Approaches by Hotels to the Use of the Internet as a Relationship Marketing Tool.

by

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Approaches by hotels to the use of the Internet as a relationship marketing tool

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Abstract Offers a study of the current use of the Internet, as a marketing tool, by the hotel industry. Such a study is timely given that the growth rate of the World Wide Web (WWW or the "Web") is estimated at about 50 per cent per month, with the number of sites doubling every 53 days. Seeks to present an argument for the application of the relationship marketing (RM) model as a framework for the development of hotel Web sites. The authors believe that a successful Web presence depends upon more than just the technology used and the "look and feel" of the site. Hotels need a framework which can bridge the gap between simply connecting to the Web and harnessing its power for competitive advantage.

Introduction The Internet Domain Surveys, conducted by Network Wizards (URL: http://www/nw.com), have shown that business investment is moving unabated onto the Internet. Around the world, a projected 60 per cent of large companies and 30 per cent of midsize companies will also use the Internet for marketing and business purposes by the year 2000 (Crain's Chicago Business, 1994). This rush by companies to set up computer sites to conduct business has also filtered down to the hotel industry. Hundreds of hotel companies have established themselves on the Web with their own Web sites or via a link from a third party such as TravelWeb (URL: http://www.travelWeb.com). It seems there can be no question about the commercial importance of the Web to the hotel industry. The real challenge lies in using the technology in a way which ultimately makes business sense. To date, there are few models for integrating the global network into a hotel's business functions. It is proposed here that the unique features of the World Wide Web offer a communication opportunity which is ideally suited to the RM model. The main aims of this research were to:

- examine current use of the Web as a hotel communication tool; and
- establish management attitudes to the adoption of the Web as an RM tool.

The research methodology reflects these two aims. A major survey of hotel Web sites was undertaken during May 1997. A total of 143 Web sites were studied and data recorded against a checklist. The checklist of specific mechanisms currently used was constructed as a result of a pilot study of the existing content of different companies utilising the Web. Every Web mechanism utilised by the different hotel Web sites in the sample, at the time of the survey,
has been listed and analysed. The second part of the research involved a series of qualitative, semistructured interviews. The framework of questions was based upon the objectives of the research and supported by information gained from the Web survey, which had provided essential background on current Web practice within the hotel industry. A purposive sample of five senior directors of marketing was selected from hotels belonging to organisations defined as leading hotel groups (HCIMA, 1996). The key issues focused on were:

- the business rationale for a Web presence;
- the marketing strategy guiding Web development;
- the extent of success in achieving operational aims and objectives defined within the context of the Web strategy;
- the extent that hotel chains have adopted or intend to adopt RM as a strategy for Web development; and
- the future direction of hotel Web sites.

Using the evidence from many of these sites this study reveals how hotel companies are beginning to use Internet applications as a relationship marketing tool, and identifies potential barriers to success.

The features of the Web as a solution to hotel communication limitations

Setting up a Web site is affordable as costs are relatively low. Once established, the Web site allows a hotel to conduct a more targeted business 24 hours a day, 365 days in the year, with a potential audience worldwide. The Web enables anyone with an Internet connection access, irrespective of geography, time zone, or computer system. This makes the hotel product more accessible to the new global marketplace and may reduce the need for attendance at trade and consumer shows.

Related to the above features of the Web is its ability to provide “a more or less level playing field for all” (Berthon et al., 1996). There is, essentially, equal opportunity to access the market for all types and size of hotels. The technology also allows sophisticated digital images, video and sound. Hotel “electronic brochures” could include three-dimensional pictures of the property and facilities which the potential customer could explore continuously.

From a marketing perspective the major benefit is the much greater degree of interactivity than other communication media. The most valuable Web applications are those that allow companies to transcend communication barriers and establish dialogue directly with customers. For example, hotel Web sites can contain electronic forms for customer completion and hotels can reply directly via electronic mail (e-mail). This kind of connection will improve customer relations and contribute towards the building of customer loyalty. The Web can give access to a greater store of information than other traditional communication media, and provide visitors with the means to select and retrieve only that which appeals to them. This means that customised
brochures, itineraries and guides could be produced at the touch of a key. For the hotels, it provides a useful tool in their adoption of micro-marketing in this “Age of the Individual” and relationship marketing. However, it must be remembered that the true determinant is the willingness of customers to use the Web to book hotel rooms and to search for hotel information.

