>SP3</b>               | 0.565                                    | 0.153   | 0.114                                      | -0.020  | 0.159                                      |
| <b>SP1</b>               | 0.548                                    | -0.035  | 0.028                                      | 0.053   | -0.069                                     |
| <b>EO5</b>               | -0.015                                   | 0.714   | 0.057                                      | -0.026  | 0.109                                      |
| <b>EO2</b>               | 0.028                                    | 0.608   | -0.121                                     | 0.129   | 0.074                                      |
| <b>EO3</b>               | 0.300                                    | 0.442   | 0.278                                      | 0.029   | -0.119                                     |
| <b>EO4</b>               | 0.239                                    | 0.414   | 0.262                                      | 0.064   | 0.031                                      |
| <b>EO6</b>               | 0.138                                    | 0.406   | 0.250                                      | 0.277   | -0.106                                     |
| <b>EO1</b>               | 0.160                                    | 0.392   | 0.090                                      | 0.211   | 0.056                                      |
| <b>COM3</b>              | 0.017                                    | 0.013   | 0.769                                      | 0.040   | 0.007                                      |
| <b>COM6</b>              | -0.072                                   | -0.075  | 0.593                                      | 0.064   | 0.315                                      |
| <b>COM4</b>              | 0.089                                    | 0.078   | 0.524                                      | 0.046   | 0.108                                      |
| <b>COM2</b>              | 0.174                                    | -0.019  | 0.143                                      | 0.549   | 0.063                                      |
| <b>COM1</b>              | 0.116                                    | -0.222  | 0.139                                      | 0.533   | 0.108                                      |
| <b>EO8</b>               | 0.003                                    | 0.233   | 0.113                                      | 0.514   | -0.000                                     |
| <b>COM7</b>              | 0.155                                    | 0.147   | -0.102                                     | 0.492   | 0.072                                      |
| <b>EO11</b>              | -0.127                                   | 0.197   | 0.012                                      | 0.456   | -0.056                                     |
| <b>CUS6</b>              | 0.006                                    | 0.001   | 0.075                                      | 0.001   | 0.629                                      |
| <b>CUS5</b>              | 0.036                                    | 0.073   | -0.028                                     | 0.172   | 0.499                                      |
| <b>CUS4</b>              | 0.089                                    | 0.004   | 0.255                                      | 0.023   | 0.498                                      |
| <b>CUS1</b>              | 0.150                                    | 0.077   | 0.093                                      | -0.145  | 0.386                                      |
| <b>Eigen-<br/>values</b> | <b>7.756</b>                             | <b>2.075</b>                                      | <b>1.373</b>                               | <b>1.100</b>  | <b>0.979</b>                               |

Table 8.3 sets out the factor loadings in respect of the Generic Variables and indicates that a total of 22 variables were grouped into seven factors, explaining a total of 49 percent of the variance in the data. The seven factors revealed in Table 8.3 are named Strategic planning, Entrepreneurial orientation, Competitor awareness, Proactive competitor orientation and Customer orientation. These factors are discussed in detail in Section 8.5.2.

## **8.4 Reliability of Measuring Instrument**

The reliability of a scale refers to the consistency or the stability of a scale. Validity, by contrast refers to whether the scale truly measures the construct it is supposed to measure (Parasuraman, 1991). This aspect is discussed more fully in Section 7.4.1. One test of reliability is that of internal consistency where the consistency of variables in a summated scale is measured. As the variables are measuring the same scale, they should all be highly correlated.

In this thesis, the Cronbach alpha coefficient was used to assess the reliability of all the factors identified in the exploratory factor analysis. The generally accepted lower limit for the Cronbach alpha coefficient is 0.70 (Hair *et al*, 1998). All of the factors identified recorded a Cronbach alpha coefficient score in excess of 0.70 and are accordingly considered reliable. These results are discussed below in conjunction with the factors identified during exploratory factor analysis.

## **8.5 Factors Identified By Means Of Factor Analysis**

As mentioned in Section 8.2, seven factors were identified in respect of Internet variables by exploratory factor analysis and five factors were identified in respect of Generic variables. These twelve factors are now discussed individually under the headings of Internet variables and Generic variables. In addition to the Cronbach alpha coefficient values, the eigenvalue, factor loading, item to total correlation and the Cronbach alpha after deletion measures are shown in the tables in respect of each measure.

### **8.5.1 Internet factors**

The exploratory factor analysis revealed seven factors. The important influence of the owner-manager is apparent in all but two of these factors, confirming that the important role that the owner-manager plays in most aspect of small business extends to the realm of Internet marketing.

#### 8.5.1.1 Internet Factor 1: Product champion

The original instrument used six items (PC1, PC2, PC3, PC4, PC5 and PC7) to measure *Product champion*. Four items (PC1, PC2, PC3 and PC4) loaded on a single factor as expected and a further item (PC 7) loaded on a further factor named *Owner-manager vision*, discussed in more detail in Section 8.5.1.7. Only one item, PC5 did not load on any factor.

It is not surprising that the item TK1 loaded on this factor as it refers to an appreciation by the owner-manager of what the Internet can do for the marketing of the business.

**Table 8.4: Internet factor 1 (Product champion)**

| Eigenvalue: 10.283 |  | Cronbach Alpha : 0.928 |                    |                               |
|--------------------|--|------------------------|--------------------|-------------------------------|
| Item               | Question   | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| PC1                | The owner-manager is excited about the use of the Internet for marketing our business      | 0.902                  | 0.848              | 0.905                         |
| PC2                | The owner-manager is enthusiastic about the use of the Internet for marketing our business | 0.835                  | 0.847              | 0.905                         |
| TK1                | The owner-manager appreciates what the Internet can do for the marketing of our business   | 0.793                  | 0.810              | 0.912                         |
| PC4                | The owner-manager is passionate about using the Internet for marketing our business        | 0.667                  | 0.782              | 0.917                         |
| PC3                | The owner-manager is committed to using the Internet for marketing our business            | 0.554                  | 0.768              | 0.920                         |

It is apparent from Table 8.4 that this factor has a Cronbach alpha coefficient of 0.928 and is therefore considered a reliable measuring instrument for *Product champion*.

### 8.5.1.2 Internet factor 2: Owner-manager knowledge

The initial instrument used to measure the construct *Owner-manager knowledge* comprised six items (TK1-6) of which four (TK2, TK3 TK4 and TK5) loaded on one factor, as expected. One item (TK1) loaded on the factor *Product champion* (as discussed in Section 8.5.1.1) and a further item (TK7) loaded on *Owner-manager vision* (as discussed in Section 8.5.1.7). The item OI4 loaded on *Owner-manager knowledge*, which is understandable as it refers to the owner-manager monitoring the progress of Internet marketing which, it is argued, would be implicit in appreciating the business issues surrounding the firm's use of the Internet for marketing.

**Table 8.5: Internet factor 2 (Owner-manager knowledge)**

| Eigenvalue: 1.923 |  | Cronbach Alpha : 0.915 |                    |                               |
|-------------------|--|------------------------|--------------------|-------------------------------|
| Item              | Question   | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| <b>TK4</b>        | The owner-manager understands enough about Internet marketing to make informed decisions   | 0.881                  | 0.854              | 0.881                         |
| <b>TK3</b>        | The owner-manager is knowledgeable about the use of the Internet for marketing             | 0.785                  | 0.817              | 0.889                         |
| <b>TK5</b>        | The owner-manager knows what is required to make the Internet effective for marketing      | 0.670                  | 0.814              | 0.889                         |
| <b>TK2</b>        | The owner-manager understands the issues surrounding the use of the Internet for marketing | 0.609                  | 0.744              | 0.904                         |
| <b>OI4</b>        | The owner-manager closely monitors the progress of the Internet marketing of our business  | 0.429                  | 0.686              | 0.915                         |

It is apparent from Table 8.5 that this factor has a Cronbach alpha coefficient of 0.915 and is therefore considered a reliable measuring instrument for *Owner-manager knowledge*.

### 8.5.1.3 Internet factor 3: Alliances

Six items (ALI1, ALI2, ALI3, ALI4, ALI5 and ALI6) were included in the original measuring instrument for the construct *Alliances* of which four loaded on one factor, as expected. Two items (ALI1 and ALI7) did not load on any factor and were deleted.

**Table 8.6: Internet factor 3 (Alliances)**

| Eigenvalue: 1.522 |  | Cronbach Alpha : 0. 767 |                    |                               |
|-------------------|--|-------------------------|--------------------|-------------------------------|
| Item              | Question   | Factor Loading          | Item-Total correl. | Cronbach alpha after deletion |
| <b>ALI3</b>       | Our business associates improve our proficiency at obtaining information on how to market over the Internet. | 0.763                   | 0.620              | 0.683                         |
| <b>ALI4</b>       | Our business associates' advice exerts an influence over the way our business markets over the Internet.     | 0.708                   | 0.609              | 0.689                         |
| <b>ALI2</b>       | We have strong associations with people who can assist us with advice on Internet marketing                  | 0.673                   | 0.579              | 0.705                         |
| <b>ALI5</b>       | Informal networks are a source of information on Internet marketing  | 0.416                   | 0.466              | 0.764                         |

It is apparent from Table 8.6 that this factor has a Cronbach alpha coefficient of 0.767 and is therefore considered a reliable measuring instrument for *Alliances*.

### 8.5.1.4 Internet factor 4: Links

The original instrument used five items (TRU3, TRU5, TRU6, TRU7 and TRU8) to measure *Trust*. Two items (TRU5 and TRU6) loaded on a single factor, as expected. None of the other items loaded on any factors and were deleted.



Trust for the purposes of this thesis is defined in Section 7.3.3.4 as the extent to which small tourism businesses secure the integrity of their consumers' data and restrict the secondary use of the data, have links to their Web site from other reputable tourism organisations, fulfil their online obligations and keep their Web site updated. In view of the fact that items relating to only one aspect (links from other tourism Web sites) loaded on this factor, it was decided to rename this construct *Links* rather than retain the original name of *Trust*, as it was felt that *Links* would be a more appropriate name.

**Table 8.7: Internet factor 4 (Links)**

| Eigenvalue: 1.269 |  | Cronbach Alpha : 0.800 |                    |                               |
|-------------------|--|------------------------|--------------------|-------------------------------|
| Item              | Question   | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| <b>TRU6</b>       | There are links to our Web site from other well known tourism businesses   | 0.991                  | 0.667              | N/A                           |
| <b>TRU5</b>       | There are links to our Web site from the regional and/or local tourism authority and/or other tourism businesses | 0.667                  | 0.667              | N/A                           |

It is apparent from Table 8.7 that this factor has a Cronbach alpha coefficient of 0.800 and is therefore considered a reliable measuring instrument for *Links*.

#### **8.5.1.5 Internet factor 5: Owner-manager decision making**

Six items (OI1, OI2, OI3, OI4, OI5 and OI6) were originally formulated to measure *Owner-manager involvement*. This construct appeared to have two underlying dimensions and two of these items (OI2 and OI3) loaded on one factor with a further two items (OI5 and OI6) loading on *Owner-manager involvement*, which is discussed in detail in Section 8.5.1.6. The balance of the items (OI1 and OI4) did not load on any factors.

It was decided to name the factor on which items OI2 and OI3 loaded *Owner-manager decision making* as both these items are concerned with owner-manager decision making about Internet marketing. This factor then is operationalised as the extent to which the owner-managers are involved and participate in decision making about the Internet marketing of their businesses.

**Table 8.8: Internet factor 5 (Owner-manager decision making)**

| Eigenvalue: 0.990 |   | Cronbach Alpha : 0.810 |                    |                               |
|-------------------|---|------------------------|--------------------|-------------------------------|
| Item              | Question  | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| <b>OI3</b>        | Most decisions about the Internet marketing of our business are made by the owner-manager     | 0.875                  | 0.681              | N/A                           |
| <b>OI2</b>        | The owner-manager is involved in decision making about the Internet marketing of our business | 0.675                  | 0.681              | N/A                           |

It is apparent from Table 8.8 that this factor has a Cronbach alpha coefficient of 0.810 and is therefore considered a reliable measuring instrument for *Owner-manager decision making*.

#### **8.5.1.6 Internet factor 6: Owner-manager involvement**

The loading of the factors in respect of the construct *Owner-manager involvement* is discussed in detail in Section 8.5.1.5, above. Two items (OI5 and OI6) loaded on this factor. *Owner-manager involvement* is operationalised as the extent to which the owner-manager is involved in the everyday managing of the small tourism businesses' Internet marketing initiative.

**Table 8.9: Internet factor 6 (Owner-manager involvement)**

| Eigenvalue: 0.680 |  | Cronbach Alpha : 0.850 |                    |                               |
|-------------------|--|------------------------|--------------------|-------------------------------|
| Item              | Question   | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| <b>O15</b>        | The owner-manager actively participates in managing the Internet for the marketing of our business | 0.929                  | 0.767              | N/A                           |
| <b>O16</b>        | The owner-manager makes time to manage the Internet marketing of our business                      | 0.566                  | 0.767              | N/A                           |

It is apparent from Table 8.9 that this factor has a Cronbach alpha coefficient of 0.850 and is therefore considered a reliable measuring instrument for *Owner-manager involvement*.

#### 8.5.1.7 Internet factor 7: Owner-manager vision

A new factor emerged from the factor analysis consisting of items expected to measure the constructs of *Owner-manager knowledge* (TK6) and *Product champion* (PC7). Both items allude to the vision of the Owner-manager in respect of the potential of the Internet for the marketing of their businesses and this factor is accordingly named *Owner-manager vision*. This construct is operationalised as the extent to which the owner-managers of small tourism businesses are aware of the potential of Internet marketing and believe that it can add value to their business.

**Table 8.10: Internet factor 7 (Owner-manager vision)**

| Eigenvalue: 0.625 |  | Cronbach Alpha : 0.849 |                    |                               |
|-------------------|--|------------------------|--------------------|-------------------------------|
| Item              | Question   | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| <b>TK6</b>        | The owner-manager is aware of the potential of using the Internet for the marketing our business | 0.889                  | 0.738              | N/A                           |
| <b>PC7</b>        | The owner-manager believes that the Internet can add value to the marketing of our business      | 0.392                  | 0.738              | N/A                           |

It is apparent from Table 8.10 that this factor has a Cronbach alpha coefficient of 0.849 and is therefore considered a reliable measuring instrument for *Owner-manager vision*.

## 8.5.2 Generic factors

A second exploratory factor analysis was conducted on the items formulated to measure the generic factors and revealed five factors. These are factors are not specific to Internet marketing and may potentially be components of the firms' competencies and practices, irrespective of whether the small tourism business employs the Internet for marketing.

### 8.5.2.1 Generic factor 1: Strategic planning

Five items were included in the original instrument to measure *Strategic planning* and all, with the exception of SP2, loaded on this factor, as expected. SP2 did not load on any factor and was deleted.

**Table 8.11: Generic factor 1 (Strategic planning)**

| Eigenvalue: 7.756 |  | Cronbach Alpha : 0.804 |                    |                               |
|-------------------|--|------------------------|--------------------|-------------------------------|
| Item              | Question   | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| SP6               | The performance of our business is measured against formal goals | 0.714                  | 0.655              | 0.737                         |
| SP4               | Our business has annual goals                                    | 0.687                  | 0.690              | 0.720                         |
| SP3               | Our business has long term goals                                 | 0.565                  | 0.671              | 0.729                         |
| SP1               | Our business has a mission statement                             | 0.548                  | 0.471              | 0.824                         |

It is apparent from Table 8.11 that this factor has a Cronbach alpha coefficient of 0.804 and is therefore considered a reliable measuring instrument for *Strategic planning*.

### 8.5.2.2 Generic factor 2: Entrepreneurial orientation

*Entrepreneurial orientation* was originally operationalised as comprising three different dimensions. These were innovation (five items), proactive orientation (two items) and risk taking propensity (three items). However, an exploratory factor analysis was done on this construct on its own and the eigenvalues suggested that the construct was one-dimensional. High inter-correlations provided further support for this conclusion.

Six of the original eleven items included in the measuring instrument loaded on this factor, of which five (EO1, EO2, EO3, EO4 and EO5) were initially formulated to measure innovation and the remaining item (EO6), proactive orientation. Two other items EO8 (proactive orientation) and EO11 (risk taking propensity) loaded on *Proactive competitor orientation*, which is discussed more fully in Section 8.5.2.4 below.

**Table 8.12: Generic factor 2 (Entrepreneurial orientation)**

| Eigenvalue: 2.075 |  | Cronbach Alpha : 0.842 |                    |                               |
|-------------------|--|------------------------|--------------------|-------------------------------|
| Item              | Question   | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| EO5               | In the last few years, our business has added very many new features to our service(s).  | 0.714                  | 0.613              | 0.818                         |
| EO2               | In the last few years, changes in the nature of our service (for example features of our service and/or the packages offered) have usually been quite significant. | 0.608                  | 0.535              | 0.833                         |
| EO3               | Our business is innovative in the way it markets itself and/or its products  | 0.442                  | 0.667              | 0.807                         |
| EO4               | We constantly refine and develop existing services/ packages   | 0.414                  | 0.663              | 0.808                         |
| EO6               | In dealing with its competitors, our business is very often the first business to introduce new products/services/packages and ways of marketing.                  | 0.406                  | 0.636              | 0.813                         |
| EO1               | Our firm constantly explores the development of new business ideas (for example new packages and products)   | 0.392                  | 0.610              | 0.819                         |

It is apparent from Table 8.12 that this factor has a Cronbach alpha coefficient of 0.842 and is therefore considered a reliable measuring instrument for *Entrepreneurial orientation*.



### 8.5.2.3: Generic factor 3 Competitor awareness

Seven items (COM1, COM2, COM3, COM4, COM5, COM6 and COM7) were originally formulated to measure the *Competitor orientation* dimension of *Marketing orientation*. Three of these items (COM3, COM4 and COM6) all loaded on one factor with a further three items (COM1, COM2 and COM7) all loading on *Proactive competitor orientation*, together with two items (EO8 and EO11) originally formulated to measure *Entrepreneurial orientation*, which is discussed in detail in Section 8.5.2.4. The item COM5 did not load on any factor.

It was decided to define this factor as *Competitor awareness* as all three items are concerned with understanding or appreciating the nature of the business's competitors. Therefore, in this study, *Competitor awareness* is operationalised as the extent to which the business understands its competitors, as well as their (the competitors') approach to marketing.

**Table 8.13: Generic factor 3 (Competitor awareness)**

| Eigenvalue: 1.373 |   | Cronbach Alpha : 0.780 |                    |                               |
|-------------------|---|------------------------|--------------------|-------------------------------|
| Item              | Question  | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| COM3              | We know our competitors well                              | 0.769                  | 0.654              | 0.662                         |
| COM6              | We understand the nature of our competition               | 0.593                  | 0.576              | 0.747                         |
| COM4              | We are aware of how our competitors market their products | 0.524                  | 0.623              | 0.696                         |

It is apparent from Table 8.13 that this factor has a Cronbach alpha coefficient of 0.780 and is therefore considered a reliable measuring instrument for *Competitor awareness*.

#### 8.5.2.4 Generic factor 4: Proactive competitor orientation

A new factor emerged from the factor analysis comprising items expected to measure the constructs of *Competitor orientation* (COM1, COM2 and COM7) and *Entrepreneurial orientation* (EO8 and EO11). Four of the items (COM1, COM2, COM7 and EO 8) deal specifically with actions taken to monitor, respond to and pre-empt competitors. It is not surprising that the item EO11 also loaded on this factor as this would be a typically proactive action that a small tourism business might take. This factor is defined as *Proactive competitor orientation* and is operationalised as the degree, to which businesses take proactive steps to understand and take action in respect of competitors.

**Table 8.14: Generic factor 4 (Proactive competitor orientation)**

| Eigenvalue: 1.100 |   | Cronbach Alpha : 0.735 |                    |                               |
|-------------------|---|------------------------|--------------------|-------------------------------|
| Item              | Question  | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| COM2              | We respond rapidly to competitors' actions  | 0.549                  | 0.571              | 0.660                         |
| COM1              | In our business competitors are carefully monitored   | 0.533                  | 0.449              | 0.707                         |
| EO8               | In dealing with its competitors, our business is very often the first business to introduce new products/services/packages and ways of marketing. | 0.514                  | 0.541              | 0.672                         |
| COM7              | People selling or marketing our products are instructed to report on competitor activity  | 0.492                  | 0.523              | 0.679                         |
| EO11              | Our business has a tendency to embark on risky projects (with the chances of very high returns)   | 0.456                  | 0.400              | 0.725                         |

It is apparent from Table 8.14 that this factor has a Cronbach alpha coefficient of 0.735 and is therefore considered a reliable measuring instrument for *Proactive competitor orientation*.