A number of surveys have reported a strong preference for the Web as a hotel information source and as a hotel-booking medium. The Hotel Industry Marketing Group (HMG) has warned that “hotels must not ignore the Internet as a key source of business in the future” (Caterer & Hotelkeeper, 1996). A survey of 3,000 Web visitors carried out by /travmag/ (URL:http://www.demon.co.uk. travmag/), a UK travel Web site, indicates that 89.95 per cent of the sample are using the Web to look for information and 28.05 per cent of them are looking for information specific to hotels (HSSS, 1996).

**Limitations of the Web in the context of the hotel industry**

There are potential problems and limitations that the hotel industry must address. The Butler Group suggests that effective Web applications are those that demonstrate an understanding of network limitations, demographics and culture (Butler Group, 1996). The hotel industry must consider the potential problems and limitations implicit in this.

**Network limitations**

The visual impact of the Web site is important, but raises conflicts. Graphics and multimedia attributes require that the customer (client) end has access to a high specification personal computer (PC). Also, the inevitable slowing down of the data transfer can result in customer frustration and even the premature termination of the session. Kalffe (1996) states that, “The prospect of virtual hotel tours via the Internet ... excites hoteliers. However, current bandwidth constraints mean the plans are far more virtual than real”.

**Demographics**

Successful Web applications should demonstrate relevance to the customer base. Web sites can be structured so that pages are targeted to specific online customer groups. These pages must be dynamic enough to keep pace with the ever-changing interests of such groups. The challenge here is to monitor the interests and to be flexible in responding to them.

**Culture**

It is important that the customer is comfortable with electronic shopping if people are going to book hotel rooms via the Internet. Consumers have been reluctant to supply credit card details over the Internet as they judge it to be risky and have a fear of breach of security (GVUs, 1996 Consumer Survey of WWW users). However, it is often easier for hackers to obtain credit card details passed over a cordless or mobile telephone. Popular Web browsers, Netscape and Microsoft Explorer, have now incorporated secure payment encryption
algorithms. Electronic cash (Ecash) has also been developed by Digicash (URL: http://www.digicash.com) for secure payments over the Internet without having to transmit credit card details.

The commercial success of Internet technology depends upon not only connectivity but also the fundamental question of social acceptance. Electronic commerce will flourish if users of technology are motivated to become customers and to change their patterns of buying. Shopping by catalogues, TV and phone marketing and phone banking are increasingly accepted as part of today's society. While the home PC market is growing at a fast speed, the home Internet market is also set on an upward trend. According to research (Web Master, 1996) based upon more than a million people, around 2 per cent of the population were already connected and 7 per cent of the population is planning to go online shortly. This would mean that, in the very near future, approximately 10 per cent of UK households (two million in total) will have an Internet connection.

Thus it seems reasonable to conclude that society is becoming more familiar with technology, in particular with PCs and the Internet. The hotel industry has an opportunity to deploy the Web as an effective marketing tool, provided that it is able to respond to the demands of Internet commerce by being responsive, agile and innovative.

**Suitability of relationship marketing for the hotel industry**

A new form of marketing has emerged as relationship marketing (RM) (Dwyer et al., 1987; Christopher et al., 1991; Sheth, 1994; Grönroos, 1994). Various other terms have been used either as substitutes for RM or to describe some close parallel - micro-marketing, loyalty marketing, one-to-one marketing, wrap-around marketing, customer partnering, symbiotic marketing and interactive marketing. Gummesson (1994) supports the view that RM represents a "new marketing paradigm" and the beginnings of a new theory. Evans and Laskin (1994, p. 440) suggest: "RM is a customer centred approach whereby a firm seeks long-term business relations with prospective and existing customers". Similarly, Grönroos (1990), who has opened up the debate on RM, explains it as follows: "Marketing is to establish, maintain and enhance... relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises". This definition attempts to incorporate both the transactional and relational qualities of marketing. Given the strength of argument for RM schemes the authors consider the underutilisation of RM in the hotel industry as surprising. Overall, the suitability of RM for the hotel industry is based upon the characteristics of the hotel marketplace whereby there is weak brand loyalty and a high level of business travel bookings. In addition hotel companies can develop a company database easily as there is access to a great deal of information captured by the reservation booking systems. This is discussed in the next section.
Hotel marketplace and RM considerations
In the current competitive marketplace hotel companies have found it necessary to win the loyalty of the reduced number of customers. As such they need to reorient their thinking away from merely attracting customers to retaining customers. This is due to the need to reduce the cost of acquiring customers. It is between five and ten times as expensive to win a new customer as it is to retain an existing one (Rosenberg and Czepiel, 1984; Barnes and Cumby, 1993; Liswood, 1989). Buttle (1996) notes that there are the direct costs of the successful conversion of a prospect into a customer (selling costs, commission, product samples, credit-checking costs, administrative costs, database costs) as well as the costs of unsuccessful prospecting. Thus, keeping customers loyal is a sensible business strategy.