### 8.5.2.5 Generic factor 5: Customer orientation

Four of the original five items (CUS1, CUS4, CUS5, CUS6 and CUS7) included in the measuring instrument to measure the *Customer orientation* dimension of *Marketing orientation* loaded on a single factor. One item (CUS7) did not load on any factor.

**Table 8.15: Generic factor 5 (Customer orientation)**

| Eigenvalue: 0.979 |  | Cronbach Alpha : 0.708 |                    |                               |
|-------------------|--|------------------------|--------------------|-------------------------------|
| Item              | Question   | Factor Loading         | Item-Total correl. | Cronbach alpha after deletion |
| CUS6              | We encourage customer comments and complaints because they help us do a better job   | 0.629                  | 0.568              | 0.598                         |
| CUS5              | Our business stays in regular contact with customers from when they have made the initial booking until the time they arrive | 0.499                  | 0.452              | 0.670                         |
| CUS4              | We monitor customer satisfaction on a regular basis  | 0.498                  | 0.514              | 0.632                         |
| CUS1              | Our business has a strong commitment to our customers  | 0.386                  | 0.443              | 0.675                         |

It is apparent from Table 8.15 that this factor has a Cronbach alpha coefficient of 0.708 and is therefore considered a reliable measuring instrument for *Customer orientation*.

### 8.5.3 Dependent variable: Perceived success of Internet marketing

The multidimensional nature of marketing and business performance suggest that no individual measure will be adequate to measure these nebulous concepts. In view of the diverse range of measures for the success of Internet marketing, the items measuring the *Perceived success of Internet marketing* were not subjected to a factor analysis as it is not anticipated that they will load on a single variable. Ten items (derived from the literature and preliminary qualitative research) were formulated to measure the dependent variable of the *Perceived success of Internet marketing*.

**Table 8.16: Dependent variable (Perceived success of Internet marketing)**

|       |   | Cronbach Alpha: 0.915 |                    |                               |
|-------|---|-----------------------|--------------------|-------------------------------|
| Item  | Question  | Factor Loading        | Item-Total correl. | Cronbach alpha after deletion |
| SUC1  | I am satisfied that Internet marketing reduces our marketing costs  | N/A                   | 0.517              | 0.917                         |
| SUC2  | I am satisfied that the use of the Internet for marketing results in increased bookings for our business                            | N/A                   | 0.733              | 0.904                         |
| SUC3  | I am satisfied that our Web site assists us in getting referrals (word of mouth)  | N/A                   | 0.679              | 0.907                         |
| SUC4  | I am satisfied that the Internet assists us in maintaining relationships with existing customers                                    | N/A                   | 0.616              | 0.911                         |
| SUC5  | I am satisfied that use of the Internet for marketing assists us in getting repeat business   | N/A                   | 0.742              | 0.904                         |
| SUC6  | I am satisfied that the Internet improves our ability to find out information about customers, competitors and the tourism industry | N/A                   | 0.621              | 0.911                         |
| SUC7  | I am satisfied that use of the Internet improves the image of our business  | N/A                   | 0.719              | 0.905                         |
| SUC8  | I am satisfied that use of the Internet improves the effectiveness of advertising and promoting our business                        | N/A                   | 0.824              | 0.899                         |
| SUC9  | I am satisfied that the Internet enhances our customer service  | N/A                   | 0.754              | 0.903                         |
| SUC10 | I am satisfied that the Internet assists us in conveying information about our business to customers                                | N/A                   | 0.672              | 0.908                         |

It is apparent from Table 8.16 that this factor has a Cronbach alpha coefficient of 0.915 and is therefore considered a reliable measuring instrument for *Perceived success of Internet marketing*.



## 8.6 Latent Variables removed from the Theoretical Model

Subsequent to the reliability and validity tests, three latent variables had to be removed from the theoretical model, originally presented in Chapter 6 and amended in Section 7.2, due to poor discriminant validity. In some cases, however, some of the items purporting to measure these removed factors, did load onto other latent variables or revealed that there was more than one dimension to the factor, as discussed more fully in Section 8.5. In addition, one variable, *Trust*, was renamed *Links*, for the reasons mentioned in Section 8.5.1.4.

The following variables were removed from the theoretical model:

- *Market orientation*
- *Integrated marketing communication*

The removal of these variables and the identification by exploratory factor analysis of new variables precipitated a review of the hypotheses to be tested as the hypotheses set out in Section 7.2 could no longer be tested.

## 8.7 Reformulation of the Hypothesis

The impact of the steps described in Sections 8.5 and 8.6 are summarised in Table 8.17 below.



**Table 8.17: Reformulation of hypotheses**

| <b>Hypotheses</b> |  | <b>Comment</b>  |
|-------------------|--|---|
| H <sup>1</sup> :  | <i>There is a positive relationship between the owner-manager being a product champion in respect of marketing over the Internet and the perceived success of Internet marketing.</i>      | Retained  |
| H <sup>2</sup> :  | <i>There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the perceived success of Internet marketing.</i> | Retained  |
| H <sup>2a</sup> : | <i>There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the owner-manager being a product champion.</i>  | Retained  |
| H <sup>3</sup> :  | <i>There is a positive relationship between the existence of alliances and the perceived success of Internet marketing.</i>  | Retained  |
| H <sup>3a</sup> : | <i>There is a positive relationship between the existence of alliances and the owner-manager's knowledge of the business implications of marketing over the Internet.</i>                  | Retained  |
| H <sup>4</sup> :  | <i>There is a positive relationship between the existence of trust and the perceived success of Internet marketing.</i>  | The independent variable <i>Trust</i> was renamed <i>Links</i> (see Section 8.5.1.4). |

|                   |   |  |
|-------------------|---|--|
| H <sup>4a</sup> : | <i>There is a positive relationship between the existence of trust and the existence of alliances.</i>  | The independent variable <i>Trust</i> was renamed <i>Links</i> (see Section 8.5.1.4).  |
| H <sup>5</sup> :  | <i>There is a positive relationship between the involvement of the owner-manager in the management of Internet marketing and the perceived success of Internet marketing.</i> | The independent variable ( <i>Owner-manager involvement</i> ) split into two factors (see Sections 8.5.1.5 and 8.5.1.6). New hypotheses were formulated numbered H <sup>5</sup> and H <sup>6</sup> respectively. |
| H <sup>6</sup> :  | <i>There is a positive relationship between the extent of strategic planning in the business and the perceived success of Internet marketing.</i>                             | This hypothesis was renumbered H <sup>8</sup> .  |
| H <sup>7</sup> :  | <i>There is a positive relationship between the existence of a market orientation in the business and the perceived success of Internet marketing.</i>                        | The independent variable ( <i>Market orientation</i> ) split into two factors (see Sections 8.5.2.3 and 8.5.2.5). New hypotheses were formulated numbered H <sup>9</sup> and H <sup>11</sup> respectively.       |
| H <sup>7a</sup> : | <i>There is a positive relationship between the existence of a market orientation in the business and the extent of strategic planning in the business.</i>                   | The independent variable ( <i>Market orientation</i> ) split into two factors (see Sections 8.5.2.3 and 8.5.2.5). New hypotheses were formulated numbered H <sup>9a</sup> and H <sup>11a</sup> respectively.     |

|                   |   |  |
|-------------------|---|--|
| H <sup>8</sup> :  | <i>There is a positive relationship between the existence of an entrepreneurial orientation in the business and the perceived success of Internet marketing.</i>      | This hypothesis was renumbered H <sup>12</sup> .   |
| H <sup>8a</sup> : | <i>There is a positive relationship between the existence of an entrepreneurial orientation in the business and the extent of strategic planning in the business.</i> | This hypothesis was renumbered H <sup>12a</sup> .  |
| H <sup>9</sup> :  | <i>There is a positive relationship between integrated marketing communication and the perceived success of Internet marketing.</i>                                   | The independent variable ( <i>Integrated marketing communication</i> ) did not load as a separate factor. This hypothesis was deleted. |
| H <sup>0</sup> :  | <i>There is no relationship between marketing objectives and the perceived success of Internet marketing.</i>   | Retained.  |

In addition to the above, two additional factors emerged from the exploratory factor analysis (*Owner-manager vision* and *Competitor proactive orientation*). One hypothesis (H<sup>7</sup>) is formulated in respect of *Owner-manager vision* and two hypotheses in respect of *Competitor proactive orientation* (H<sup>10</sup> and H<sup>10a</sup>).

The new hypotheses, which are discussed in the remainder of this study, are set out below.

- H<sup>1</sup>: *There is a positive relationship between the owner-manager being product champion in respect of marketing over the Internet and the perceived success of Internet marketing.*
- H<sup>2</sup>: *There is a positive relationship between the extent of the owner-manager's knowledge of the business implications of marketing over the Internet and the perceived success of Internet marketing.*
- H<sup>2a</sup>: *There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the owner-manager being a product champion.*
- H<sup>3</sup>: *There is a positive relationship between the existence of alliances and the perceived success of Internet marketing.*
- H<sup>3a</sup>: *There is a positive relationship between the existence of alliances and the owner-manager's knowledge of the business implications of marketing over the Internet.*
- H<sup>4</sup>: *There is a positive relationship between the existence of links and the perceived success of Internet marketing.*
- H<sup>4a</sup>: *There is a positive relationship between the existence of links and the existence of alliances.*
- H<sup>5</sup>: *There is a positive relationship between the participation of the owner-manager in decision making about Internet marketing and the perceived success of Internet marketing.*
- H<sup>6</sup>: *There is a positive relationship between the owner-manager's involvement in the management of Internet marketing and the perceived success of Internet marketing.*
- H<sup>7</sup>: *There is a positive relationship between the owner-manager's vision about the potential of Internet marketing and the perceived success of Internet marketing.*
- H<sup>8</sup>: *There is a positive relationship between the extent of strategic planning in the business and the perceived success of Internet marketing.*

- H<sup>9</sup>: *There is a positive relationship between the existence of competitor awareness in the business and the perceived success of Internet marketing.*
- H<sup>9a</sup>: *There is a positive relationship between the existence of competitor awareness in the business and the extent of strategic planning in the business.*
- H<sup>10</sup>: *There is a positive relationship between the existence of proactive competitor orientation in the business and the perceived success of Internet marketing.*
- H<sup>10a</sup>: *There is a positive relationship between the existence of proactive competitor orientation in the business and the extent of strategic planning in the business.*
- H<sup>11</sup>: *There is a positive relationship between the existence of customer orientation in the business and the perceived success of Internet marketing.*
- H<sup>11a</sup>: *There is a positive relationship between the existence of customer orientation in the business and the extent of strategic planning in the business.*
- H<sup>12</sup>: *There is a positive relationship between the existence of an entrepreneurial orientation in the business and the perceived success of Internet marketing.*
- H<sup>12a</sup>: *There is a positive relationship between the existence of an entrepreneurial orientation in the business and the extent of strategic planning in the business.*
- H<sup>0</sup>: *There is no relationship between marketing objectives and the perceived success of Internet marketing.*

The series of interdependent relationships as set out above comprise the modified theoretical model that will be tested by way of SEM. The hypothesis in respect of the marketing objectives (H<sup>0</sup>) will be tested by way of correlation analysis, which is discussed in Section 8.16.

## **8.8 Empirical Results of the Structural Equation Modelling**

Hair *et al* (1998) propose that the use of SEM for analysis comprises seven steps, which are discussed more fully in Section 7.4.4. The first step of the model conceptualisation starts with the initial formulation of the structural model comprising of the relationships



amongst the latent variables. This was done in Chapter 6 and revised subsequent to the exploratory factor analysis, as is more fully set out in Section 8.6 and Section 8.7.

The remaining six steps are discussed in this chapter namely:

- Constructing a path diagram of causal relationships
- Converting the path diagram into a set of structural and measurement models
- Choosing the input matrix type and estimating the proposed model
- Assessing the identification of the structural model
- Evaluating goodness-of-fit criteria
- Interpreting and modifying the model

## **8.9 Constructing a Path Diagram of Causal Relationships**

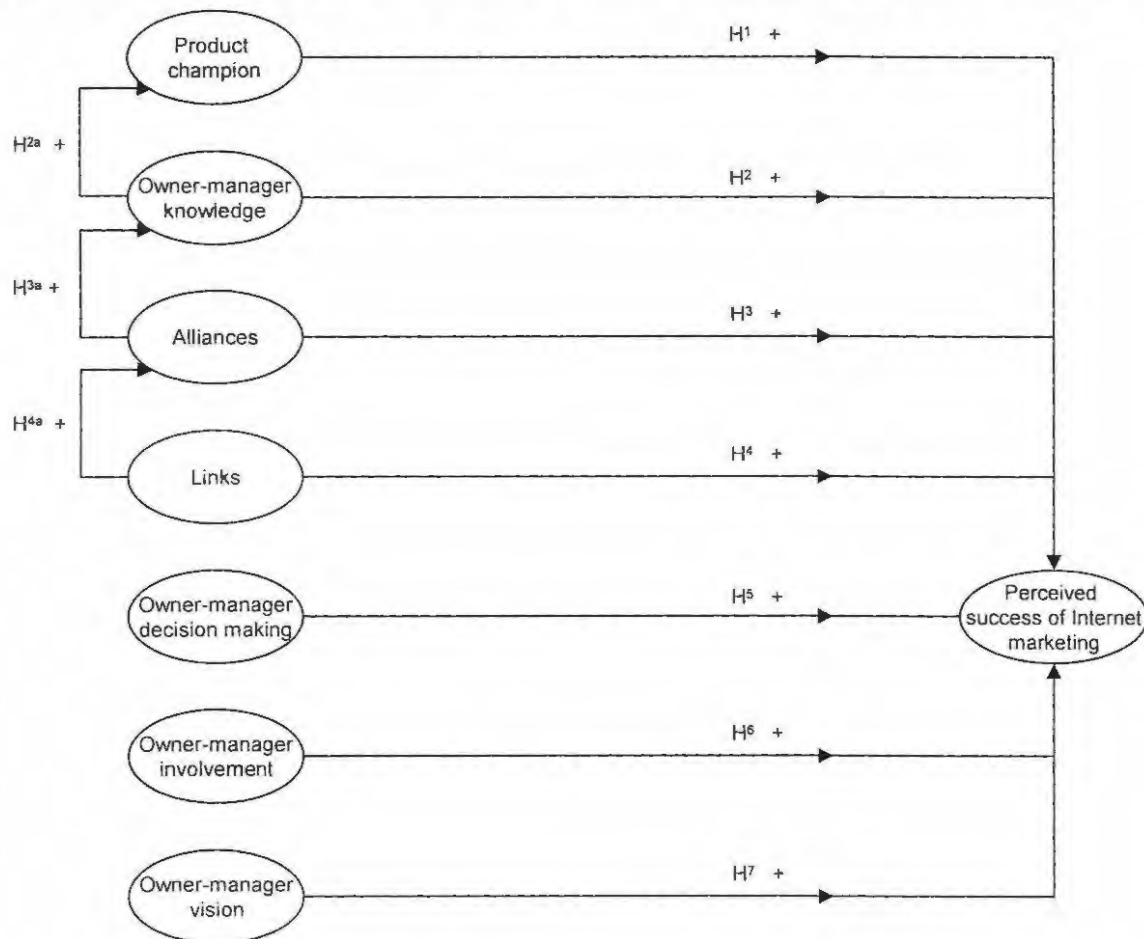
Path diagrams are a method of visually presenting causal relationships amongst constructs. In this research, this is done to test the influence of various factors on the *Perceived success of Internet marketing* as well as amongst each other.

All constructs in a path diagram can be defined as either exogenous or endogenous constructs. Exogenous constructs are independent variables that are not caused or predicted by any of the other constructs in the model. Contrarily, endogenous variables are predicted by other variables which can in turn predict other endogenous constructs.

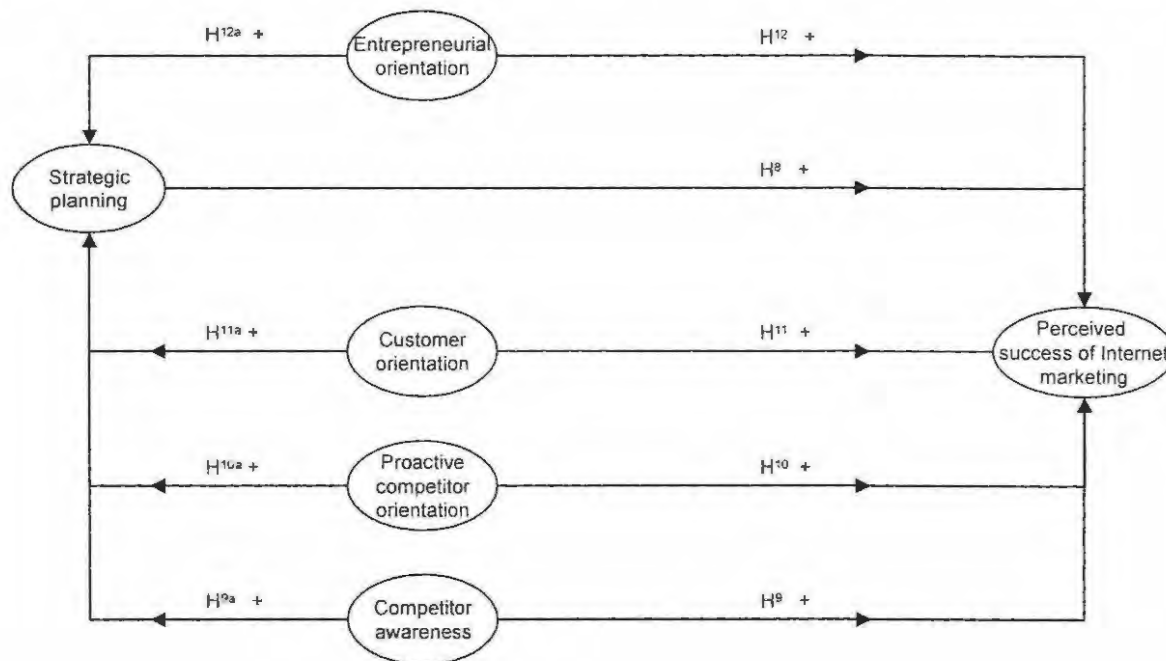
Due to the fact that the theoretical model contained a high number of parameters that had to be estimated relative to the number of observations (respondents), it was decided to split the model into two separate models. It must be pointed out, however, that a sample size of 150 or more typically provides parameter estimates that are small enough to be practically useful (Crosby, Evans & Cowles, 1990). In this case each model analyses data from 316 respondents.

Two separate path diagrams are generated, firstly, in respect of *Internet factors* and secondly, *Generic factors*. These factors are identified and discussed in Section 8.5. The path diagrams in respect of these two sections shown in Figure 8.1 and Figure 8.2 are referred to as Sub-model A and Sub-model B, respectively. These models (Sub-model A and Sub-model B) reflect the redefined hypotheses as stated in Section 8.7. In Figures 8.1 and 8.2, oval symbols denote constructs and arrows indicate the existence and direction of causal relationships.

**Figure 8.1: Path diagram of revised causal relationships (Sub-model A)**



**Figure 8.2: Path diagram of revised causal relationships (Sub-model B)**



## 8.10 Converting the Path Diagram into a Set of Structural and Measurement Models

A structural equation model consists of two parts, the measurement model and the structural model. The measurement model specifies the relationships between the measured variables and the latent variables that are not directly measurable, and the structural model specifies the direct and indirect relationships amongst the latent variables. The next step is to convert the path diagram into a measurement model that specifies which items measure which constructs and a set of structural equations measuring these constructs. These aspects are discussed below:

### 8.10.1 The measurement model

The measurement model is a confirmatory exercise in terms of which the researcher specifies the variables in respect of each construct. These manifest variables are referred

to as indicators in the measurement model, as they are used to measure the latent constructs.

Once the measurement model has been specified, the researcher needs to deal with the reliability of the indicators. Two basic methods for establishing reliability exist, namely empirical specification or specification by the researcher. Furthermore, one of three situations can justify the researcher setting the reliabilities of the latent constructs. Firstly, where the empirical estimation of reliability is not possible, secondly, where the indicators have been used before and the reliabilities are known and finally, a *two-step* approach in which the reliabilities are first assessed and then specified in the second stage when the structural model is estimated.

In the empirical approach, the researcher specifies a loading matrix along with an error term for each indicator variable. When the structural and measurement models are estimated, the loading coefficients provide estimates of the reliabilities of the indicators and the overall construct. The researcher does not have any impact on the reliability value except for specifying the indicators in respect of each construct. This approach is used in this research.

The specification of the indicators of the measurement model is shown in Table 8.18. It consists of the twelve constructs (factors) that emerged from the exploratory factor analysis stage and the manifest variables that define these constructs. In addition, the dependent variable, *Perceived success of Internet marketing* is also reflected together with its manifest variables.

**Table 8.18 Definition of measurement model**

| <b>Constructs</b>                       | <b>Manifest variables</b>                                   |
|---|---|
| Product champion                        | PC1, PC2, TK1, PC4, PC3                                     |
| Owner-manager knowledge                 | TK4, TK3, TK5, TK2, OI4                                     |
| Alliances                               | ALI3, ALI4, ALI2, ALI5                                      |
| Links                                   | TRU6, TRU5  |
| Owner-manager decision making           | OI3, OI2  |
| Owner-manager involvement               | OI5, OI6  |
| Owner-manager vision                    | TK6, PC7  |
| Strategic planning                      | SP6, SP4, SP3, SP1  |
| Entrepreneurial orientation             | EO5, EO2, EO3, EO4, EO6, EO1                                |
| Competitor awareness                    | COM3, COM6, COM4  |
| Proactive competitor orientation        | COM2, COM1, EO8, COM7, EO11                                 |
| Customer Orientation                    | CUS6, CUS5, CUS4, CUS1                                      |
| Perceived success of Internet marketing | SUC1, SUC2, SUC3, SUC4, SUC5, SUC6, SUC7, SUC8, SUC9, SUC10 |

The measurement models in respect of Sub-model A and Sub-model B are presented in Figure 8.3 and Figure 8.4 respectively. The constructs are reflected in oval symbols and the manifest variables in rectangular forms. The measurement error (E) is presented in small circles and the arrows denote a causal effect. In particular, it indicates a dependence relationship between the construct and the manifest variables, indicating that the variance in the manifest variable is caused by the construct. Once calculated, this coefficient indicates the loading of the manifest variable on the construct.



**Figure 8.3: Measurement model (Sub-model A)**

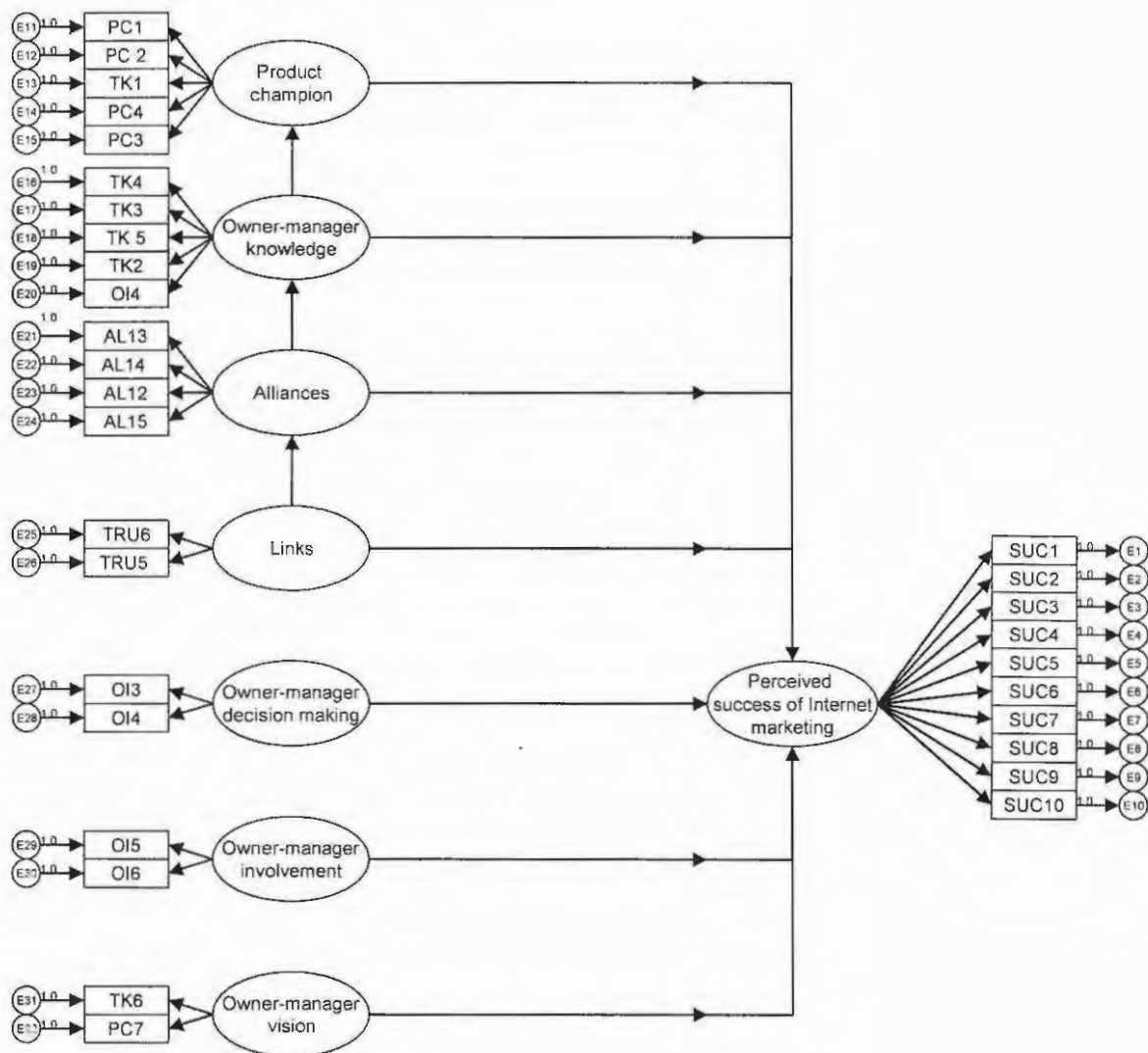
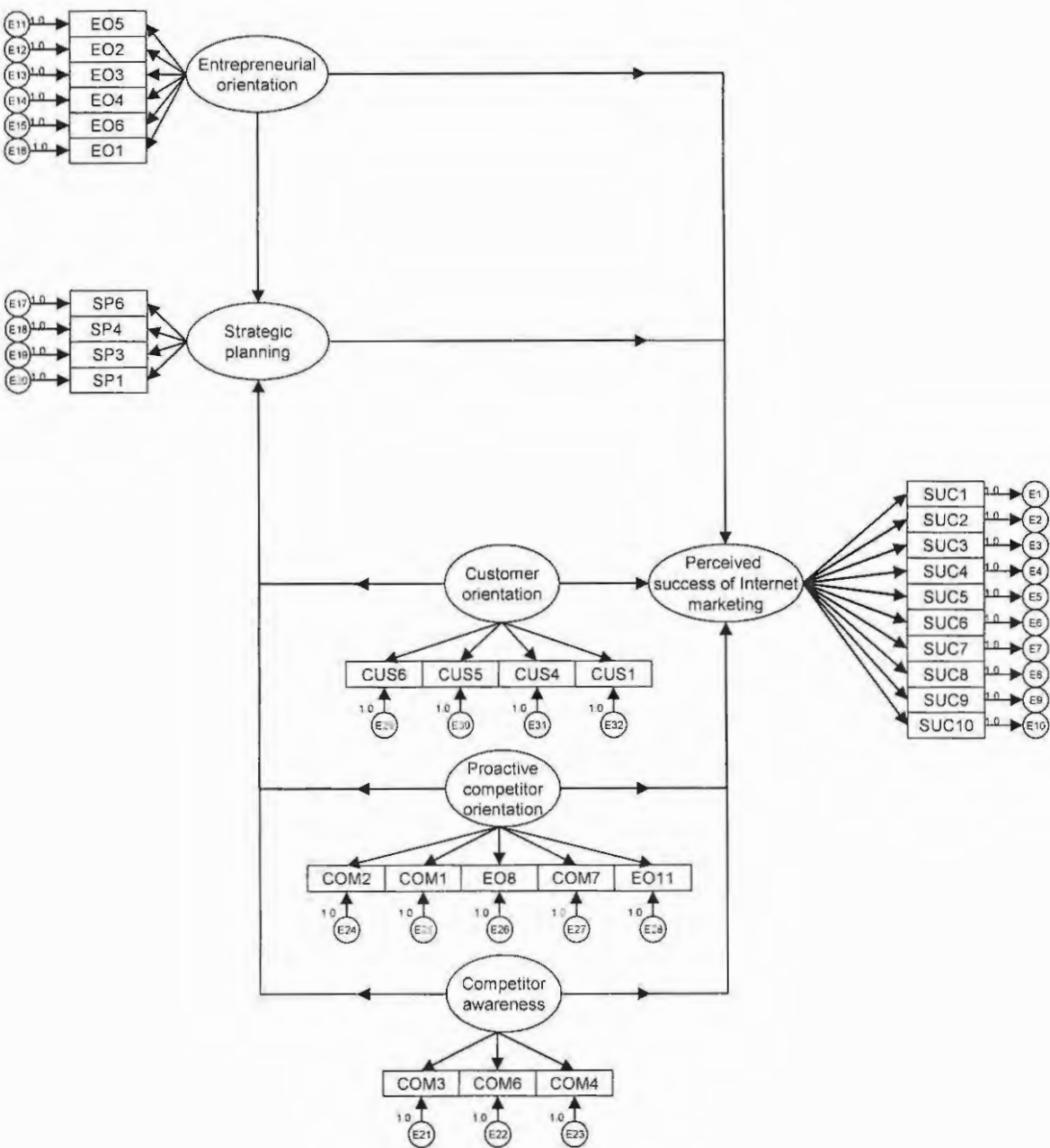


Figure 8.4: Measurement model (Sub-model B)



### 8.10.2 The structural model

Transforming the path diagram into a series of structural equations is a relatively simple exercise. Each endogenous variable is regarded as the dependent variable in a separate equation. The predictor variables are the exogenous variables at the end of the arrow leading to the endogenous variable. An endogenous variable can be predicted by either an exogenous variable(s) or another endogenous variable(s). Included in each equation, reflecting a hypothesised effect, will be an error term ( $\epsilon_j$ ) to allow for both specification error and random measurement error, as well as an estimated structural coefficient ( $b_j$ ).

These equations are used as input to the LISREL program and are reflected in Table 8.19, below.

**Table 8.19 Definition of structural model**

| <b>Endogenous Variables</b>             | <b>Predictor Variables</b>   |
|---|--|
| Product champion                        | Owner-manager knowledge  |
| Owner-manager knowledge                 | Alliances  |
| Alliances                               | Links  |
| Strategic planning                      | Entrepreneurial orientation, Competitor awareness, Proactive competitor orientation, Customer orientation  |
| Perceived success of Internet marketing | Product champion, Owner-manager knowledge, Alliances, Links, Owner-manager decision making, Owner-manager involvement, Owner-manager vision, Strategic planning, Entrepreneurial orientation, Competitor awareness, Proactive competitor orientation, Customer orientation |

## 8.11 Choosing the Input Matrix Type and Estimating the Proposed Model.

The pattern of relationships across respondents is the focus of SEM rather than individual observations. SEM uses either a correlation or variance-covariance data matrix as its input data. The LISREL computer program (version 8.54) (Jöreskog & Sörboom, 2003) was used in this study and consequently the input was in the form of a covariance matrix. The covariance matrix for Sub-model A and Sub-model B are contained in Appendix 8.1 and Appendix 8.2 respectively. The first step, however, is to assess the distributional properties of the data.

### 8.11.1 Estimation of the measurement model

To assess the multivariate normality of the data, the following null hypothesis was considered:

$H^0$ : *The data distribution is a multivariate normal distribution.*

The results of the Chi square test are shown in Table 8.20 below:

**Table 8.20: Results of Chi-square test on multivariate normality of the data**

|                             |         |
|-----------------------------|---------|
| Skewness Value              | 979.36  |
| Z-score                     | 81.23   |
| p-value                     | 0.000   |
| Kurtosis Value              | 3719.94 |
| Z-score                     | 26.96   |
| p-value                     | 0.000   |
| Skewness and Kurtosis Value | 7324.30 |
| p-value                     | 0.000   |

As the value for the Chi square test statistic was 7324.3 and the associated p-value smaller than 0.001 the null hypothesis was rejected at the 0.1 percent level of

significance. In other words, the assumption of multivariate normality is not supported by the data. As a result, the Robust Maximum Likelihood method available in LISREL 8.54 (Jöreskog & Sörbom, 2003) was used for estimating both the measurement model and the structural equation model.

### ***8.11.2 Estimation of goodness-of-fit for the measurement model***

In respect of the constructs identified in the measurement model, the loadings of the various manifest variables have been evaluated in respect of Sub-model A and Sub-model B. In respect of each variable, the p-values associated with each of the loadings exceed the critical value (1.96) for the 5 percent significance level as well as the critical value (2.58) at the 1 percent significance level. It can therefore be concluded that the manifest variables are significantly related to their individual constructs.

Having established the relationship between the variables and their constructs, the next step is to establish the extent to which the proposed model represents an acceptable approximation of the data and to do this various fit indices need to be examined. These are discussed in detail in Section 7.4.3.6.

The non-normality of the data (see Section 8.11.1) means that the goodness-of-fit measures of GFI and AGFI could not be used. In addition, because of the non-normality of the data, the Satorra-Bentler Scaled Chi-Square (SBS  $\chi^2$ ) (Satorra & Bentler, 1994) was used instead of the standard Chi-Square. The SBS $\chi^2$  takes the non-normality of the data into account. Although there is some conjecture on the topic, a value of less than or equal to 3.0 for the SBS $\chi^2$ /degrees of freedom ratio is used as an indication of reasonable fit (Kline, 1998).

The indices of fit for the measurement models in respect of Sub-model A and Sub-model B are reflected in Table 8.21 and Table 8.22 respectively.



**Table 8.21: Goodness-of-fit statistics for measurement model: Sub-model A (Internet Model)**

|   |                 |
|---|-----------------|
| Sample size                                       | 316             |
| Degrees of freedom                                | 188             |
| Satorra-Bentler Scaled Chi-Square (SBS $\chi^2$ ) | 302.25 (p=0.00) |
| Root mean square error of approximation (RMSEA)   | 0.044           |

In respect of Sub-model A (Table 8.21), the RMSEA score of 0.044 falls below 0.05, indicating a close fit and this is supported by the SBS $\chi^2$ /degrees of freedom ratio for Sub-model A which is 0.96 and below the threshold of 3.0.

**Table 8.22: Goodness-of-fit statistics for measurement model: Sub-model B (Generic Model)**

|   |                 |
|---|-----------------|
| Sample size                                       | 316             |
| Degrees of freedom                                | 199             |
| Satorra-Bentler Scaled Chi-Square (SBS $\chi^2$ ) | 337.52 (p=0.00) |
| Root mean square error of approximation (RMSEA)   | 0.047           |

Similarly, in respect of Sub-model B (Table 8.22), the RMSEA score of 0.047 falls below 0.05, indicating a close fit and this is supported by the SBS $\chi^2$ /degrees of freedom ratio of 1.07 and below the threshold of 3.0.

In summary, the goodness-of-fit statistics indicated an acceptable fit for the measurement model and the modification indices did not suggest any changes. The measurement model, however, only reflected the relationships between the manifest variables and their constructs and only these associations were tested. The relationships between the constructs will be tested in the next section.

### **8.11.3 Estimation of structural model**

The Robust Maximum Likelihood method of estimation was also used in respect of the structural models (Sub-model A and Sub-model B). The results in respect of Sub-model

A are presented in Figure 8.5 and are discussed in Sections 8.11.3.1 to 8.11.3.7 and the results in respect of Sub-model B are presented in Figure 8.6 and are discussed in Sections 8.11.3.8 to 8.11.3.12.

**Figure 8.5: Structural model estimation (Sub-model A)**

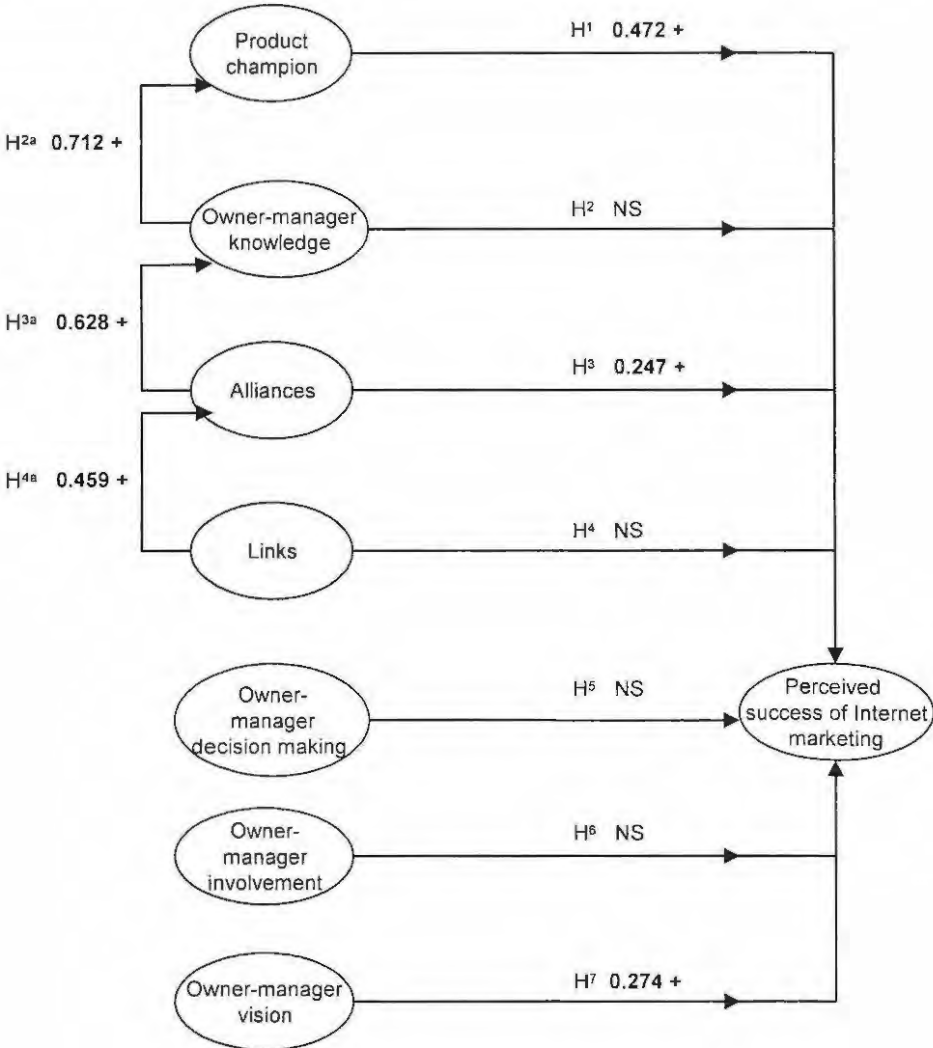
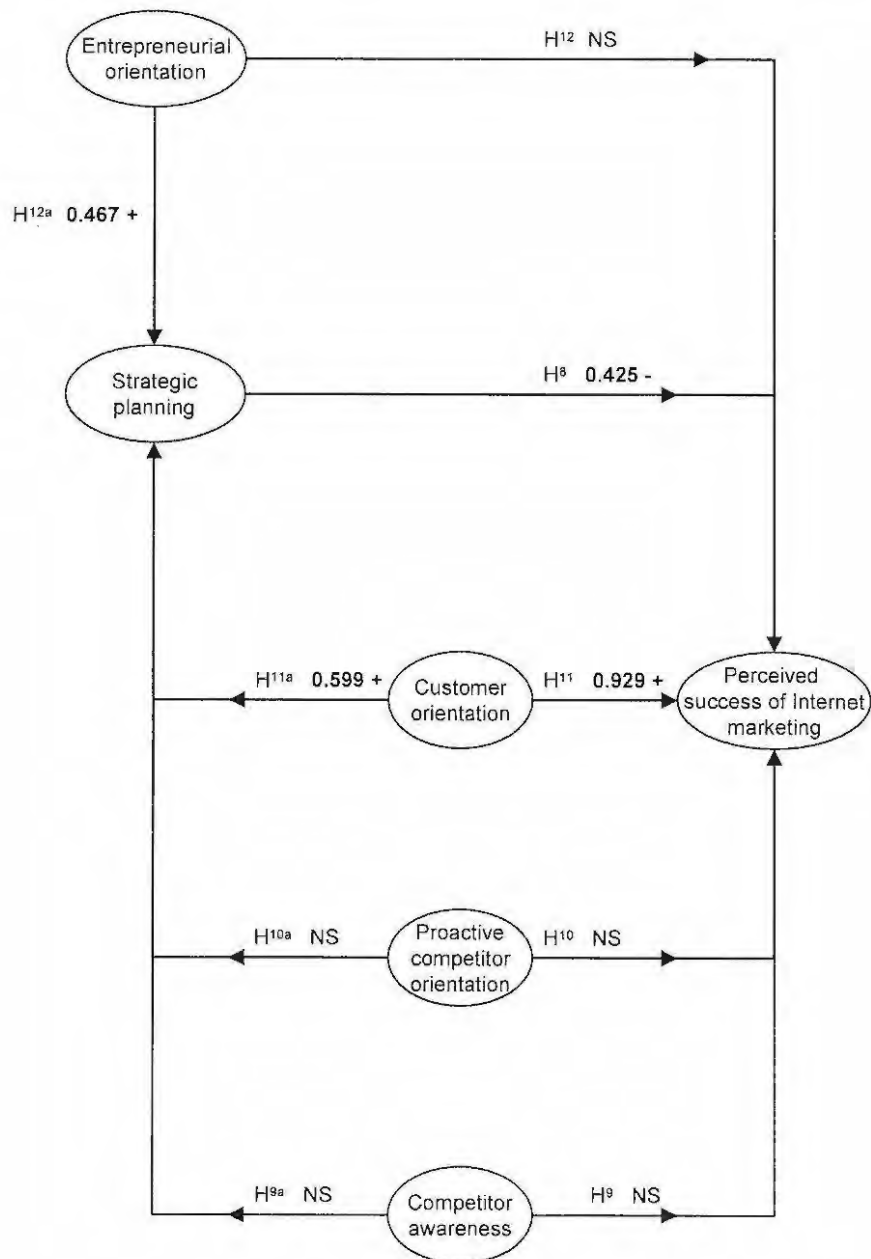


Figure 8.6: Structural model estimation (Sub-model B)



### 8.11.3.1 Product champion

It is apparent from Figure 8.5 that there is a strong positive relationship (0.472,  $p < 0.001$ ) between the *Product champion* and the *Perceived success of Internet marketing* (hypothesis H<sup>1</sup>). This suggests that, where the owner-manager acts as product champion in respect of Internet marketing, this initiative will be more likely to be successful. It follows that H<sup>1</sup> is accepted.