Even with successful campaigns, companies still face the risk of customers defecting, i.e. stop coming back. Defection rates affect retention rates, which is a central issue in relationship marketing. Price Waterhouse calculated that a 2 per cent increase in customer retention is equivalent to a 10 per cent reduction in costs (Caterer & Hotelkeeper, 1994). As such an awareness of the lifetime value of customers is growing. A transaction-orientated view of the customer would consider the sales value and margin earned from a single sale, while a relationship-oriented view considers the revenues and contributions earned from a long-term relationship with a customer. Gilbert (1996) argues that the life-time value of retaining customers enables the costs of conversion of the prospect to be set against the revenues earned over the longer term. Sales and profits will also improve in direct proportion to the length of time a relationship lasts. In addition, existing customers tend to make more frequent visits, may broaden the base of their own purchases over time, and influence others through word-of-mouth advertising (Haywood, 1988).

A relationship marketing paradigm is most suitable when (Gilpin, 1996; Lewis and Chambers, 1989; Reichheld, 1993; Juttner and Wehrli, 1994):

- there is an ongoing or periodic desire for the service on the part of the customer;
- the service customer controls the selection of the service supplier;
- there exists alternative choice of suppliers;
- brand switching is a common phenomenon;
- word-of-mouth is an especially potent form of communication about a product; and
- there is an ability to cross-sell products.

The suitability of RM for the hotel industry is also due to the ease with which RM can be practised within the industry. From accommodation bookings and the registration process, hotels already possess certain information on customers. It is also possible for hotels to find out other valuable information, such as frequency of stay and spending behaviour, through company records.
This information can be brought together on a database system and manipulated to identify and target the more profitable customers. Hotels could then begin a relationship with customers.

**RM strategy for hotel group Web sites**

Various hotel and tourism marketing academics (Gilbert, 1996; Haywood, 1988; Gilpin, 1996; Lewis and Chambers, 1989) have proposed alternative strategies for achieving customer retention. Gilbert (1996) proposed that the long-term retention of customers requires the following five incremental steps. These are amalgamated with the Butler Group approach within Table I and are as follows:

1. **Identify more about the customer through database analysis.** The role of the hotel Web site could be to compile information on what an individual purchases or may want, using an incentivised online questionnaire. The Web could also track and measure customers' reactions to different offers posted on the hotel Web site. Customer profiles could then be created.

2. **Improve and make the product/service more attractive.** Again, customised online questionnaires could be targeted to frequent guests to collect their attitudes to services or loyalty programmes. The hotel company could use this information to improve aspects of the service that are not meeting or exceeding the expectation of customers. In addition, lapsed or inactive hotel customers could be cost-efficiently contacted using e-mail.

3. **Inform to build customers' knowledge of the company.** The Web could serve as a strategic information centre. Key information, such as lists and locations of key agents, as well as hotel company updates on new products, services, offers and benefits, could all be posted on the hotel Web site. Electronic newsletters could also be e-mailed to both prospective and loyal customers. In this manner, customers will have increased knowledge of the hotel company, which could enhance customer brand loyalty.

4. **Tempt customers to purchase more regularly, try different products, etc.** The Web could operationalise this objective by direct e-mailing to frequent hotel guests special electronic promotion leaflets. Furthermore, the hotel Web site could be designed to cross-sell other hotel products/services. For example the Hilton Hotels and Resorts Web site (URL: http://www.hilton.com) has an “electronic hotel concierge” who tempts customers to try other services of Hilton by displaying short messages.