This result is consistent with the argument that the use of the Internet can be regarded as an innovation (Bengtsson *et al*, 2003; Mehrtens *et al*, 2001; Schumpeter, 1934) and that, in respect of the successful adoption and implementation of innovations, a product champion is important (Cragg & King, 1993; Ettlie *et al*, 1984). In addition, the significance of the owner-manager acting in the role of product champion is also consistent with past research with regard to the importance of a product champion in successfully employing the Internet for marketing (Bengtsson *et al*, 2003; Mehrtens *et al*, 2001; Stansfield & Grant, 2003; Thong & Yap, 1995).

### 8.11.3.2 Owner-manager knowledge

No empirical support was found for the hypothesised relationship between *Owner-manager knowledge* and *Perceived success of Internet marketing* (hypothesis H<sup>2</sup>). Whether the owner-manager appreciates the business potential of the Internet or not will therefore have no direct impact on the success of the Internet marketing of a business. Hypothesis H<sup>2</sup> is accordingly rejected.

This finding is inconsistent with research in respect of information systems (for example Cragg & King, 1993; Thong & Yap, 1995), which found that while owner-managers did not need to be experts in information technology, a reasonable level of technical knowledge is important for its successful adoption and implementation. However, these findings (Cragg & King, 1993; Thong & Yap, 1995) can be distinguished from the research in respect of the use of Internet for marketing, which emphasised the importance of the owner-manager appreciating and understanding the broader business implications

of the Internet for marketing, in order to coordinate this medium to achieve marketing goals, as opposed to an understanding of the technology *per se*. Nevertheless, the empirical findings in this study contradict the research in respect of the importance of the owner-manager's grasp of the business implications of the use of the Internet for marketing (Mehrtens *et al*, 2001; McGowan & Durkin, 2002).

This study, did, however show that *Owner-manager knowledge* did have an indirect influence on the *Perceived success of Internet marketing*. This study revealed a positive relationship (0.712,  $p < 0.001$ ) between the *Owner-manager knowledge* and *Product champion* and hypothesis H<sup>2a</sup> is accepted. This is consistent with research that found that in order to act as a product champion, it would be expected that the owner-manager would have a reasonable understanding of the technology (McGowan & Durkin, 2002; Stansfield & Grant, 2003).

### 8.11.3.3 Alliances

Hypothesis H<sup>3</sup> is accepted as the current study revealed a significant positive relationship (0.247,  $p < 0.05$ ) between *Alliances* and the *Perceived success of Internet marketing*. In other words, the more the owner-manager makes use of alliances as a resource to plan and implement the use of the Internet for marketing, the more likely that the Internet marketing of the firm will be successful. One reason for this relationship is that small firms usually suffer from a lack of resources, and networks expand the resources of small businesses (Hoffman & Novak, 1997; McGowan & Durkin, 2002; McGowan *et al*, 2001; Rayport & Jaworski, 2001), which is critical to the success of Internet marketing. In addition, alliances may add value in terms of developing new products and ways of marketing products, using the Internet (Hoffman & Novak, 1997; Gilmore, Carson & Grant, 2001; Jones *et al*, 2003; Rayport & Jaworski, 2001).

Cooperative behaviours allow firms to expand their knowledge (Lado *et al*, 1997). The empirical results in the present study support this line of reasoning, showing a positive relationship (0.628,  $p < 0.001$ ) between *Alliances* and *Owner-manager knowledge* (hypothesis 3<sup>a</sup>). This would imply that the more the owner-manager makes use of



alliances, the more the owner-manager's knowledge about the use of the Internet for marketing will be enhanced. In other words, hypothesis 3<sup>a</sup> is accepted.

#### 8.11.3.4 Links

It is important to keep in mind that items that were included in the measuring instrument to measure Trust included items relating to the security and privacy of consumer information, the relevancy of Web site information and the fulfilment of undertakings. In addition there were two items (TRU5 and TRU6), which related to links from other tourism Web sites to the small tourism businesses' Web site, and only these two measures loaded on a single factor. None of the other items loaded on any factors and were deleted. In view of the fact that the two items (TRU5 and TRU6) relate to only one aspect of *Trust* (links from other tourism Web sites), it was decided to rename this factor *Links* rather than retain the original name of *Trust*, as it was felt that *Links* would be a more appropriate name.

Although trust in the online world is understood to mean security and privacy, and these aspects are at the core of Internet marketing, it was not possible to measure the impression of consumers in this regard. Rather, trust, in this research, is defined as the steps that a business can take to engender trust and this could be by setting up links with other similar or complementary Web sites. These links can be interpreted as a form of third party reference or co-branding (Durkan *et al*, 2003; McCole, 2002; Urban *et al*, 2000) and contrary to expectations did not impact positively and directly on the success of Internet marketing. In other words, Hypothesis H<sup>4</sup> is rejected as the empirical results showed no support for a relationship between *Links* and the *Perceived success of Internet marketing*.

Support was found for the positive relationship (0.459,  $p < 0.001$ ) between *Links* and *Alliances* and consequently hypothesis H<sup>4a</sup> is accepted. Although networking does have the ability to access important expertise for small businesses, this is based on trust (Dubini & Aldrich, 1991; Michell *et al*, 1998) which having appropriate links may facilitate. *Links* will have an indirect impact on the *Perceived success of Internet marketing* by having a positive impact on *Alliances*.

### 8.11.3.5 Owner-manager decision making

*Owner-manager decision making* has no significant impact on the *Perceived success of Internet marketing* and hypothesis H<sup>5</sup> is accordingly rejected. This means that involvement of the Owner-manager in the decision making in regard to Internet marketing will not have an impact the success of Internet marketing.

Four of the six items (OI1, OI2, OI3, OI4, OI5 and OI6) originally formulated to measure *Owner-manager involvement*, were split into two separate factors during exploratory factor analysis. Two of the items (OI2 and OI3), relating to the decision making of the Owner-manager in relation to Internet marketing, loaded on one factor, termed *Owner-manager decision making*. A further two of the items, relating to the involvement of the manager in the management of the Internet for the marketing of the business, loaded on another factor for which it was decided to retain the name *Owner-manager involvement*. This factor is discussed in detail in Section 8.11.3.6.

The empirical findings in this study, contradict previous research that emphasised the importance of owner-manager involvement in decision making in regard to Internet marketing. The rationale behind these earlier findings is that in small businesses, only the owner-manager usually has access to the information and resources necessary to make and implement appropriate decisions (McGowan & Durkin, 2002; McGowan *et al*, 2001; O'Toole, 2003).

### 8.11.3.6 Owner-manager involvement

Hypothesis H<sup>6</sup> is rejected as there is no support for the assertion that *Owner-manager involvement* has a positive influence on the *Perceived success of Internet marketing*. This indicates that the success of Internet marketing is not influenced by the involvement of the owner-manager in the day-to-day management of the Internet for marketing. This implies that it is satisfactory for the owner-manager to delegate this task to someone else, either inside or outside the organisation as this will not necessarily have an adverse impact on the success of Internet marketing. This result contradicts previous research that

emphasised the importance of the involvement of the owner-manager in the use of the Internet for marketing (Cragg & King, 1993; Delone, 1988; Durkin & McGowan, 2001; McGowan & Durkin, 2002; McGowan *et al*, 2001).

#### **8.11.3.7 Owner-manager vision**

Hypothesis H<sup>7</sup> is accepted as the current study revealed a significant positive relationship (0.274,  $p < 0.05$ ) between *Owner-manager vision* and the *Perceived success of Internet marketing*. This factor was not contemplated when the hypotheses were originally formulated and it only emerged after the exploratory factor analysis. It is made up of two items originally formulated to measure *Owner-manager knowledge* (TK6) and *Product champion* (PC7). These items relate to appreciation or understanding, by the owner-manager, of what the Internet can accomplish in the marketing of a small business.

It was originally thought that the formulation of such a construct (*Owner-manager vision*) and hypothesis H<sup>7</sup> would be redundant as implicit in the acquisition of a Web site for the purposes of marketing would be the vision of the owner-manager of the potential use of the Internet for marketing. Nevertheless, research has shown that the vision of the owner-manager of the use of the Internet is an important phase in achieving Internet marketing success (Durkin & McGowan, 2001; McGowan & Durkin, 2002; McGowan *et al*, 2001).

#### **8.11.3.8 Strategic planning**

Based on the empirical results of this study, *Strategic planning* does have an influence on the *Perceived success of Internet marketing* (-0.425,  $p < 0.05$ ), but contrary to the statement in hypothesis H<sup>8</sup>, this relationship was found to be negative. In other words, the more strategic planning is done, the less likely it would be that the Internet marketing of the business would be successful. It follows that hypothesis H<sup>8</sup> is rejected.

Although research on the impact of strategic planning on the success of a business is equivocal (Carland *et al*, 1989; Fredrickson & Mitchell, 1984; Greenley, 1986; Peel & Bridge, 1998; Robinson & Pearce, 1984) a review of the literature shows strong support for an ordered method of planning (English, 2001; Kotler & Armstrong, 1999;

Meggison *et al*, 2000). In particular, Internet marketing should be integrated into the overall strategic direction of the firm, which is achieved by strategic planning (Carland *et al*, 1989; Chaffey *et al*, 2000; Jones *et al*, 2003; Kritzing & Du Plessis, 2001; McGowan *et al*, 2001), however, planning in respect Internet marketing usually forms part of the tactical plans rather than the strategic plans (Kımlıoğlu, 2004).

Although this finding is contrary to what was expected, it could be explained by the nature of small businesses, many of which are more concerned with short term survival, than with a broader perspective. They do not have the resources to take a long-term and strategic view of Internet marketing and are more concerned with immediate and short term returns on their investment into Internet marketing.

#### **8.11.3.9 Competitor awareness**

The empirical results in this study indicate that there is not a significant relationship between *Competitor awareness* and the *Perceived success of Internet marketing* (hypothesis H<sup>9</sup>). In other words, whether or not a business appreciates and understands the nature and extent of their competition and the way they market their products will not significantly affect the success of their use of the Internet for marketing and accordingly hypothesis H<sup>9</sup> is rejected.

The *Marketing orientation* construct comprises the two dimensions of customer orientation and competitor orientation (Narver & Slater, 1990; Venkatesan & Soutar, 2000). The items originally included in the measuring instrument to measure *Competitor orientation*, were split into two separate factors during the exploratory factor analysis. Three items (COM3, COM4 and COM6) loaded on a factor termed *Competitor awareness*, while three other items loaded, together with other items, on the factor termed *Proactive competitor orientation* (see Section 8.11.3.10). Other researchers have not experienced this specific phenomenon in regard to this construct, which could be attributed to the fact that they generally use confirmatory factor analysis, as opposed to the exploratory factor analysis used in this study.

The importance of market orientation is that it facilitates organisational learning, which is an important attribute if a business is to use successfully the Internet for marketing (Glazer, 1991; Hoffman & Novak, 1997; Morgan *et al.*, 1998). However, many small tourism firms serve small or niche markets with little competition and this may be the reason why *Competitor orientation* has no impact on the success of Internet marketing.

Similarly, no support was found for the relationship between *Competitor awareness* and *Strategic planning* and hypothesis H<sup>9a</sup> is rejected. Therefore, whether or not small firms are aware of their competitors will have no influence on *Strategic planning*. A review of the literature shows that marketing orientation (although in this regard, no distinction is made between a customer orientation and a competitor orientation) may influence strategic planning by providing a focus for this activity. However, this is not confirmed in the present study.

#### **8.11.3.10 Proactive competitor orientation**

Proactive competitor orientation is a new factor that emerged during the exploratory factor analysis and which is introduced in Section 8.11.3.9. In addition to the items originally formulated to measure the *Competitor orientation* dimension of *Marketing orientation* (COM1, COM2 and COM7), two items (EO8 and EO11) loaded on this factor, which relates to the activities undertaken by firms to monitor and respond to competitors' activities.

The empirical results of this study revealed that there is no significant relationship between *Proactive competitor orientation* and the *Perceived success of Internet marketing* and hypothesis H<sup>10</sup> is rejected. Similarly, hypothesis H<sup>10a</sup> was rejected as no support was found for the relationship between *Proactive competitor orientation* and *Strategic planning*.

As discussed in Section 8.11.3.9, many small tourism firms serve small or niche markets with little competition. Consequently spending time and resources understanding competitors is difficult to justify in a small tourism business with limited means and a



small customer base and this may explain the results in respect of hypothesis H<sup>10</sup> and hypothesis H<sup>10a</sup>.

#### **8.11.3.11 Customer orientation**

Hypothesis H<sup>11</sup> is accepted as the current study revealed a significant positive relationship (0.929,  $p < 0.001$ ) between *Customer orientation* and the *Perceived success of Internet marketing*. In other words, if a business is customer orientated, this will have a positive impact on the success of the use of the Internet for marketing. This is because customer orientation facilitates the collection of information about customers (Hoffman & Novak, 1997; Jones *et al*, 2003), as well as organisational learning which is crucial during the planning and implementation of Internet marketing (Glazer, 1991; Hoffman & Novak, 1997; Morgan *et al*, 1998). This is consistent with research in respect of innovations (Atuahene-Gima & Ko, 2001; Hurley & Hult, 1998), which concluded that a firm's market orientation will impact on the extent to which it successfully introduces innovations.

Similarly, hypothesis H<sup>11a</sup> is accepted as there is a significant positive relationship (0.599,  $p < 0.001$ ) between *Customer orientation* and *Strategic planning*. In other words, the more customer orientated a firm, the better its strategic planning. This is consistent with the literature that reveals that a market orientation facilitates customer, market and technology intelligence (Hoffman & Novak, 1997; Jones *et al*, 2003), which is important in strategic planning.

#### **8.11.3.12 Entrepreneurial orientation**

Previous research has demonstrated that the existence of an entrepreneurial orientation will positively affect the success of Internet marketing (Bengsston *et al*, 2003; Covin & Slevin, 1989; Jones *et al*, 2003; Miller, 1983; Miller & Friesen, 1983; Poon & Swatman, 1997). This is because firms with an entrepreneurial orientation are better able to operate in a volatile and unpredictable environment, which is characteristic of the use of the Internet for marketing. In addition, an entrepreneurial orientation will allow a firm to

visualise the benefits of Internet marketing, which will in turn facilitate the appropriate learning behaviours.

However, the empirical results of the study do not support the hypothesis ( $H^{12}$ ) that there is a significant relationship between *Entrepreneurial orientation* and the *Perceived success of Internet marketing*. In other words, there is no significant relationship between *Entrepreneurial orientation* and the *Perceived success of Internet marketing* at the  $p < 0.05$  level. The result is approaching significance at this level and although significant at the  $p < 0.10$  level, does not qualify as significant in terms of the criteria set for this study.

The results revealed a significant (0.467,  $p < 0.01$ ) relationship between *Entrepreneurial orientation* and *Strategic planning* and hypothesis  $H^{12a}$  is accepted. This is consistent with research (Bracker & Pearson, 1986; Bracker *et al* 1988) that suggested that *Entrepreneurial orientation* may have a positive impact on the effectiveness of *Strategic planning*. However, the argument that *Entrepreneurial orientation* will have an indirect positive impact on the success of Internet marketing via its influence on *Strategic planning* (Bracker *et al* 1988; Jones *et al*, 2003) is contradicted in this study as strategic planning was found to have a negative influence (-0.425,  $p < 0.05$ ) on the *Perceived success of Internet marketing*.

## 8.12 Assessing the Identification of the Structural Model

There is no single rule that confirms the identification of a model Hair *et al*, (1998) have proposed two rules-of-thumb which are the order and rank conditions.

The order condition recommends that a model's degrees of freedom must be greater or equal to zero. An over-identified model would be optimal in SEM, meaning that there is more information in the data matrix than the parameters to be estimated, in other words, positive degrees of freedom. It follows that a just-identified model has exactly zero degrees of freedom and an under-identified model would have negative degrees of freedom. For Sub-model A the degrees of freedom are 448 and for Sub-model B the

degrees of freedom are 449. These measures are significantly greater than zero, meaning that there is no danger that the model will produce meaningless or illogical results.

To test for rank condition is too complex in all but the simplest models. Instead, a number of heuristics exist, one of which states that any construct with three or more indicators will always be identified. In Sub-model A and Sub-model B, only four constructs have less than three indicators, which will mitigate against risk of model identification problems.

### 8.13 Evaluating the Goodness-of-fit of the Structural model

The measures that need to be examined in order to establish whether or not the model represents an acceptable approximation of the data are discussed in Section 7.4.3.6 and Section 8.11.2. The relevant goodness-of-fit statistics are reflected in Table 8.23 and Table 8.24 and are discussed below.

**Table 8.23: Goodness-of-fit statistics for structural model: Sub-model A (Internet Model)**

|   |                 |
|---|-----------------|
| Sample size                                       | 316             |
| Degrees of freedom                                | 448             |
| Satorra-Bentler Scaled Chi-Square (SBS $\chi^2$ ) | 995.778 (p=0.0) |
| Root mean square error of approximation (RMSEA)   | 0.0623          |

In respect of Sub-model A, as set out in Table 8.23, the RMSEA score of 0.0623 falls within the range 0.05 to 0.08, indicating a reasonable fit and this is supported by the  $SBS\chi^2/\text{degrees of freedom}$  ratio for Sub-model A which is 2.22 and below the threshold of 3.0.

**Table 8.24: Goodness-of-fit statistics for structural model: Sub-model B (Generic Model)**

|   |                 |
|---|-----------------|
| Sample size                                       | 316             |
| Degrees of freedom                                | 449             |
| Satorra-Bentler Scaled Chi-Square ( $SBS\chi^2$ ) | 817.593 (p=0.0) |
| Root mean square error of approximation (RMSEA)   | 0.0510          |

Similarly, in respect of Sub-model B, as set out in Table 8.24, the RMSEA score of 0.0510 falls within the range 0.05 to 0.08, indicating a reasonable fit and this is supported by the  $SBS\chi^2/\text{degrees of freedom}$  ratio for Sub-model B which is 1.82 and below the threshold of 3.0.

In summary, the indices measured indicate a reasonable fit of the structural model.

## 8.14 Model Re-specification

Once the model has been interpreted, the next step is to look for ways to improve the model. This is known as model re-specification, which comprises adding to or deleting parameters from the model. Any such modifications to the model can only be made if theoretically justified.

One source of assessing the fit of a specified model is the modification indices, which are calculated for every non-estimated relationship. This value approximately corresponds to the reduction in the value of the  $\chi^2$  that will occur if the coefficient is estimated. After examining the modification indices and considering the theoretical relationships between the latent variables, no additions to the model could be justified. Consequently no new hypotheses were added to those discussed in detail in Section 8.11.3 and summarised in Section 8.15.

## 8.15 Summary of Hypotheses Tested

Although the goodness-of-fit statistics in respect of the structural (and measurement) models have been discussed in this chapter, the main focus of this section is the testing of the relationships between certain variables. These relationships are discussed in detail in Section 8.11.3 and the results of the hypotheses tested are summarised in Table 8.25.

**Table 8.25: Summary of hypotheses tested**

| <b>Hypothesis</b> |  | <b>Accepted or rejected</b> |
|-------------------|--|-----------------------------|
| H <sup>1</sup>    | <i>There is a positive relationship between the owner-manager being product champion in respect of marketing over the Internet and the perceived success of Internet marketing.</i>                      | Accepted                    |
| H <sup>2</sup>    | <i>There is a positive relationship between the extent of the owner-manager's knowledge of the business implications of marketing over the Internet and the perceived success of Internet marketing.</i> | Rejected                    |
| H <sup>2a</sup>   | <i>There is a positive relationship between the owner-manager's knowledge of the business implications of marketing over the Internet and the owner-manager being a product champion.</i>                | Accepted                    |
| H <sup>3</sup>    | <i>There is a positive relationship between the existence of alliances and the perceived success of Internet marketing.</i>  | Accepted                    |
| H <sup>3a</sup>   | <i>There is a positive relationship between the existence of alliances and the owner-manager's knowledge of the business implications of marketing over the Internet.</i>                                | Accepted                    |



|                 |   |          |
|-----------------|---|----------|
| H <sup>4</sup>  | <i>There is a positive relationship between the existence of links and the perceived success of Internet marketing.</i>   | Rejected |
| H <sup>4a</sup> | <i>There is a positive relationship between the existence of links and the existence of alliances.</i>  | Accepted |
| H <sup>5</sup>  | <i>There is a positive relationship between the participation of the owner-manager in decision making about Internet marketing and the perceived success of Internet marketing.</i> | Rejected |
| H <sup>6</sup>  | <i>There is a positive relationship between the owner-manager's involvement in the management of Internet marketing and the perceived success of Internet marketing.</i>            | Rejected |
| H <sup>7</sup>  | <i>There is a positive relationship between the owner-manager's vision about the potential of Internet marketing and the perceived success of Internet marketing.</i>               | Accepted |
| H <sup>8</sup>  | <i>There is a positive relationship between the extent of strategic planning in the business and the perceived success of Internet marketing.</i>                                   | Rejected |
| H <sup>9</sup>  | <i>There is a positive relationship between the existence of competitor awareness in the business and the perceived success of Internet marketing.</i>                              | Rejected |
| H <sup>9a</sup> | <i>There is a positive relationship between the existence of competitor awareness in the business and the extent of strategic planning in the business.</i>                         | Rejected |
| H <sup>10</sup> | <i>There is a positive relationship between the existence of proactive competitor orientation in the business and the perceived success of Internet marketing.</i>                  | Rejected |

|                  |   |          |
|------------------|---|----------|
| H <sup>10a</sup> | <i>There is a positive relationship between proactive competitor orientation in the business and the extent of strategic planning in the business.</i>                | Rejected |
| H <sup>11</sup>  | <i>There is a positive relationship between the existence of customer orientation in the business and the perceived success of Internet marketing.</i>                | Accepted |
| H <sup>11a</sup> | <i>There is a positive relationship between the existence of customer orientation in the business and the extent of strategic planning in the business.</i>           | Accepted |
| H <sup>12</sup>  | <i>There is a positive relationship between the existence of an entrepreneurial orientation in the business and the perceived success of Internet marketing.</i>      | Rejected |
| H <sup>12a</sup> | <i>There is a positive relationship between the existence of an entrepreneurial orientation in the business and the extent of strategic planning in the business.</i> | Accepted |

Although hypothesis H<sup>8</sup>, regarding the relationship between *Strategic planning* and the *Perceived success of Internet marketing* has been rejected, there was a significant negative relationship between this construct and the *Perceived success of Internet marketing*. This would imply that the more strategic planning is done, the less likely it would be that the Internet marketing initiative of the business would be successful. This aspect is discussed in more detail in the following chapter in Section 9.3.5.

One aspect that has not been included in the theoretical model, which may impact on the success of Internet marketing, is that of marketing objectives. This aspect is dealt with below in Section 8.16.

## 8.16 Analysis of the Impact of Marketing Objectives

The focus of this research is to develop a model of the factors that influence the success of Internet marketing of small businesses in the tourism sector. A further aspect that warrants investigation is the impact of marketing objectives on the success of Internet marketing. In order to consider this aspect, the following hypotheses were considered:

- $H^0$ : *There is no relationship between marketing objectives and the perceived success of Internet marketing.*
- $H^1$ : *There is a positive relationship between marketing objectives and the perceived success of Internet marketing.*

A correlation analysis was conducted to establish whether a relationship exists between marketing objectives and the success of Internet marketing using the Statistical Analysis System (SAS) computer program. The various marketing objectives were measured by a series of statements with which the respondents were required to agree or disagree on a Likert scale of 1-7 which constitute the independent variables. These questions were included in the questionnaire (Appendix 7.1) and are also reflected in Table 8.26. *Perceived success of Internet marketing* is the dependent variable that was also used as the dependent variable in the structural equation modelling.

The multidimensional nature of marketing success suggests that no individual measure is adequate to measure this nebulous concept. Ten items are formulated to measure the dependent variable of the *Perceived success of Internet marketing* that is discussed in more detail in Section 7.3.3.10 and Section 8.5.3.

| <b>Table 8.26: Statements used to measure marketing objectives</b>                          |      |
|---|------|
| We use the Internet for brand building purposes   | MO 1 |
| We use the Internet to enhance the image of our business                                    | MO 2 |
| We use the Internet to provide a service to our customers                                   | MO 3 |
| We use the Internet to build and maintain relationships with customers                      | MO 4 |
| We use the Internet for advertising our business  | MO 5 |
| We use the Internet for market research purposes  | MO 6 |
| We use the Internet to reduce our marketing costs   | MO 7 |
| We use the Internet to improve the efficiency of our marketing                              | MO 8 |
| We often refer initial enquiries made via traditional means (telephone/fax) to our Web site | MO 9 |

A correlation matrix of the statements used to measure marketing objectives and the dependent variable is provided in Table 8.26. Correlation analysis measures the degree of a relationship between two variables and expresses the extent of this relationship by means of a correlation coefficient (Bless & Kathuria, 1993). A coefficient of above 0.8 represents a strong relationship, a coefficient of between 0.4 and 0.8 represents a moderate relationship, and a coefficient of below 0.4 represents a weak relationship (Diamantopoulos & Schlegelmilch, 1997). There is no statistical basis for this conclusion and this is largely a rule of thumb (Devore & Peck, 1993; Diamantopoulos & Schlegelmilch, 1997).

**Table 8.27: Pearson correlation coefficients**

|         | MO1   | MO2   | MO3   | MO4   | MO5   | MO6   | MO7   | MO8   | MO9   | SUCCESS |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| MO1     | 1.000 |       |       |       |       |       |       |       |       |         |
| MO2     | .455  | 1.000 |       |       |       |       |       |       |       |         |
| MO3     | .259  | .468  | 1.000 |       |       |       |       |       |       |         |
| MO4     | .363  | .522  | .465  | 1.000 |       |       |       |       |       |         |
| MO5     | .323  | .550  | .418  | .436  | 1.000 |       |       |       |       |         |
| MO6     | .358  | .361  | .284  | .428  | .224  | 1.000 |       |       |       |         |
| MO7     | .389  | .489  | .332  | .370  | .393  | .371  | 1.000 |       |       |         |
| MO8     | .393  | .662  | .472  | .518  | .558  | .341  | .521  | 1.000 |       |         |
| MO9     | .260  | .393  | .341  | .341  | .346  | .257  | .335  | .359  | 1.000 |         |
| Success | .428  | .600  | .528  | .635  | .598  | .424  | .569  | .726  | .407  | 1.000   |

Unless otherwise indicated, all correlations are significant at the 0.01 level (2-tailed).

Sample size = 316

It is apparent from Table 8.27 that a significant positive relationship exists (at the 0.01 level) between all the marketing objectives and the dependent variable, the *Perceived success of Internet marketing*. The null hypothesis is accordingly rejected and the alternative hypothesis is accepted. This means that there is a significant relationship between marketing objectives and the success of Internet marketing. All of the relationships fall within the range of moderate, with none being either especially weak or strong. The strongest relationship (0.726) exists in respect of the efficiency of marketing and the weakest relationships (0.428 and 0.424) are in respect of the building of brand and market research purposes.

The weak relationship between the building of brand and the success of Internet marketing is understandable as it is unlikely that this would be a realistic option for small businesses. The result in respect of market research is puzzling, given the fact that the Internet is a cost effective resource for market intelligence. However, this is consistent with the results in the SEM portion of this research. In this model, none of the factors in respect of establishing or possessing information about competitors (*Proactive competitor*



*orientation* and *customer orientation*) was found to have a significant influence on the *Perceived success of Internet marketing*. Much of the information to be found on the Internet would be about competitors or broad based-market information, which would not be relevant to SMMEs who usually have small customer bases or target niche markets.

## 8.17 Conclusion

This chapter reported the results of the data analysis for this research. After having identified the factors arising out of the manifest variables, these were tested for their influence on the *Perceived success of Internet marketing* using SEM. On the basis of these results, the hypotheses, which formed the basis for the path diagrams, were able to be either accepted or rejected.

The factors that indicated a positive influence, direct or indirect, on the *Perceived success of Internet marketing* are:

- Product Champion
- Owner-manager knowledge
- Alliances
- Links
- Owner-manager vision
- Entrepreneurial Orientation
- Strategic Planning
- Customer Orientation

Lastly, using correlation analysis, it was found that the choice of marketing objectives by small tourism business has an influence on the success of Internet marketing.

In the next chapter, the above mentioned findings will be interpreted and their implications for the use of the Internet for the marketing of tourism SMMEs reviewed.

## **Chapter 9**

### **Conclusions and Implications**

#### **9.1 Introduction**

In the previous chapter the empirical results of the study were reviewed. In this chapter, the empirical results will be interpreted and conclusions drawn from these interpretations. These will be evaluated in terms of their implications for using the Internet to market South African small tourism businesses. Finally, the limitations of the study are considered and areas for future research are presented.

#### **9.2 Synopsis of the Research**

Most of the articles published in respect of Internet marketing are anecdotal, conceptual or based on case studies. The limited quantitative research has predominately taken the form of surveys about the use of the Internet. This study is directed towards developing and empirically testing the determinants of successful Internet marketing for South African small tourism businesses in order to triangulate extant research with quantitative statistical data.

Thirteen determinants of the success of Internet marketing were identified from the literature and these were included in the theoretical model. A positive relationship was hypothesised between these factors and the dependent variable. In addition, further relationships were hypothesised between these independent variables. This model was presented at a university departmental research colloquium, an academic conference and discussed with experts in the field of Internet marketing, as well as with owner-managers of tourism SMMEs. Subsequent to this preliminary qualitative research, it was decided to focus on ten of the factors identified in the literature review, as it was felt that these factors were the most significant within the context of the research. These constructs were then conceptualised in terms of the literature and operationalised using items from

reliable measuring instruments and where this was not possible, using items formulated by the researcher, based on the literature.

The questionnaire was pre-tested and only minor modifications were made to the final version. Respondents were identified using the databases supplied by the Eastern Cape Tourism Board, the KwaZulu-Natal Tourism Authority and Western Cape Tourism Board, supplemented, where necessary, by local tourism associations' databases. The questionnaire was predominately distributed using a Web-based questionnaire. Respondents were first contacted by research assistants to assess their willingness to participate in the survey and thereafter sent an e-mail that contained the URL of the questionnaire. In total, 316 usable questionnaires were received and used as data for the statistical analysis.

In order to ensure the validity of the data, an exploratory factor analysis was conducted. This resulted in three of the factors in the theoretical model being removed as they were found not to be significant. However, certain of the factors split into more than one construct and in, addition, certain items loaded on unique factors, forming new variables. This resulted in the formulation of six new constructs that were given new names and, in addition, one factor was renamed.

The dependent variable, *Perceived success of Internet marketing*, was not subject to the exploratory factor analysis as it is argued that the distinct items making up this construct would not load on a single factor.

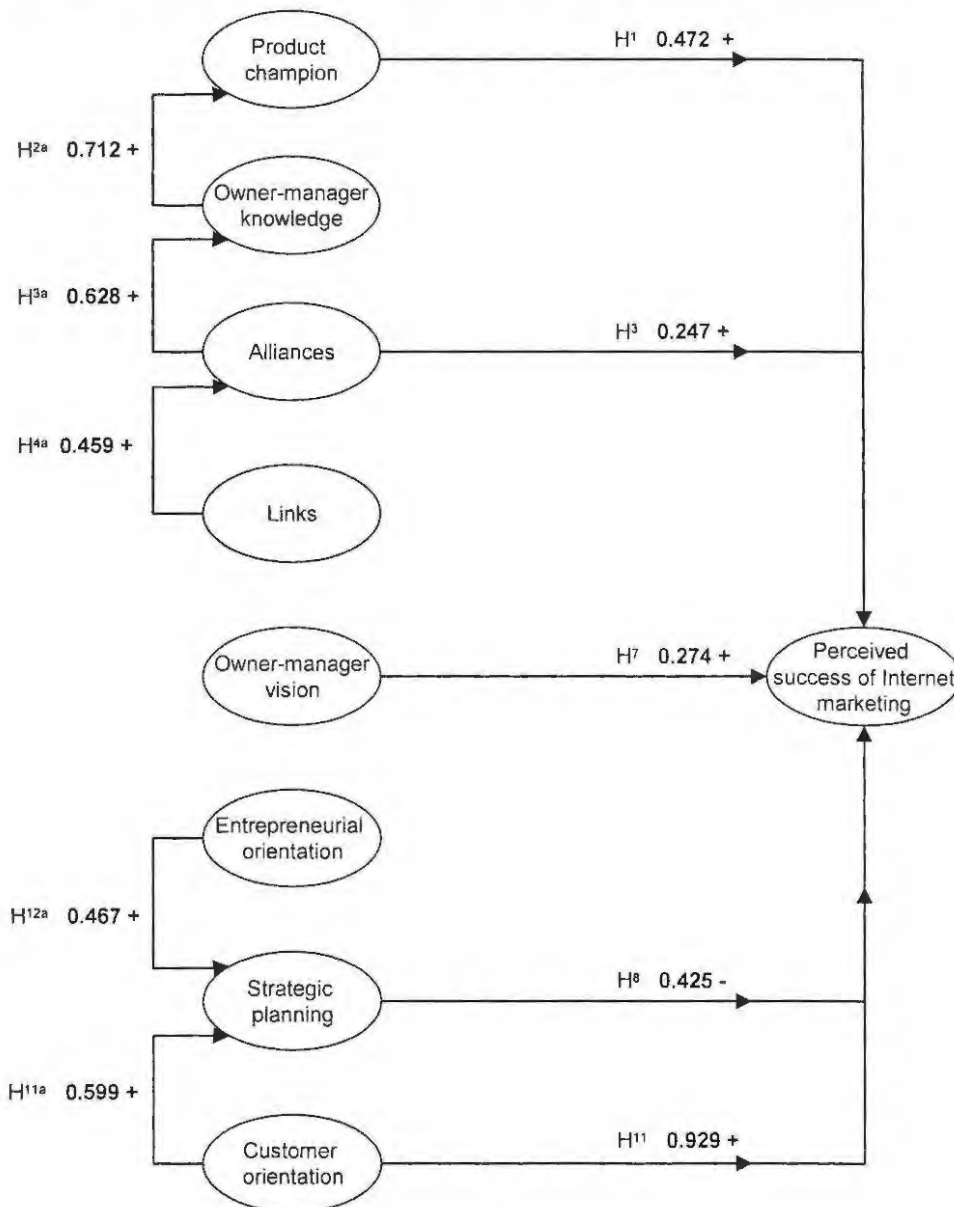
The next phase in the statistical analysis was to confirm the reliability of the measuring instruments. The Cronbach alpha coefficients were calculated for all the factors identified by exploratory factor analysis. All of the factors registered a Cronbach alpha coefficient of above 0.70, confirming the reliability of the instrument.

In order to test the significance of the hypothesised causal relationships between the independent variables and the dependent variable, the statistical technique of SEM was

used. The issue of whether a firm's marketing objectives would impact on the *Perceived success of Internet marketing* was tested using correlation analysis.

The significant relationships are presented in Figure 9.1. In this study, significant relationships are identified at both the 0.01 and 0.05 levels. The next section will discuss these identified relationships and how they should be managed to ensure the success of Internet marketing.

**Figure 9.1: Factors that influence the success of Internet marketing**



## 9.3 Interpretation of the Empirical Results and Recommendations

In this section, the empirical results are interpreted and recommendations made in respect of the factors that have an influence, both direct and indirect, on the dependent variable, the *Perceived success of Internet marketing*.

### 9.3.1 Product champion

The owner-manager acting in the role of *Product champion* in respect of the use of the Internet for marketing is a significant factor in the success of this initiative. This result, yet again, stresses the dominant and influential role played by the owner-manager in the affairs of small businesses.

Although the literature overwhelmingly agrees on the significance of a *Product champion* in the implementation of the Internet for marketing, there is some conjecture on the level of importance of this factor. There is a contention that the less complex the innovation, the less important the role of the product champion. This argument, though, ignores the context of the implementation of the Internet. What may, from an objective technological viewpoint, be a relatively simple innovation, may still be a complex and challenging assignment for a small business with limited resources and experience in the area. The results confirm that product champions are an important catalyst in the success of an innovation, such as the use of the Internet for marketing, irrespective of the nature and extent of its implementation.

Having an online marketing presence does not necessarily lead to improved marketing and concomitant financial rewards. The adages exhorting business to baldly implement Internet marketing such as “Dot com or Dot dead”, without any form of qualification, are passé and disingenuous. Implementing the Internet for marketing within the small tourism business context, in addition to the financial investment, implies a certain level of emotional commitment by the owner-manager.



The excitement, enthusiasm, passion and commitment with which the owner-manager embraces the use of the Internet for marketing, generates support for the project amongst employees of the business. This is particularly pertinent in high contact service businesses such as tourism SMMEs where, given the inseparability of production and consumption, employees are an important part of the marketing communication process. Although *Integrated marketing communication* did not load as a separate independent variable, it is generally accepted that if all marketing communications tools (such as traditional marketing, employees and the Internet) are not consistent, then this may lead to the customer receiving confusing messages. Employee buy-in may have an even more direct influence on the success of Internet marketing by being a source of referrals to the Internet resources of the business.

However, the owner-manager should be careful not to overwhelm employees with his enthusiasm about Internet marketing as this may stifle the free flow of ideas. A certain amount of tension is good in most projects, as it is for the use of the Internet for marketing. Constructive criticism may be an important part of appreciating the limitations of this medium and setting realistic Internet marketing goals, both of which are important factors in achieving Internet marketing success.

### **9.3.2 Links**

*Links* are an important factor in the success of Internet marketing. Although the empirical results indicated that *Links* does not have a direct influence on Internet marketing, it does have an indirect influence on success by positively influencing *Alliances*. The results suggest that if small tourism businesses make use of links from other tourism Web sites to build trust, this will allow them to build alliances with individuals and businesses, which in turn will positively influence the success of Internet marketing.

It should be borne in mind that, in the exploratory factor analysis, only items relating to the creation of links from other tourism Web sites to the Web site of the small tourism business originally formulated to measure the construct *Trust* loaded on this factor. Although it was decided to rename this factor *Links*, as it more accurately reflected the

nature of the construct, it is still an important factor in the creation of trust (see Sections 7.3.3.4 and 8.5.1 4).

Trust is a nebulous and elusive concept. It could be argued that the Internet presents relatively few indicators by which trust can be assessed, which could result in a lack of confidence in a firm's reliability. This is compounded by the nature of the tourism product, which is not only a service, but also high in experience qualities rather than search qualities (as discussed in Section 3.2.1.4). The intangibility of services means that tourists do not have a physical dimension to verify before the purchase is made and consequently pure services are difficult to convey conceptually. The nature of the tourism service does have certain synergies with the use of the Internet for building trust that are not necessarily shared with other services and, in addition, the Internet does present opportunities to build trust that would otherwise not be available.