5. **Retain the customer by developing different forms of loyalty schemes.** Inspired by the success of the airlines’ frequent-flyer programmes, hotels have started their own frequent-stayer programmes or customer loyalty schemes. A Web site could be designed for the exclusive use of hotel loyalty scheme members. Entry into the Web site is restricted through
the use of identification numbers and passwords. Members-only magazines and special offers could be posted on these exclusive Web pages. Various customer services could also be offered, again exclusively to members. For example, the members of Sheraton’s loyalty programme, Sheraton Club International, could keep track of their account activity and redeem rewards online.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Strategic guidelines</th>
<th>Operational objective</th>
<th>Web mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Identify</td>
<td>Start with customers, exploit unique properties of Internet technology</td>
<td>Compile information on what an individual wants, create a profile of the customer</td>
<td>Incentivised online questionnaire</td>
</tr>
<tr>
<td>(2) Improve</td>
<td>Exploit unique properties of Internet technology, build relationships with customers</td>
<td>Improve aspects of the service that are not meeting or exceeding the expectation of customers</td>
<td>Customised online questionnaire, E-mails</td>
</tr>
<tr>
<td>(3) Inform</td>
<td>Exploit unique properties of Internet technology, build relationships with customers, leverage existing business</td>
<td>Increase the knowledge of customers about the hotels and the loyalty scheme to enhance brand loyalty</td>
<td>Direct e-mailing, electronic newsletters, online noticeboards and updates, online information centre</td>
</tr>
<tr>
<td>(4) Tempt</td>
<td>Exploit unique properties of Internet technology, build relationships with customers, leverage existing business, build a service, not a Web site</td>
<td>Persuade customers to try new service, product or sector, persuade customers to purchase more through personalised contact</td>
<td>Direct e-mailing, special electronic promotion leaflets, automated cross-selling</td>
</tr>
<tr>
<td>(5) Retain</td>
<td>Exploit unique properties of Internet technology, build relationships with customers, leverage existing business, build a service, not a Web site</td>
<td>Develop new loyalty-building schemes aimed at retaining and reinforcing the link with customers</td>
<td>Exclusive Web site and services for loyalty scheme members, online members’ magazines, online members-only customer services</td>
</tr>
</tbody>
</table>

Source: Adapted from Gilbert (1996, p. 579)
Gilbert’s model can also be considered within the context of criteria for a successful Web strategy advocated by the Butler Group, which advises organisations to:

- treat the Internet as a new medium and exploit its unique properties, such as interaction with customers;
- start with customers by defining who they are and what they want to know;
- build relationships with customers by getting to know them, customising content for them and ensuring relevance to them;
- build a service, not a Web site, by giving customers value for time and money and by providing options not available elsewhere;
- leverage existing business by building on assets (brand names, operational infrastructure, information, customer relationships); and
- think radically to achieve the best chance of obtaining the benefits offered by the technology.

Table I shows how these guidelines can be incorporated into Gilbert’s model. It is interesting to note that each stage of the model encompasses an additional feature, recommended by the Butler group, for a successful Web strategy.

**Research methodology**

The aims of this study were to carry out primary research in order to examine the use of the World Wide Web as a hotel marketing communication tool and to establish the management attitudes to the adoption of the World Wide Web as a relationship marketing tool.

Data were gathered using the following approach. The Yahoo Web site, which gives a listing of hotel Web sites (URL: http://www.yahoo.com/Business_and_Economy/Companies/Travel/Lodging/Hotels), was regularly accessed. A critical examination of the Web sites of the hotel groups listed was made using a checklist chart. The sample was made up of the whole population of hotel Web sites, made up of a sampling unit of establishments defined as any hotel groups on the Yahoo Web site in May 1997. It should be noted, however, that such a sample introduces a slight bias due to the fact that those hotel groups not listed on the Yahoo site will be excluded from the sample, but in general the list covered a wide cross-section of hotel groups. Some of the hotel groups listed are not “hotel groups” in the pure sense, but are marketing intermediaries or representatives of independent hotel properties. A thorough attempt was made to identify these “representatives” and leave them out of the sample. The final sample was 143 hotels.

In addition, qualitative, semistructured interviews were utilised to establish to what extent the hotel chains adopt, or will adopt, the Web as a relationship marketing tool. This approach was preferable due to its suitability for an unexplored research topic, whose subject-matter deals with confidential
company information (e.g. marketing strategy). Respondents were reassured that the results would have a degree of confidentiality.