The tourism product is predominately based on hedonism and the process, as opposed to the end result, is the core reason why consumers would buy the service. Consequently, it is argued that the focus of any marketing effort should be on the aspects that are of consequence to consumers in making their decision. In this regard, the Internet is eminently suitable to convey relevant and up-to-date information about the people involved in the business and the physical attributes of the service. It is relatively easy to display photographs and information about such factors as the décor and view from a room or local attractions. Video clips and graphics about the business's attributes could also be used to communicate the product; however, this would need to be balanced against the potential frustration of slow download speed. One of the most important indicators of product quality is that of price, but care should be taken to ensure that the price specified is consistent with the product attributes conveyed via the Internet to consumers.

Information about products can be obtained from either personal sources or non-personal sources. However, experience qualities (characteristic of the tourism product), are difficult to convey using the media and consequently personal sources, such as experts or word-of-mouth, have become important foundations for the purchase decision (Zeithaml,

2000). The Internet allows firms to facilitate or participate in such online activities as virtual communities, chat rooms or list servers which can be important sources of third part judgments and beliefs about a particular service. In addition, businesses can set up pages on their Web sites, which reflect comments and suggestions by previous customers. These activities can serve as a proxy to convey the *experience* of the tourism product, which would otherwise be difficult to communicate.

An indirect source of third part reference would be where links are put on a complementary or competitors' Web site to the Web site of a small tourism business. This would engender a certain amount of "trust by association" where the Web site is a well known brand or a business with which the consumer has had previous experience. Obviously, a tourism SMME would need to be circumspect in selecting Web site with which it chooses to associate. Clearly, if the business has a bad reputation in terms of the tourism product it delivers, no advantage would accrue to the SMME. Similarly, if the businesses partner services a market with different needs and wants to that of the SMME's target market, referred customers may be dissatisfied with the service, which will in turn precipitate negative word of mouth. This emphasises the point that irrespective of the positive impact which the availability, efficient transfer of information and interactivity of the Internet will all have on trust, this will be of no consequence if the expectations of consumers are met or exceeded.

### **9.3.3 Alliances**

The empirical results proved that *Alliances* are an important determinant of successful Internet marketing. *Alliances* have direct influence on the *Perceived success of Internet marketing*, as well as an indirect influence through its influence on *Owner-manager knowledge*. The importance of alliances with competing or complementary organisations lies with not only in their ability to access knowledge resources for the owner-manager, but also with the opportunities they present in terms of creating new products and opportunities.

It is a truism that, for tourists, a destination comprises a cluster of products (comprising both goods and services), rather than an individual tourism product. This is valid even if

the reason for visiting a particular destination is because of one dominant or central attraction or feature. A destination is usually viewed as a conglomeration of tourism features and natural attractions and consequently it is unrealistic for an organisation to ignore other tourism operations. Rather, businesses should view other organisations as opportunities to form partnerships and create new and innovative products.

The unique nature of tourism businesses also gives impetus to this imperative in regard to competitors. One of the characteristics of most small tourism businesses is that it is difficult to increase their capacity in the short term. Consequently, when there is a sudden unexpected increase in demand they will be unable to accommodate the excess need. Likewise, the perishability of the tourism product does not allow businesses to accumulate unused capacity during times of reduced demand for use in times of excess demand.

The Internet allows competitors to cooperate to overcome this predicament efficiently and effectively by either having a central virtual hub that records of spare capacity or by the simple use of the e-mail. This could, however, also be expanded to include a function in the Web site, so that, where a business is unable to supply the required service, the consumer is automatically referred to a competitor with whom a reciprocal agreement has been reached.

Competitors can also be a resource that can be exploited to enrich the Internet marketing of a business. Shared learning experiences, ideas, contacts or joint ventures with competitors are all techniques that can be used to overcome the barriers faced by small businesses. These informal partnerships may allow firms to access tools and resources that would otherwise not be feasible for individual small tourism businesses.

Tourism SMMEs should not be too narrow in their approach to sourcing ideas and forming associations. Complementary businesses or service businesses not in the tourism sector may have insights and notions that may not be established practice in a particular sub-sector of the tourism market and that may give a business some short-term advantage in respect of its competitors with regard to Internet marketing. Similarly, businesses

should maintain close links with regional tourism organisations as they frequently commission, or have access to research that may have a positive impact on the Internet marketing of small businesses.

### **9.3.4 Owner-manager knowledge**

The study found that knowledge by the owner-manager of the broader business or marketing implications of the Internet has an important impact on the *Perceived success of Internet marketing*. This influence is indirect as a result of influence on the variable *Product champion*. This result suggests that if the owner-manager has a comprehensive understanding of the issues surrounding the implementation of the Internet for marketing on the business, this will have a positive influence on his ability to act as product champion.

The literature is unclear on the precise nature and extent of the knowledge required by the owner-manager to implement the Internet for marketing. Although, the owner-manager needs some level of technical competence, this does not necessarily have to be to the extent of being able to implement the technology. Similarly, it is unclear whether this capacity will translate into a capability to see the Internet in a broader business or marketing context. The implications of this finding are that the acquisition of technical skills by the owner-manager, whether by formal course or experience, will not necessarily add value to Internet marketing unless this is accompanied by the ability to appreciate the broader business implications of these skills.

One source of this expertise could be alliances (discussed in Section 9.3.3), which would allow the owner-manager the ability to acquire knowledge on a “need to know” basis, without having to waste time and resources attending a formal course. Information from alliances is also likely to be more judicious and better able to identify the critical success factors for Internet marketing in a specific context than the generic (and probably inappropriate) learning that will be obtained from most commercial education providers. This is not to say that these organisations do not have their place in the broader economy, but rather that small tourism businesses have specific needs and requirements that are unique.



A further option in respect of acquiring the requisite knowledge for Internet marketing is to outsource this function. However, in marketing generally and Internet marketing specifically, the literature argues that it is necessary to take a long-term view. Outsourcing is also likely to require a substantial initial investment. These factors mitigate against this option being a viable option for small tourism businesses, as most small tourism businesses do not have the resources to take a long-term view of an investment of this nature. However, if professional organisations are used as a source of knowledge for Internet marketing, a substantial amount of time should be invested in briefing the specialists in order that they understand the marketing issues surrounding a particular business.

### **9.3.5 Strategic planning**

Based on the empirical results of this study, strategic planning has a significant negative impact on the success of Internet marketing. In other words, there was a perception among respondents that the practice of strategic planning would impact negatively on the success of Internet marketing.

Although the results in respect of the impact of strategic planning on the success of a firm generally have been equivocal, the literature overwhelmingly advocates the importance of planning in respect of Internet marketing. This result seemed to contradict the literature, but could possibly be explained by the distinction between planning in respect of Internet marketing and *Strategic planning*. The importance of strategic planning is that it allows the owner-manager to take a holistic view of the direction of the business and allocate resources accordingly. This would allow the strategic and tactical plans in respect of marketing generally, and Internet marketing specifically, to be consistent with the direction of the business as a whole.

This view could be countered with the argument that, given the dominant role of the owner-manager in small businesses, he is able to direct and coordinate operations without the necessity of strategic planning. Market research would similarly be superfluous considering the proximity of the owner-manager to the market. Indeed, it could be

argued, that going through the process of strategic planning may well have a negative impact on the business as a whole and Internet marketing specifically, since resources will be consumed in what may be perceived as a redundant exercise. This line of reasoning could possibly explain the perception amongst small business owner-managers, that strategic planning will have a negative impact on Internet marketing.

However, service businesses, such as those in the tourism industry, are characterised by the inseparability of production and consumption and consequently, quality control is challenging. This is an important marketing issue that needs to be managed by the owner-manager, as does the use of the Internet for marketing. While, these diverse features of the business could possibly be managed without any formal process while the business is still very small, it is argued that growth of the business (or the aspiration to grow) will necessitate the use of more formal management tools, such as strategic planning, to coordinate the various components of the business.

While the literature focuses on the importance of strategic planning in respect of Internet marketing, findings from the current study suggest that more focus should be accorded to tactical components of the strategic plan. The marketing plan and the concomitant Internet marketing plan may, individually, have a direct and positive impact on the *Perceived success of Internet marketing*.

These plans should be clear and written, setting appropriate goals and time frames. The adherence to such criteria will ensure that the owner-manager considers all the issues relevant to the deployment of the Internet for marketing. The importance of setting realistic goals cannot be underestimated given the publicity surrounding the potential of the Internet to access unexploited and distant markets. The greater the ambiguity surrounding the objectives of an Internet marketing initiative, the greater the chances are that the owner-manager will be disappointed with the results. A properly articulated plan will allow objective judgements to be made and, where appropriate, changes to the way Internet marketing is conducted in a small business.

### 9.3.6 Entrepreneurial orientation

The Internet has inexorably altered the marketing environment of small tourism businesses. There is little certainty on how best to exploit this nascent medium for the marketing of tourism SMMEs. The literature revealed that in an uncertain environment, such as that which characterises the field of Internet marketing, an *Entrepreneurial orientation* will contribute positively the success of an initiative in this sphere.

The empirical results, in some respects, contradicted the literature. There was no significant relationship between *Entrepreneurial orientation* and the *Perceived success of Internet marketing* and although a significant positive relationship was recorded between *Entrepreneurial orientation* and *Strategic planning*, this variable in turn recorded a negative relationship with the *Perceived success of Internet marketing*.

One should view this result with circumspection. As discussed in Section 8.11.3.8, the relationship between *Entrepreneurial orientation* and the *Perceived success of Internet marketing* is approaching significance at the  $p < 0.05$  level. In other words, it is significant at the  $p < 0.10$  level. In addition, planning in respect of Internet marketing *specifically* may well have a positive impact on the *Perceived success of Internet marketing*, although the perception amongst the respondents is that *Strategic Planning* as a concept will have a negative influence in the success of Internet marketing. This aspect is reviewed in Section 9.3.5.

The importance of an entrepreneurial orientation is that it allows small tourism firms to visualise the benefits that can be obtained from Internet marketing (Jones *et al*, 2003). This in turn drives the plan on how to achieve these goals and the allocation of appropriate resources. In large businesses, planning may be driven by objective and collective decision making, which is not apposite for small businesses given the significant influence of the owner-manager.

### **9.3.7 Owner-manager vision**

The respondents participating in this study were of the opinion that the owner-manager's awareness of the potential of the Internet and their belief that the Internet can add value to the marketing of their business is an important factor that positively and significantly influences the success of Internet marketing.

Although it could be argued that *owner-manager vision* of the potential of the Internet is implicit in the setting up of a Web site for the business, this is not necessarily the case. In many instances, it may simply be a case of firms emulating competitors, without any real regard to the potential and limitations of the Internet for the marketing of the firm. The use of the Internet for marketing is no "silver bullet" and a proper appreciation and understanding of the possibilities of this nascent medium is a significant factor in achieving success in its deployment for marketing.

### **9.3.8 Customer orientation**

The empirical results proved that a focus on customers is an important determinant of successful Internet marketing. A significant direct positive relationship was found between *Customer orientation* and the *Perceived success of Internet marketing*. In addition, the results revealed that *Customer orientation* has a positive influence on *Strategic planning*, although *Strategic planning* has a negative relationship with the *Perceived success of Internet marketing*.

*Customer orientation* involves taking a pro-active orientation towards meeting customer needs (Framabach *et al*, 2003), which firms use to identify and respond to long-term trends in customer demand. Importantly, the focus on customers, facilitated by *Customer orientation*, will allow small tourism businesses to identify customer preferences regarding the required nature and extent of marketing communication via the Internet. In some cases, it may be appropriate to reflect only the pertinent details in respect of price and facilities available, without any interactive component. Unsolicited communication from the business may be unwelcome and have an adverse impact on the firm's marketing efforts.

On the other hand, a close understanding of a firm's customers may reveal that they want to be kept abreast of the latest developments of a tourism enterprise. For example, pictures and stories about the latest progeny of a pride of lions seen on the last visit to a game reserve may be well-received by a previous visitor and assist not only in the building of a relationship, but also facilitate word of mouth. The precise nature of the interactivity required by customers may differ amongst individuals and, in some cases, it may be appropriate to send consumers electronic magazines whereas others may prefer a less obtrusive relationship, such as visiting the business's Web site at a time suitable to them.

An astute understanding of customers' preferences is particularly important for small businesses, given the paucity of their resources. Inappropriate use of interactive technologies will not only compromise the marketing effort, but may mean that resources are inefficiently employed. In any business, getting a respectable return on an investment, whether it is measured by building brand, increased bookings or revenue is important, and unless the nature and extent of Internet marketing is consistent with customers' needs, this is not achievable.

A *customer orientation* is a good source of marketing intelligence about customers. This would explain the positive impact of *customer orientation* on *strategic planning*. Small businesses do not have the resources to conduct formal research into the needs and wants of their customers and a customer orientation can be an important source of marketing intelligence. Similarly, this information provides a focus for the planning that will integrate the allocation of resources with the aim of achieving the firm's goals.

### **9.3.9 Marketing objectives**

The impact of marketing objectives on the dependent variable *Perceived success of Internet marketing* was tested using correlation analysis. In terms of this analysis, the null hypothesis (*there is no relationship between marketing objectives and the perceived success of Internet marketing*) was rejected and the alternative hypothesis accepted,



implying that there is a positive relationship between the selection of marketing objectives and the success of Internet marketing.

Small businesses, as discussed elsewhere in this chapter, have limited resources and consequently smaller margins for error than their larger counterparts. Clearly then, SMMEs need to be circumspect in deciding which marketing objectives they are going to focus on using the Internet. Important considerations in this regard are the nature of their business, as well as the type of tourism product that they offer. For example, where the nature of the business is such that it is unlikely that the customer will make use of the tourism service again, it may not only be inappropriate, but a waste of scarce resources to use the Internet to endeavour to build a relationship. This, once again, emphasises the point that it is the needs of the consumer that dictate whether and to what extent the Internet is used for marketing.

## **9.4 The Contributions of this Study**

The majority of the contributions of this research contained in Section 9.3 and will not be repeated. However, additional contributions are discussed below:

1. Much of the literature about Internet marketing is either anecdotal, conceptual or based on case studies. In addition, certain studies argue that the use of the Internet for marketing is an innovation and that the research in respect of the adoption and implementation of innovations, particularly IT, are germane to the study of the use of the Internet for marketing. Variables derived from these various sources were consolidated into one theoretical model to understand the factors that drive the successful implementation of the Internet for the use of marketing of small businesses in the tourism industry in South Africa.
2. Scales were developed for each of the variables contained in the revised theoretical model contained in Chapter 7. Although where possible, existing scales were used, the majority of the items in the instrument used to measure the various constructs were developed especially for this research. The Cronbach alpha coefficient measures indicate that the conclusion that these scales are

reliable is justified and that the instrument developed could be used in future research.

3. SMMEs have been identified as significant entities in fighting poverty, redressing historical imbalances, creating employment and generally growing the South African economy. The businesses making up this sector regard their inability to access markets as one of the major factors inhibiting their growth and the Internet has been proposed as a solution to this challenge. In this regard, this research not only contributes to the body of knowledge in respect of the tourism sector specifically, but also in respect of the SMMEs generally.
4. A further contributions is the use of a large sample to identify the factors that influence the success of Internet marketing. This was done by using SEM, using the LISREL program to simultaneously analyse multiple interdependent relationships amongst variables. While SEM is used in most academic disciplines, it has not previously been used in the context of this research.

## **9.5 Limitations of the Study and Recommendations for Future Research**

This study has made a significant contribution to the knowledge and understanding of the factors that influence the success of Internet marketing of small businesses operating in the tourism sector in South Africa. There are, however, certain limitations to this study and particular areas that need to be explored in future research. These aspects are considered in the following paragraphs.

1. A convenience sample was used in this study, with all the respondents drawn from the Western Cape Province, the Eastern Cape Province and the KwaZulu-Natal Province and, consequently, the findings of this study cannot be generalised. This study does provide an important insight into the factors influencing the Internet marketing of small tourism businesses. Future studies should attempt to access a more comprehensive database from which probability samples can be drawn.

2. This study was restricted to small businesses engaged in providing tourism services as distinct from SMMEs that manufacture or trade in physical goods. Aside from these differences, the degree to which these findings can be generalised in respect of other small businesses involved in the service sector is questionable as diverse industries and sectors could differ in the nature and extent of Internet adoption. This would result in dissimilar patterns of communication and result in totally different approaches to the use of the Internet for marketing.
3. The findings of this research should also be viewed against the possible confounding effects of technology. The nature and extent of the deployment of technology was specifically excluded from this research as the focus was on broader marketing and managerial issues.
4. A possible limitation, shared with other business research, is the effect of a non-response bias during the data collection. The responses could have been influenced by those users who have adopted more enthusiastically Internet marketing. The findings should accordingly be viewed against a possible non-response bias. These confounding effects were minimised during the design and administration of the questionnaires, but possibly not eliminated from the results.
5. Further research is needed to validate and generalise the findings across various industries and should examine similar research issues in small businesses across different service sectors. The research could also be replicated in other countries, both developing and developed.
6. Another direction for future research would be to expand the model to include other variables. The variables included in this research's model were those found in the literature. For example, no distinction was made between the different types of tourism small businesses, mainly because of the difficulty in differentiating between the different entities. It may be that some tourism businesses are more suitable to the use of Internet marketing than others and this path needs to be

researched. In addition, certain market segments may be more receptive to marketing over the Internet than others and this aspect should be investigated.

7. Reciprocal effects could be explored in future research in simpler structural models. In this research, because of the parsimony principle in SEM, only one way arrows were used. The addition of a reciprocal effect in a model makes it more complicated and difficult to analyse. In this research, because of its pioneering nature, it was considered prudent to keep the model as parsimonious as possible (and even then, the model had to be split in two in order to run the LISREL program). Future research could examine the use of versions of this model, or parts of the model, incorporating reciprocal relationships.

## 9.6 Epilogue

Small businesses throughout the world are regarded as important catalysts for economic growth and job creation. This is particularly important in South Africa, where the redressing of past imbalances, poverty and unemployment are pressing concerns. It is for these reasons that the government of the Republic of South Africa has emphasised the importance of small businesses by putting structures in place to encourage their proliferation.

Similarly, a sector that has been identified as having the potential to overcome the challenges facing the broader South African economy is that of the tourism industry. South Africa's diverse coastal and hinterland regions, as well as the abundance of natural attractions understandably allow it to compete with the rest of the world for both domestic and international tourists. However, one of the challenges facing small businesses in this sector is the ability to access markets.

The Internet has been identified as a resource that allows businesses to access previously untapped markets. However, this nascent medium is not the universal panacea for the marketing of small tourism businesses and the question of what drives its successful use for marketing is the subject under investigation in this thesis.

The technological features of the Internet, although important, were regarded as aspects that need to be managed rather than considered as a potential cause of the success or failure of Internet marketing. Specifically, the focus of this research was to identify what can be broadly described as *managerial or marketing factors* that are relevant to Internet marketing and to examine their impact on the success of the use of the Internet for marketing. The universal conclusion in this regard is that while the Internet has changed the marketing landscape for small businesses, it has not changed the importance of fundamental managerial and marketing principles.