A framework of questions was drawn up based upon the objectives of the research and supported by the information gained from the earlier Web survey. This was used to guide the discussion. The semistructured interviewing approach allowed more control over the process and greater ease in recording (tape-recorded) the answers.

The sample selection was based upon senior (regional or head office) directors of marketing selected from all hotels from establishments defined as leading international hotel groups from hotel lists (HCIMA, 1996). In this particular study, the purposive sampling method was chosen. The regional or central head offices of hotel chains are scattered around the world. Therefore, it would be very difficult to obtain interviews from a random sample within a limited time period. Furthermore, senior directors of marketing often have a busy schedule and the interviews had to correspond with the respondents’ availability and willingness to be interviewed.

Web survey results

The data were processed using SPSS for Windows version 6. Simple frequency distributions were computed for each of the variables. The Web research identified the current use (i.e. at the time of the survey) of the following Web mechanisms: information, reservation, loyalty programme, newsletter, special gestures, feedback, customer service, public relations, value-added services, employee Web site, channel member Web site, and customised research. The following ranked tables summarise the results.

The Web, as discussed, has the potential to be a strategic information centre for the hotel industry offering the following features: electronic brochure, corporate information (press releases, financial reports, company history, company milestones, product and service information), online directory (a listing of hotel properties available which is often categorised by geographical location), property information (facilities available, amenities, transport services, attractions, travel directions, etc.), what’s new, virtual hotel tour as an experience of “walking through” the hotel property, special promotions, and language localisation selection by browser.

Table II shows that approximately 60 per cent of the 143 hotel chains surveyed are providing two or three such features. Slightly more than 35 per cent are already providing four or more features. Thus, it is evident that a great majority of the hotel chains are aware of, and have exploited, the potential of the Web as a strategic information centre. However, surprisingly, there is still a small minority of the hotel chains (about 3 per cent) that are not providing any information about themselves online.

The most commonly provided features are online directory (93.0 per cent of the chains) and property information (89.4 per cent of the chains). A significant proportion are also providing corporate information (37.3 per cent), what’s new (26.8 per cent), special promotions (40.8 per cent) and language localisation (18.3
The provision of electronic brochure and virtual hotel tour are still limited to just 0.7 per cent and 4.9 per cent of the hotel chains respectively.

The Web offers the hotel industry a distribution channel that enables customers worldwide to book hotel rooms. The Web hotel reservation capability currently includes the following features: online search, online availability check, online reservation form, online reservation retrieval, online cancellation, real-time processing, create/modify profile, and e-mail reservation.

Table III shows that the majority of hotel chains have taken advantage of the Web as a reservation medium. However, one third of the hotel chains are still not giving their customers the opportunity to book hotel rooms via the Web. This is surprising as a survey by HIM G has shown that business travellers have expressed a strong interest in booking hotel rooms via the Web (Caterer & Hotelkeeper, 1996).

The most commonly available reservation feature is an online reservation form. Although present technology does allow real-time processing of reservations, only 21.1 per cent of the hotel chains offer such capability. This means that customers of the remaining 78.9 per cent of hotel chains may have to wait two or more days for the replies to their reservation requests. If the attraction to using the Web is the promise of interactivity, customers may be disappointed.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage of hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online reservation form</td>
<td>61</td>
</tr>
<tr>
<td>Real-time processing</td>
<td>21</td>
</tr>
<tr>
<td>Online search</td>
<td>21</td>
</tr>
<tr>
<td>Online availability check</td>
<td>20</td>
</tr>
<tr>
<td>Online reservation retrieval</td>
<td>16</td>
</tr>
<tr>
<td>Online cancellation</td>
<td>16</td>
</tr>
<tr>
<td>Create/modify profile</td>
<td>2</td>
</tr>
</tbody>
</table>

Table II. The Web as an information centre

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage of hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online directory</td>
<td>93</td>
</tr>
<tr>
<td>Property information</td>
<td>89</td>
</tr>
<tr>
<td>Special promotions</td>
<td>41</td>
</tr>
<tr>
<td>Corporate information</td>
<td>37</td>
</tr>
<tr>
<td>What's new</td>
<td>27</td>
</tr>
<tr>
<td>Language localisation</td>
<td>18</td>
</tr>
<tr>
<td>Virtual hotel tour</td>
<td>5</td>
</tr>
<tr>
<td>Electronic brochure</td>
<td>7</td>
</tr>
</tbody>
</table>

Table III. The Web for reservations
A significant proportion of the hotel chains has also offered more advanced features, such as online search (21.1 per cent), online availability check (19.7 per cent), online reservation retrieval (15.5 per cent) and cancellation (16.2 per cent). A small number of them (2.1 per cent) have taken a step ahead of the rest by allowing customers to create and modify their profiles online. In this manner, the Web is acting as a strategic extension of hotel databases.

Hotel chains could also extend their loyalty programmes online by having special features for their potential and existing frequent guests; such as general information, online enrolment, restricted frequent guest area, online account review, create/modify customer profile, exclusive e-mail address, special Web offers, and request rewards online.

Table IV shows that a high proportion (75 per cent) of the hotel chains offer no loyalty programme features at all. Although 25 per cent have some kind of loyalty programme, only 19.7 per cent of them provide general information on their programmes.

A small proportion has also offered advanced features for their frequent guests, such as online enrolment, special Web offers, online account view, create/modify customer profile and request rewards online. A restricted frequent guest area, which is accessible only by password, is provided by 1.4 per cent of the chains, and an e-mail address for the exclusive use of frequent guests is also offered by 1.4 per cent.

Hotel chains could keep their customers and employees up to date with the latest developments using electronic newsletters, which are of two types – Web newsletter and e-mail newsletter. A majority (93 per cent) of the hotel chains do not offer either the Web newsletter or e-mail newsletter. A small proportion (2.8 per cent) of the chains offers Web newsletters, and only 3.5 per cent offers e-mail newsletters (see Table V).

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage of hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>No loyalty programme features</td>
<td>75</td>
</tr>
<tr>
<td>General information</td>
<td>20</td>
</tr>
<tr>
<td>Restricted frequent guest area</td>
<td>1</td>
</tr>
<tr>
<td>Exclusive e-mail address</td>
<td>1</td>
</tr>
</tbody>
</table>

*Table IV. The Web and loyalty programmes*

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage of hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>No newsletter</td>
<td>93</td>
</tr>
<tr>
<td>Web newsletter</td>
<td>3</td>
</tr>
<tr>
<td>E-mail newsletter</td>
<td>4</td>
</tr>
</tbody>
</table>

*Table V. The Web and newsletters*
The Web offers hotel chains the ability to personalise the experiences of customers who visit the Web sites. Hotel chains could include features such as set up a personal Web page, address Web visitor by name, welcome message, and guest book. The potential of the Web to personalise customers’ online experiences is still largely untapped by the hotel chains.

Table VI shows that the most commonly offered features are the welcome message and guest book. A small minority of chains have personalised customers’ online experience by offering features such as set up personal Web page (2.1 per cent) and address Web visitor by name (2.8 per cent).

Hotel chains could employ the Web as an interactive marketing tool. Customers could give direct feedback via the Web. This could be done by filling up an online form or by e-mailing their comments, complaints or suggestions. Approximately three-quarters of the hotel chains provide one or both of the feedback mechanisms: 54.9 per cent of the chains offer e-mail feedback, while only 23.9 per cent of them offer an online feedback form. There still exists quite a substantial proportion of hotel chains which are not taking advantage of this capability of the Web at all (Table VII).

Hotel companies could utilise the Web to enhance customer service. A Web site guide could assist customers in exploring the hotel Web site. A hotel chain could post on its Web site a series of frequently asked questions (FAQs), from which customers might be able to find answers to common queries. Printable property and meeting fact sheets could also be available for customers wishing to make hard copies of online information. Customers could be encouraged to book their meeting facilities by the provision of meeting planning worksheets. They could also make online requests for hotel brochures, general information and information on meeting facilities. Furthermore, hotels are also integrating the Web, and the Internet itself, into their products. For example, Inter-Continental Hotels and Resorts (URL: http://www.interconti.com) offers guests, at one of its international properties, the ability to purchase a card which allows them one hour of Web surfing via their television remote controls.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage of hotels</th>
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<tbody>
<tr>
<td>Table VI. The Web and special gestures</td>
<td></td>
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<tr>
<td>Personal Web page</td>
<td>2</td>
</tr>
<tr>
<td>Address Web visitor by name</td>
<td>3</td>
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</table>

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage of hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table VII. The Web and feedback</td>
<td></td>
</tr>
<tr>
<td>By online form</td>
<td>24</td>
</tr>
<tr>
<td>By e-mail</td>
<td>55</td>
</tr>
</tbody>
</table>
Only approximately half of the hotel chains offer customer service features. The most commonly available features are online request for brochure/information and destination guides. The rest of the features are still mainly confined to a small minority of the hotel chains.