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## Appendices

### Appendix 2.1: Schedule of definitions of Small Business

| Sector or sub-sectors in accordance with the Standard Industrial Classification | Size or Class | Total full-time equivalent of paid employees | Total annual turnover | Total gross asset Value (fixed property excluded) |
|---|---------------|--|-----------------------|---|
|   |               | Less than:                                   | Less than:            | Less than:  |
| Agriculture   | Medium        | 100  | R4.00m                | R4.00m  |
|   | Small         | 50   | R2.00m                | R2.00m  |
|   | Very small    | 10   | R0.40m                | R0.40m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |
| Mining and Quarrying  | Medium        | 200  | R30.00m               | R18.00m   |
|   | Small         | 50   | R7.50m                | R4.50m  |
|   | Very small    | 20   | R3.00m                | R1.80m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |
| Manufacturing   | Medium        | 200  | R40.00m               | R15.00m   |
|   | Small         | 50   | R10.00m               | R3.75m  |
|   | Very small    | 20   | R4.00m                | R1.50m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |
| Electricity, Gas and Water  | Medium        | 200  | R40.00m               | R15.00m   |
|   | Small         | 50   | R10.00m               | R3.75m  |
|   | Very small    | 20   | R4.00m                | R1.50m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |
| Construction  | Medium        | 200  | R20.00m               | R4.00m  |
|   | Small         | 50   | R5.00m                | R1.00m  |
|   | Very small    | 20   | R2.00m                | R0.40m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |
| Retail and Motor Trade and Repair Services                                      | Medium        | 100  | R30.00m               | R5.00m  |
|   | Small         | 50   | R15.00m               | R2.50m  |
|   | Very small    | 10   | R3.00m                | R0.50m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |
| Wholesale Trade, Commercial Agents and Allied Services                          | Medium        | 100  | R50.00m               | R8.00m  |
|   | Small         | 50   | R25.00m               | R4.00m  |
|   | Very small    | 10   | R5.00m                | R0.50m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |
| Catering, Accommodation and other Trade   | Medium        | 100  | R10.00m               | R2.00m  |
|   | Small         | 50   | R5.00m                | R1.00m  |
|   | Very small    | 10   | R1.00m                | R0.20m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |
| Transport, Storage and Communications   | Medium        | 100  | R20.00m               | R5.00m  |
|   | Small         | 50   | R10.00m               | R2.50m  |
|   | Very small    | 10   | R2.00m                | R0.50m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |
| Finance and Business Services   | Medium        | 100  | R20.00m               | R4.00m  |
|   | Small         | 50   | R10.00m               | R2.00m  |
|   | Very small    | 10   | R2.00m                | R0.40m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |
| Community, Social and Personal Services   | Medium        | 100  | R10.00m               | R5.00m  |
|   | Small         | 50   | R5.00m                | R2.50m  |
|   | Very small    | 10   | R1.00m                | R0.50m  |
|   | Micro         | 5  | R0.15m                | R0.10m  |

Source: Act No. 102 of 1996: National Small Business Act

## **Appendix 4.1: Database marketing**

Database marketing is dependent on a number of tools and technologies that are discussed below:

### ***A4.1.1 Log-File Analysis***

A visit to a Web site is essentially a request for information from the Web site's server. This request is recorded in a log file, which records each visitor's location, IP address, time of visit, frequency of visit, as well as other information. Log-file analysis arranges and classifies the information according to different criteria. This will allow the business to make informed judgments about the impact of a particular marketing campaign (Deitel, Deitel & Steinbuhler, 2001).

### ***A4.1.2 Data mining***

Statistical analysis is used on the data gathered in log files to identify trends in the information. This will allow small tourism businesses to have a better understanding of consumers and accordingly put them in a position to meet their needs. It will enable businesses to send fitting promotional messages and product offerings to the appropriate market segment (Deitel, Deitel & Steinbuhler, 2001). This can be done through e-mail or customised Web pages for each individual (Strauss & Frost, 2001), although the latter option is very expensive and is not feasible for small businesses (Hanson, 2000).

### ***A4.1.3 Customer registration***

Individual profiles are created from information submitted when customers register with the Web site. This information is used to monitor the customer's movements and preferences and appropriate changes, if necessary can be made to the marketing approach in respect of that individual consumer (Deitel, Deitel & Steinbuhler, 2001).

### ***A4.1.4 Cookies***

A file, known as a cookie, may be stored on the hard drive of the visitor's computer when the consumer first visits a Web site. This allows information about the user's log-on times, length of visit, items acquired, sites previously and next visited to be monitored by

the firm. Cookies do not link up with any other files on the user's system and can only be read by the host that places the cookie (Deitel, Deitel & Steinbuhler, 2001; Chen, 2001).

Cookies permit businesses to establish an individual's preferences and allow the firm to present their products accordingly. Recently, software has been developed that allows the real time profiling of the user and, in some cases, cookies can be put on the user's computer, to allow the Web site to be adapted to the user's individual profile, the first time that the user visits a Web site (Strauss & Frost, 2001).

Although there are some ethical issues surrounding the use of cookies, particularly concerning privacy, they can assist the marketing effort by keeping track of consumer preferences (Deitel, Deitel & Steinbuhler, 2001). However, these benefits can be to a large extent be negated where there is more than one user of an individual computer, as cookies will only record the preferences of that particular computer and not the individual (Chaffey *et al*, 2000; Sterne, 1999; Deitel, Deitel & Steinbuhler, 2001).



## **Appendix 4.2: Factors influencing the effectiveness of Web sites**

The effectiveness of various Web sites must be seen within the context of their purpose. The literature contains a few persistent themes about factors that influence the success of Web sites and these are discussed below.

### ***A4.2.1 Regular Updates***

A Web site should be updated on a regular basis if it is to maintain its appeal (Corby & Sowards, 2000; Dholakia & Rego, 1998; Janal, 2000; McQuitty & Peterson, 2000) depending on the nature of the Web site. A rule-of thumb is that it should be updated at least once every week or once every month. The longest period that should elapse between updates is six months, as any less regularly would make the information seem outdated to visitors (Janal, 2000).

### ***A4.2.2 Number of Links***

Links to a Web page from other Web pages within are fundamental to a Web site's success (Rowley, 2000; Thelwall, 2000) and in particular, Web sites should have links with sites selling complementary goods and services (Abels *et al*, 1997; Breitenbach & Van Doren, 1998; Dholakia & Rego, 1998). This is particularly important for small tourism businesses and traffic to a site is likely to increase proportionately to the number of links (Dholakia & Rego, 1998; Janal, 2000).

### ***A4.2.3 Contact Details***

In order to permit the formation of relationships, the visitor should be able to interact and communicate with the small tourism business. This can be done by allowing the user to send in comments, complaints, get further information or ask questions and receive feedback from the SMME (Janal, 2000). Implicit in this assertion is that the Web site should reflect the e-mail address of the business or specific people within the firm (Breitenbach & Van Doren, 1998; Janal, 2000; Rowley, 2000), as well as telephone numbers and physical mailing addresses (McQuitty & Peterson, 2000).

#### **A4.2.4 Entertainment**

In addition to their functional attributes, Web sites can also be fun and rewarding for the visitor. This could be by way of interactive games and competitions (Breitenbach & Van Doren, 1998; Janal, 2000; Rowley 2000), although whether or not to include these features will depend on the nature of the target market.

#### **A4.2.5 Search Engines**

The search capabilities of a Web site directly contribute to its usability and ease of navigation (Abels *et al*, 1997). This can be done by installing a search engine that will allow visitors to find information quickly and efficiently (Abels *et al*, 1997; Bauer & Scharl, 2000; Breitenbach & Van Doren, 1998).

#### **A4.2.6 Pictures and Graphics**

Pictures may be essential for conveying a tourism SMME's products and adding to the site's aesthetic appeal (Dholakia & Rego, 1998), although this needs to be balanced against the frustration that may be caused by the slow download speeds of graphics (Corby & Sowards, 2000). This is particularly pertinent given the intangibility of the tourism product and the consequent difficulty in formulating an adequate product description (see Section 3.2.1).

#### **A4.2.7 Trust**

Trust in the virtual world comprises two elements - security and privacy (Molla & Licker, 2001) and may directly impact the propensity of consumers to interact with a particular businesses. It is argued that it is a precursor to doing business online (Morrison and Firmstone, 2000; Urban *et al*, 2000). Security refers to the protection of the integrity of the e-commerce system and privacy refers to the ability of the consumers to keep their personal details confidential (Molla & Licker, 2001; Warrington *et al*, 2000). This aspect is dealt with in more detail in Section 5.2.4.

## **Appendix 4.3: Internet advertising tools**

Advertising over the Internet is not limited to setting up a Web site. There are a number of tools that can be used by small tourism businesses to advertise and these are reviewed below.

### **A4.3.1 Banners (Affiliate Marketing)**

Banners are small images that usually appear at the top or on the sides of a Web page, allowing the viewer to click on them to access the advertisers' Web site and are the most prolific form of advertising on the Internet. They normally contain a short text or graphical message, the purpose of which is to promote a product, but may also contain video clips or sound. There are two fundamental types of banners: *Keyword banners*, which usually appear in response to a particular keyword being entered into the search engine, and *Random banners*, which appear randomly and statically throughout the Web site (Turban *et al*, 2000). These banners can take a number of forms, such as animated banner advertisements, interactive banner advertisements, and interstitials, as well as nested-ad-content although a full review of this aspect is beyond the scope of this thesis (Chaffey *et al*, 2000).

A key advantage of banners is that they can be customised to the target audience and they offer a direct route to the advertiser's Web site. However, a Web site hosting a banner can only assume that visitors will see the advertisement, but not that it will be read or activated. This forces advertisers to be creative, given the limited amount of information allowed on each banner (Turban *et al*, 2000), and although the effectiveness of banner advertisements has dropped in recent years (Kimiloğlu, 2004), they are still an important tool for advertising.

A number of methods can be used to place banners on Web sites and these are discussed below:

#### **A4.3.1.1 Banner Swapping**

This occurs when two businesses agree to display each other's banners, facilitating a direct link between Web sites. This method is the least expensive manner of arranging links to a Web site, but may be difficult to organise. Businesses should focus on entering

into reciprocal arrangements with Web sites that would be most likely to generate visits from the target market.

#### **A4.3.1.2 Banner Exchanges**

In this type of arrangement, three or more businesses submit their banners to an exchange service, and display a link on one of its Web pages, that facilitates the display of assorted banners each time the page is retrieved. Every time the participant displays a banner for one of the exchange's members, it receives a credit. After a participant has earned enough credits, its banner is displayed on an affiliate's site. The exchanges may allow the parties to specify the nature of the site on which the banner should be displayed, and in so doing expose the banner to its intended or target market.

#### **A4.3.1.3 Paid Advertisement**

Banner advertisement space is purchased on the Internet and it is viewed as an expensive option to place a firm's banner. This method is often used to place banners on portals, generalised news services and specialised interest sites (Chaffey *et al*, 2000), but there is usually a limit to the size of the advertisement and the amount of content that the advertisement may contain (Turban *et al*, 2000; Chaffey *et al*, 2000).

### **A4.3.2 Splash Screen**

When a particular Web site is opened, this is the screen which appears at the outset. It briefly captures the consumers' attention and can be used for promoting a product or as a preface to the homepage (Turban *et al*, 2000).

### **A4.3.2 Spot Leasing**

This is generally an expensive exercise and occurs when search engines provide a place in their homepage for a business to rent. This is distinguished from banners in that, for the duration of the contract, the banner will be displayed whenever the page is accessed (Turban *et al*, 2000).

### **A4.3.3 Advertising using e-mail**

E-mails can be used for advertising in the following ways:

#### **A4.3.3.1 Ad-supported e-mail**

Users get free access to e-mail in return for allowing the provider to display advertisements on their e-mail from time to time.

#### **A4.3.3.2 Sponsoring list servers**

Users submit messages to the list server, which distributes the message to subscribers along with the firm's advertisement. The advantage of this means of advertising is that the advertising message is sent to a targeted audience.

#### **A4.3.3.3 Direct e-mail**

This can be a highly effective means of advertising, provided that it is not perceived as spam (Zeff & Aronson, 1997), which can be overcome by getting the recipient permission to send him e-mails. This is known as permission marketing and is discussed more fully in Section 4.3.6.

### **A4.3.4 Classified Advertisements**

The Internet has Web sites that offer a service similar to that of newspapers or the yellow pages. The advertisements are relatively easy to compose, cost effective and the readers generally access this media when they are searching for a particular product (Zeff & Aronson, 1997).

### **A4.3.5 Universal Resource Locators (URL)**

This method involves listing a firm's URL with a search engine. When one or more keywords relating to the URL are entered into the search engine, the SMME's Web site is reflected in the search results. There is usually no cost for submitting URLs to search engines and, because of the keyword search method, the Web site will only be exposed to the target market (Turban *et al*, 2000).

The objective of submitting an URL to a search engine is to get the firm's Web site as high up in the search results as possible. This will increase the likelihood of more traffic being driven to that particular Web site (Cannon, 2000), as research has shown that most users only look at the first ten names returned on a Web search (Chaffey *et al*, 2000). However, the techniques used to obtain a listing differ not only from search engine to search engine, but also over time. It follows that it is important that the site be registered with a number of search engines (Chaffey *et al*, 2000; Turban *et al*, 2000).

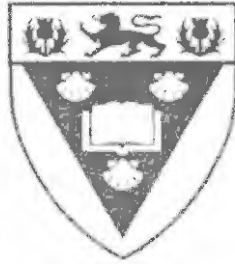
#### ***A4.3.6 Portals Offering Product and Price Comparison Services***

One way of promoting sites (and by implication, the products marketed on that site) is to list the site with a site that offers product comparison (Chaffey *et al*, 2000).



## Appendix 7.1: Questionnaire

Rhodes University  
Department of Management



# RHODES UNIVERSITY

Grahamstown • 6140 • South Africa

Dear Respondent,

The following questionnaire is part of doctoral research on Internet marketing in small businesses in the tourism industry. It would be appreciated if the owner-manager of the business would complete and answer the questions as thoroughly as possible.

All information will be treated as *Strictly Confidential* and will only be used for academic purposes. If you have any queries concerning the questionnaire, please contact the researcher whose contact details are set out below.

Researcher: Roger Elliott  
Cell: 0732328201  
Fax (046-622 4574)  
Email: [R.Elliott@ru.ac.za](mailto:R.Elliott@ru.ac.za)

### Instructions for completion:

1. Please answer the questions as objectively and honestly as possible according to the instructions contained in the body of the questionnaire.
2. Please answer all the questions to allow an accurate analysis and interpretation of the data.
3. Once you have completed the questionnaire, please simply click on the button labelled **SUBMIT** at the end of the questionnaire.

Please note:

**For the sake of expediency, in this research, a distinction is not made between a Web site and other uses of the Internet. It follows that a reference to the Internet includes a reference to Web Sites.**

## Section A: Factors influencing Internet marketing

The following set of statements relates to your perceptions about aspects of both your business and your use of the Internet. Using the following scale, please indicate the extent to which you either agree or disagree with the statements by circling the appropriate number in each row: 1=Strongly disagree; 2=Disagree; 3=Somewhat/ slightly disagree; 4=Neither agree nor disagree (neutral); 5= Somewhat/ slightly agree; 6= Agree; 7= Strongly agree.

|    |  | Strongly disagree |   |   | Neutral | Strongly agree |   |   |
|----|--|-------------------|---|---|---------|----------------|---|---|
|    |  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 1  | I am satisfied that Internet marketing reduces our marketing costs   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 2  | In our business competitors are carefully monitored  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 3  | Marketing communication activities are planned as one coordinated effort.  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 4  | Our business has a mission statement   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 5  | Our business has a strong commitment to our customers  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 6  | Our firm constantly explores the development of new business ideas (for example new packages and products)   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 7  | The owner-manager appreciates what the Internet can do for the marketing of our business   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 8  | The owner-manager is excited about the use of the Internet for marketing our business  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 9  | The owner-manager is personally involved in the Internet marketing of our business   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 10 | We collaborate with businesses on the use the Internet for marketing   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 11 | We use the Internet for brand building purposes  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 12 | I am satisfied that the use of the Internet for marketing results in increased bookings for our business   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 13 | In the last few years, changes in the nature of our service (for example features of our service and/or the packages offered) have usually been quite significant. | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 14 | Our business monitors the trends which might impact on our business  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 15 | The owner-manager is enthusiastic about the use of the Internet for marketing our business   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 16 | The owner-manager is involved in decision-making about the Internet marketing of our business  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 17 | The owner-manager understands the issues surrounding the use of the Internet for marketing   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 18 | The uses of all our marketing communication tools are planned by the same person.  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 19 | We have strong associations with people who can assist us with advice on Internet marketing  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 20 | We respond rapidly to competitors' actions   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 21 | We use the Internet to enhance the image of our business   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 22 | I am satisfied that our Web Site assists us in getting referrals (word of mouth)   | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |
| 23 | Most decisions about the Internet marketing of our business  | 1                 | 2 | 3 | 4       | 5              | 6 | 7 |

|    |  |   |   |   |   |   |     |
|----|--|---|---|---|---|---|-----|
|    | are made by the owner-manager  |   |   |   |   |   |     |
| 24 | Our business associates improve our proficiency at obtaining information on how to market over the Internet.   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 25 | Our business has long term goals   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 26 | Our business is innovative in the way it markets itself and/or its products  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 27 | The marketing communications tools used by our business focus on a common message.   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 28 | The owner-manager is committed to using the Internet for marketing our business  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 29 | The owner-manager is knowledgeable about the use of the Internet for marketing   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 30 | We do not disclose/ sell information about clients, which is obtained over the Internet, to third parties without their permission.                            | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 31 | We know our competitors well   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 32 | We use the Internet to provide a service to our customers  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 33 | I am satisfied that the Internet assists us in maintaining relationships with existing customers   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 34 | Our business associates' advice exerts an influence over the way our business markets over the Internet.   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 35 | Our business has annual goals  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 36 | The owner-manager closely monitors the progress of the Internet marketing of our business  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 37 | The owner-manager is passionate about using the Internet for marketing our business  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 38 | The owner-manager understands enough about Internet marketing to make informed decisions   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 39 | We are aware of how our competitors market their products  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 40 | We constantly refine and develop existing services/ packages   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 41 | We monitor customer satisfaction on a regular basis  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 42 | We use the Internet to build and maintain relationships with customers   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 43 | I am satisfied that use of the Internet for marketing assists us in getting repeat business  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 44 | In our business, we regularly have regard to information about competitors   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 45 | In the last few years, our business has added very many new features to our service(s).  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 46 | Informal networks are a source of information on Internet marketing  | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 47 | Our business stays in regular contact with customers from when they have made the initial booking until the time they arrive                                   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 48 | Our business usually selects a common approach that unites our promotion activities (e.g. advertising, sales promotion and use of the Internet for marketing). | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 49 | The owner-manager actively participates in managing the Internet for the marketing of our business   | 1 | 2 | 3 | 4 | 5 | 6 7 |
| 50 | The owner-manager knows what is required to make the Internet effective for marketing  | 1 | 2 | 3 | 4 | 5 | 6 7 |

|    |   |   |   |   |   |   |   |   |
|----|---|---|---|---|---|---|---|---|
| 51 | The owner-manager realises that the benefits of using the Internet for marketing outweighs the risks  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 52 | There are links to our Web site from the regional and/or local tourism authority and/or other tourism businesses                                    | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 53 | We use the Internet for advertising our business  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 54 | All of the marketing communication elements used by our business are consistent.  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 55 | I am satisfied that the Internet improves our ability to find out information about customers, competitors and the tourism industry                 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 56 | In dealing with its competitors, our business is very often the first business to introduce new products/services/packages and ways of marketing.   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 57 | The owner-manager is aware of the potential of using the Internet for the marketing our business  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 58 | The owner-manager makes time to manage the Internet marketing of our business   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 59 | The performance of our business is measured against formal goals  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 60 | There are links to our Web site from other well known tourism businesses  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 61 | We encourage customer comments and complaints because they help us do a better job  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 62 | We understand the nature of our competition   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 63 | We use the Internet for market research purposes  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 64 | I am satisfied that use of the Internet improves the image of our business  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 65 | Our business has processes in place to share information about Internet marketing with other people/ businesses                                     | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 66 | The information displayed on our Web site is relevant   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 67 | People selling or marketing our products are instructed to report on competitor activity  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 68 | The owner-manager believes that the Internet can add value to the marketing of our business   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 69 | We are quick to detect changes in customers' preferences  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 70 | We use the Internet to reduce our marketing costs   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 71 | I am satisfied that use of the Internet improves the effectiveness of advertising and promoting our business  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 72 | In dealing with its competitors, our business typically initiates actions which competitors then respond to   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 73 | We use the Internet to improve the efficiency of our marketing  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 74 | When we give an undertaking to customers over the Internet, it is usually fulfilled   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 75 | I am satisfied that the Internet enhances our customer service  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 76 | Our business believes that owing to the nature of the environment, bold and wide-ranging actions are necessary to achieve the business's objectives | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 77 | We often refer initial enquiries made via traditional means (telephone/fax) to our Web site   | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 78 | I am satisfied that the Internet assists us in conveying  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

- information about our business to customers
- 79 In order to maximize the probability of exploiting potential opportunities our business will typically make bold and aggressive decisions 1 2 3 4 5 6 7
- 80 Our business has a tendency to embark on risky projects (with the chances of very high returns) 1 2 3 4 5 6 7

## Section B: Biographical Information

1. Please indicate the name of your business? \_\_\_\_\_
2. How many Partners/ Owners/Members/ shareholders are actively involved in the running of the business? \_\_\_\_\_
3. How many employees do you have? \_\_\_\_\_ Part Time? \_\_\_\_\_  
Full Time? \_\_\_\_\_
4. Do you have a Web Site? (Tick one) Yes ☐  
No ☐
5. What is your Web Site Address? \_\_\_\_\_
- 6 In what area are you based? (Tick one)
  - 6.1 Urban (within a town, city or metropolitan area) ☐
  - 6.2 Rural (outside the confines of a town, city or metropolitan area) ☐
7. How long has the business existed? \_\_\_\_\_
8. How long have you used the Internet for marketing? \_\_\_\_\_
9. What type of access to the Internet do you have? (Tick one)
  - 9.1 Computer on Premises ☐
  - 9.2 Occasional Use of computer (e.g. through Internet café or friend) ☐
  - 9.3 I do not have access to the Internet ☐

If you would like a copy of the research findings, please provide your email address

\_\_\_\_\_



## Appendix 8.1: Covariance matrix used for estimating the structural and measurement model in respect of Sub-model A

|       | SUC1  | TK1   | PC1   | SUC2  | PC2   | TK2   | ALI2  | SUC3  | ALI3  | PC3   |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| SUC1  | 2.763 |       |       |       |       |       |       |       |       |       |
| TK1   | 1.023 | 1.337 |       |       |       |       |       |       |       |       |
| PC1   | 1.022 | 1.127 | 1.535 |       |       |       |       |       |       |       |
| SUC2  | 1.257 | 0.982 | 1.098 | 2.501 |       |       |       |       |       |       |
| PC2   | 0.941 | 1.037 | 1.158 | 1.210 | 1.396 |       |       |       |       |       |
| TK2   | 0.658 | 0.754 | 0.780 | 0.781 | 0.730 | 1.592 |       |       |       |       |
| ALI2  | 0.341 | 0.512 | 0.618 | 0.750 | 0.563 | 0.720 | 2.884 |       |       |       |
| SUC3  | 1.064 | 0.760 | 0.858 | 1.552 | 0.926 | 0.801 | 0.792 | 2.135 |       |       |
| ALI3  | 0.573 | 0.470 | 0.570 | 0.667 | 0.615 | 0.595 | 1.370 | 0.761 | 2.450 |       |
| PC3   | 0.802 | 0.948 | 1.036 | 1.016 | 1.023 | 0.794 | 0.659 | 0.836 | 0.557 | 1.478 |
| TK3   | 0.767 | 0.791 | 0.883 | 0.941 | 0.858 | 1.244 | 0.862 | 0.838 | 0.694 | 0.929 |
| SUC4  | 0.699 | 0.633 | 0.702 | 1.044 | 0.703 | 0.704 | 0.744 | 0.853 | 0.831 | 0.528 |
| ALI4  | 0.473 | 0.484 | 0.614 | 0.658 | 0.494 | 0.611 | 1.255 | 0.577 | 1.220 | 0.512 |
| OI4   | 0.596 | 0.715 | 0.843 | 0.717 | 0.746 | 1.042 | 0.770 | 0.692 | 0.796 | 0.794 |
| PC4   | 1.048 | 1.104 | 1.294 | 1.194 | 1.232 | 0.902 | 0.617 | 1.015 | 0.740 | 1.203 |
| TK4   | 0.963 | 0.895 | 0.905 | 0.885 | 0.884 | 1.322 | 0.921 | 0.945 | 0.721 | 0.967 |
| SUC5  | 1.056 | 0.930 | 1.053 | 1.439 | 0.946 | 0.849 | 0.757 | 1.217 | 0.905 | 0.841 |
| ALI5  | 0.408 | 0.548 | 0.642 | 0.643 | 0.621 | 0.489 | 0.838 | 0.451 | 0.878 | 0.642 |
| TK5   | 0.869 | 0.903 | 0.924 | 0.902 | 0.968 | 1.200 | 1.013 | 0.934 | 0.770 | 0.883 |
| SUC6  | 0.769 | 0.726 | 0.659 | 0.997 | 0.747 | 0.651 | 0.598 | 1.005 | 0.667 | 0.606 |
| SUC7  | 0.707 | 0.631 | 0.652 | 0.903 | 0.675 | 0.581 | 0.586 | 0.884 | 0.495 | 0.640 |
| SUC8  | 1.152 | 0.928 | 0.920 | 1.364 | 1.004 | 0.692 | 0.646 | 1.095 | 0.601 | 0.862 |
| SUC9  | 0.726 | 0.669 | 0.722 | 1.122 | 0.703 | 0.505 | 0.557 | 0.855 | 0.381 | 0.671 |
| SUC10 | 0.599 | 0.573 | 0.524 | 0.847 | 0.543 | 0.424 | 0.379 | 0.678 | 0.290 | 0.533 |
| OI2   | 0.354 | 0.572 | 0.555 | 0.536 | 0.608 | 0.577 | 0.277 | 0.475 | 0.232 | 0.658 |
| OI3   | 0.350 | 0.498 | 0.523 | 0.534 | 0.484 | 0.522 | 0.164 | 0.521 | 0.147 | 0.668 |
| OI5   | 0.963 | 0.881 | 0.922 | 0.878 | 0.858 | 0.987 | 0.558 | 0.708 | 0.439 | 0.901 |
| TRU5  | 0.404 | 0.370 | 0.444 | 0.372 | 0.382 | 0.547 | 0.197 | 0.426 | 0.264 | 0.319 |
| TK6   | 0.674 | 0.808 | 0.860 | 0.888 | 0.875 | 0.595 | 0.515 | 0.680 | 0.468 | 0.839 |
| OI6   | 0.961 | 0.924 | 1.005 | 1.004 | 0.977 | 0.956 | 0.748 | 0.907 | 0.785 | 0.959 |
| TRU6  | 0.325 | 0.323 | 0.461 | 0.503 | 0.485 | 0.703 | 0.385 | 0.634 | 0.687 | 0.318 |
| PC7   | 0.633 | 0.735 | 0.777 | 0.827 | 0.781 | 0.599 | 0.393 | 0.636 | 0.297 | 0.810 |



|       | TK3   | SUC4  | ALI4  | OI4   | PC4   | TK4   | SUC5  | ALI5  | TK5   | SUC6  | SUC7  |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| TK3   | 2.061 |       |       |       |       |       |       |       |       |       |       |
| SUC4  | 0.923 | 2.137 |       |       |       |       |       |       |       |       |       |
| ALI4  | 0.605 | 0.810 | 2.121 |       |       |       |       |       |       |       |       |
| OI4   | 1.268 | 1.022 | 0.738 | 2.105 |       |       |       |       |       |       |       |
| PC4   | 1.050 | 0.990 | 0.778 | 1.206 | 2.073 |       |       |       |       |       |       |
| TK4   | 1.637 | 0.970 | 0.689 | 1.382 | 1.323 | 2.153 |       |       |       |       |       |
| SUC5  | 0.987 | 1.471 | 0.847 | 1.125 | 1.332 | 1.085 | 2.429 |       |       |       |       |
| ALI5  | 0.773 | 0.809 | 0.795 | 0.709 | 0.829 | 0.690 | 0.967 | 1.932 |       |       |       |
| TK5   | 1.589 | 0.993 | 0.720 | 1.322 | 1.184 | 1.696 | 1.127 | 0.790 | 2.139 |       |       |
| SUC6  | 0.631 | 0.910 | 0.597 | 0.711 | 0.917 | 0.879 | 1.154 | 0.826 | 0.949 | 1.889 |       |
| SUC7  | 0.670 | 0.775 | 0.503 | 0.536 | 0.690 | 0.706 | 0.955 | 0.529 | 0.711 | 0.763 | 1.179 |
| SUC8  | 0.735 | 0.953 | 0.648 | 0.747 | 1.090 | 0.888 | 1.300 | 0.598 | 0.907 | 1.033 | 0.909 |
| SUC9  | 0.628 | 0.975 | 0.471 | 0.615 | 0.864 | 0.718 | 1.152 | 0.551 | 0.619 | 0.788 | 0.792 |
| SUC10 | 0.513 | 0.654 | 0.296 | 0.442 | 0.586 | 0.552 | 0.749 | 0.412 | 0.499 | 0.560 | 0.635 |
| OI2   | 0.553 | 0.398 | 0.274 | 0.535 | 0.650 | 0.674 | 0.550 | 0.403 | 0.578 | 0.516 | 0.464 |
| OI3   | 0.497 | 0.323 | 0.165 | 0.452 | 0.525 | 0.605 | 0.457 | 0.276 | 0.461 | 0.388 | 0.396 |
| OI5   | 1.136 | 0.761 | 0.544 | 1.139 | 1.082 | 1.251 | 0.993 | 0.550 | 1.331 | 0.663 | 0.613 |
| TRU5  | 0.585 | 0.390 | 0.303 | 0.589 | 0.460 | 0.535 | 0.488 | 0.369 | 0.564 | 0.415 | 0.428 |
| TK6   | 0.843 | 0.674 | 0.449 | 0.701 | 0.969 | 0.862 | 0.914 | 0.559 | 0.858 | 0.708 | 0.678 |
| OI6   | 1.250 | 0.964 | 0.664 | 1.265 | 1.268 | 1.314 | 1.219 | 0.724 | 1.408 | 0.891 | 0.803 |
| TRU6  | 0.813 | 0.816 | 0.616 | 0.942 | 0.676 | 0.715 | 0.775 | 0.667 | 0.860 | 0.696 | 0.559 |
| PC7   | 0.663 | 0.488 | 0.407 | 0.599 | 0.873 | 0.695 | 0.723 | 0.436 | 0.695 | 0.489 | 0.582 |

|       | SUC8  | SUC9  | SUC10 | OI2   | OI3   | OI5   | TRU5  | TK6   | OI6   | TRU6  | PC7   |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| SUC8  | 1.656 |       |       |       |       |       |       |       |       |       |       |
| SUC9  | 1.087 | 1.439 |       |       |       |       |       |       |       |       |       |
| SUC10 | 0.812 | 0.828 | 1.006 |       |       |       |       |       |       |       |       |
| OI2   | 0.586 | 0.553 | 0.434 | 0.988 |       |       |       |       |       |       |       |
| OI3   | 0.446 | 0.453 | 0.339 | 0.722 | 1.137 |       |       |       |       |       |       |
| OI5   | 0.877 | 0.645 | 0.482 | 0.662 | 0.641 | 1.854 |       |       |       |       |       |
| TRU5  | 0.412 | 0.393 | 0.446 | 0.293 | 0.285 | 0.463 | 2.445 |       |       |       |       |
| TK6   | 0.774 | 0.694 | 0.542 | 0.524 | 0.486 | 0.783 | 0.491 | 1.218 |       |       |       |
| OI6   | 1.009 | 0.777 | 0.601 | 0.587 | 0.503 | 1.500 | 0.687 | 0.981 | 2.060 |       |       |
| TRU6  | 0.485 | 0.343 | 0.479 | 0.340 | 0.219 | 0.545 | 1.686 | 0.485 | 0.845 | 2.612 |       |
| PC7   | 0.798 | 0.636 | 0.481 | 0.491 | 0.476 | 0.704 | 0.425 | 0.831 | 0.758 | 0.365 | 1.041 |

## Appendix 8.2: Covariance matrix used for estimating the structural and measurement model in respect of Sub-model B

|       | SUC1  | SP1   | SUC2  | SUC3  | SP3   | SUC4  | SP4   | SUC5  | SUC6  | SP6   |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| SUC1  | 2.763 |       |       |       |       |       |       |       |       |       |
| SP1   | -0.24 | 3.804 |       |       |       |       |       |       |       |       |
| SUC2  | 1.257 | 0.045 | 2.501 |       |       |       |       |       |       |       |
| SUC3  | 1.064 | 0.041 | 1.552 | 2.135 |       |       |       |       |       |       |
| SP3   | 0.098 | 0.952 | 0.263 | 0.425 | 1.429 |       |       |       |       |       |
| SUC4  | 0.699 | 0.333 | 1.044 | 0.853 | 0.568 | 2.137 |       |       |       |       |
| SP4   | 0.157 | 1.014 | 0.425 | 0.537 | 1.076 | 0.665 | 1.858 |       |       |       |
| SUC5  | 1.056 | 0.030 | 1.439 | 1.217 | 0.597 | 1.471 | 0.801 | 2.429 |       |       |
| SUC6  | 0.769 | 0.371 | 0.997 | 1.005 | 0.625 | 0.910 | 0.641 | 1.154 | 1.889 |       |
| SP6   | 0.016 | 1.272 | 0.505 | 0.520 | 1.016 | 0.775 | 1.289 | 0.699 | 0.741 | 2.366 |
| SUC7  | 0.707 | 0.144 | 0.903 | 0.884 | 0.406 | 0.775 | 0.406 | 0.955 | 0.763 | 0.507 |
| SUC8  | 1.152 | 0.022 | 1.364 | 1.095 | 0.330 | 0.953 | 0.499 | 1.300 | 1.033 | 0.397 |
| SUC9  | 0.726 | 0.125 | 1.122 | 0.855 | 0.381 | 0.975 | 0.381 | 1.152 | 0.788 | 0.358 |
| SUC10 | 0.599 | 0.147 | 0.847 | 0.678 | 0.289 | 0.654 | 0.297 | 0.749 | 0.560 | 0.403 |
| COM1  | 0.434 | 0.613 | 0.601 | 0.456 | 0.597 | 0.601 | 0.562 | 0.785 | 0.688 | 0.663 |
| CUS1  | 0.263 | 0.264 | 0.398 | 0.329 | 0.333 | 0.282 | 0.371 | 0.319 | 0.283 | 0.314 |
| EO1   | 0.404 | 0.653 | 0.241 | 0.306 | 0.724 | 0.563 | 0.722 | 0.557 | 0.568 | 0.693 |
| EO2   | 0.580 | 0.347 | 0.611 | 0.586 | 0.514 | 0.685 | 0.706 | 0.933 | 0.616 | 0.532 |
| COM2  | 0.339 | 0.671 | 0.476 | 0.421 | 0.746 | 0.626 | 0.796 | 0.767 | 0.733 | 0.917 |
| EO3   | 0.501 | 0.861 | 0.402 | 0.528 | 0.749 | 0.631 | 0.825 | 0.641 | 0.591 | 0.856 |
| COM3  | 0.231 | 0.633 | 0.250 | 0.383 | 0.711 | 0.588 | 0.642 | 0.555 | 0.645 | 0.564 |
| COM4  | 0.228 | 0.657 | 0.237 | 0.392 | 0.660 | 0.673 | 0.640 | 0.636 | 0.609 | 0.772 |
| EO4   | 0.344 | 0.694 | 0.389 | 0.437 | 0.810 | 0.737 | 0.811 | 0.788 | 0.622 | 0.919 |
| CUS4  | 0.080 | 0.488 | 0.306 | 0.397 | 0.673 | 0.771 | 0.835 | 0.744 | 0.603 | 0.760 |
| EO5   | 0.330 | 0.463 | 0.240 | 0.393 | 0.689 | 0.586 | 0.672 | 0.598 | 0.662 | 0.572 |
| CUS5  | 0.427 | 0.608 | 0.472 | 0.379 | 0.543 | 0.711 | 0.670 | 0.757 | 0.674 | 0.534 |
| EO6   | 0.466 | 0.741 | 0.426 | 0.576 | 0.759 | 0.626 | 0.754 | 0.826 | 0.876 | 0.816 |
| CUS6  | 0.131 | 0.374 | 0.318 | 0.357 | 0.479 | 0.360 | 0.487 | 0.433 | 0.364 | 0.513 |
| COM6  | 0.123 | 0.388 | 0.235 | 0.392 | 0.495 | 0.458 | 0.503 | 0.450 | 0.548 | 0.606 |
| COM7  | 0.103 | 0.859 | 0.321 | 0.336 | 0.670 | 0.506 | 0.694 | 0.584 | 0.599 | 0.873 |
| EO8   | 0.447 | 0.531 | 0.480 | 0.382 | 0.568 | 0.761 | 0.533 | 0.861 | 0.585 | 0.598 |
| EO11  | 0.227 | 0.331 | 0.153 | 0.044 | 0.254 | 0.367 | 0.103 | 0.347 | 0.307 | 0.077 |



|       | SUC7  | SUC8  | SUC9  | SUC10 | COM1  | CUS1   | EO1   | EO2   | COM2  | EO3   | COM3  |
|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|-------|
| SUC7  | 1.179 |       |       |       |       |        |       |       |       |       |       |
| SUC8  | 0.909 | 1.656 |       |       |       |        |       |       |       |       |       |
| SUC9  | 0.792 | 1.087 | 1.439 |       |       |        |       |       |       |       |       |
| SUC10 | 0.635 | 0.812 | 0.828 | 1.006 |       |        |       |       |       |       |       |
| COM1  | 0.466 | 0.397 | 0.425 | 0.257 | 2.754 |        |       |       |       |       |       |
| CUS1  | 0.354 | 0.378 | 0.322 | 0.325 | 0.128 | 0.574  |       |       |       |       |       |
| EO1   | 0.372 | 0.469 | 0.411 | 0.244 | 0.651 | 0.247  | 1.977 |       |       |       |       |
| EO2   | 0.539 | 0.702 | 0.482 | 0.421 | 0.462 | 0.142  | 0.818 | 2.632 |       |       |       |
| COM2  | 0.493 | 0.545 | 0.490 | 0.356 | 1.308 | 0.206  | 0.953 | 0.721 | 2.576 |       |       |
| EO3   | 0.523 | 0.486 | 0.409 | 0.360 | 0.622 | 0.284  | 1.018 | 0.932 | 0.813 | 1.838 |       |
| COM3  | 0.460 | 0.310 | 0.295 | 0.214 | 0.833 | 0.273  | 0.608 | 0.306 | 0.856 | 0.740 | 1.779 |
| COM4  | 0.460 | 0.387 | 0.447 | 0.284 | 0.600 | 0.278  | 0.522 | 0.370 | 0.748 | 0.722 | 0.953 |
| EO4   | 0.493 | 0.510 | 0.474 | 0.325 | 0.599 | 0.235  | 1.023 | 0.761 | 0.901 | 1.004 | 0.719 |
| CUS4  | 0.498 | 0.393 | 0.384 | 0.323 | 0.506 | 0.298  | 0.492 | 0.215 | 0.718 | 0.535 | 0.732 |
| EO5   | 0.409 | 0.463 | 0.308 | 0.245 | 0.211 | 0.136  | 0.868 | 1.310 | 0.666 | 0.858 | 0.509 |
| CUS5  | 0.459 | 0.517 | 0.469 | 0.315 | 0.655 | 0.306  | 0.586 | 0.431 | 0.597 | 0.482 | 0.438 |
| EO6   | 0.483 | 0.543 | 0.454 | 0.402 | 0.646 | 0.186  | 0.979 | 0.952 | 1.170 | 1.146 | 0.748 |
| CUS6  | 0.401 | 0.321 | 0.363 | 0.331 | 0.420 | 0.328  | 0.345 | 0.166 | 0.359 | 0.294 | 0.426 |
| COM6  | 0.410 | 0.350 | 0.248 | 0.249 | 0.577 | 0.237  | 0.377 | 0.190 | 0.627 | 0.419 | 0.877 |
| COM7  | 0.285 | 0.400 | 0.297 | 0.171 | 0.857 | 0.100  | 0.845 | 0.911 | 1.090 | 0.685 | 0.503 |
| EO8   | 0.359 | 0.569 | 0.419 | 0.252 | 0.724 | 0.120  | 0.860 | 0.886 | 1.100 | 0.760 | 0.618 |
| EO11  | 0.184 | 0.181 | 0.140 | 0.079 | 0.648 | -0.005 | 0.702 | 0.647 | 0.726 | 0.587 | 0.340 |

|      | COM4  | EO4   | CUS4  | EO5   | CUS5  | EO6   | CUS6  | COM6  | COM7  | EO8   | EO11  |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| COM4 | 1.794 |       |       |       |       |       |       |       |       |       |       |
| EO4  | 0.820 | 1.737 |       |       |       |       |       |       |       |       |       |
| CUS4 | 0.801 | 0.649 | 1.596 |       |       |       |       |       |       |       |       |
| EO5  | 0.521 | 0.937 | 0.473 | 2.187 |       |       |       |       |       |       |       |
| CUS5 | 0.649 | 0.598 | 0.640 | 0.447 | 1.771 |       |       |       |       |       |       |
| EO6  | 0.808 | 1.083 | 0.523 | 1.029 | 0.422 | 2.295 |       |       |       |       |       |
| CUS6 | 0.376 | 0.377 | 0.626 | 0.255 | 0.508 | 0.366 | 1.069 |       |       |       |       |
| COM6 | 0.730 | 0.512 | 0.722 | 0.330 | 0.477 | 0.506 | 0.480 | 1.216 |       |       |       |
| COM7 | 0.728 | 0.797 | 0.519 | 0.910 | 0.578 | 0.999 | 0.231 | 0.341 | 3.070 |       |       |
| EO8  | 0.618 | 0.793 | 0.495 | 0.734 | 0.473 | 1.358 | 0.227 | 0.469 | 1.222 | 2.264 |       |
| EO11 | 0.226 | 0.426 | 0.116 | 0.601 | 0.255 | 0.722 | 0.018 | 0.166 | 1.012 | 0.818 | 2.745 |