The interactive nature of the Web facilitates the building, maintenance and enhancement of relationships between the hotel chains and the influence markets or the general public. A hotel chain could e-mail updates on the company’s latest developments to the press. Of the hotel chains, 5.6 per cent offer online request for photos/information, while 0.7 per cent of them offer e-mail updates on latest developments. The potential of the Web as a public relations tool is still largely ignored, with only a small proportion (7 per cent) of the hotel chains adopting the Web in this way.

Here, a hotel chain could, potentially, provide a currency converter service, weather reports, information on business and travel, news and current affairs, links to travel partners, and links to other Web sites (local attractions, for example). These features could serve to add value to the customers during their online interactions with the hotel chains. A large majority of the hotel chains (65 per cent) do not provide any value-added service at all. The more commonly available features are links to travel partners, weather reports, information on business travel and currency converter.

The Web and employees
Hotel chains could employ the Web as an internal marketing tool to build long-term relationships with its employees. A Web site for the exclusive use of employees could be maintained and employment opportunities within the chain posted. An online job application form could facilitate employees in their application process. The Web site could also serve as an information centre, providing information such as mission statement, company policies, procedures, results, etc. It is evident that the potential of the Web as an internal marketing tool is still largely not exploited by the majority of the hotel chains, with only 10 per cent offering their employees one of the above features.

The Web and channel members
The Web offers the hotel chains an interactive communication tool to develop long-term relationships with the channel members. However, only a small 0.7 per cent of the hotel chains exploit this capability of the Web, in the form of a Web site dedicated to channel members only. Potentially, hotel chains could post on their Web sites information such as room availability and rates and last-minute offers.

The Web and research
Continuous customer data collection and the tracking of customer expectations could also be facilitated by the Web. Customised or incentivised surveys could be carried out cost-effectively. However, the finding shows that only 4.2 per cent
of the hotel chains utilise the Web to carry out research, by asking customers to complete online surveys.

**Those with highest number of features - top 10 per cent of hotel Web sites**

Table VIII indicates the top 10 per cent of hotel Web sites, in terms of the number of Web features found from this study. Out of these 14 hotel chains, it is interesting to note that nine of them belong to the list of the world's top 20 hotel chains, in terms of number of rooms. Hence, the larger hotel chains seem to be leading the way in exploiting the potential of the Web.

**Interviews: results and data analysis**

Five of the leading hotel chains were selected and their senior directors of marketing interviewed. This section complements the Web survey findings by investigating the underlying strategy for Web development in the organisations, all of which can be defined as leading hotel groups, and therefore likely to appear in the top 10 per cent of hotel Web sites shown in Table VIII. For the purpose of confidentiality and anonymity, the five hotel chains are identified as A, B, C, D and E. Table IX summarises the features of these hotel chains.

**Findings of the interviews**

The five senior marketing managers were first questioned about their knowledge of the theoretical background behind RM. The findings were almost universal – all the managers stated that they have heard of, or read about,
Approaches by hotels to the use of the Internet

relationship marketing theory. They were able to relate RM to their marketing elements, such as databases, and targeted promotions focused on frequent customers. Manager B offered his definition of RM as “meeting the needs of the clients”, a process that is done in a “perpetual cycle”. The managers were unanimous in the opinion that RM has entered their company philosophy and operating methods. Manager A commented that his company aims to be the leading hotel company in Asia by the year 2000. This is to be achieved through successful long-term hotel/customer relationships.

The managers were then asked to answer several general questions on the World Wide Web. When asked for the factors which have pushed their hotel companies in the direction of the Web, they gave the following answers:

- afraid of losing out to competition in terms of exploiting the Web;
- the practical applications of the Web, e.g. as a feedback mechanism; and
- the growing use of the Web among their customers.

Manager D summed up all the answers with his comment that the Web is “an opportunity that you can’t miss – to win new business”. None of the respondents cited organisational strategy as a factor.

When asked what the managers seek to achieve through their Web sites, they quoted the following answers:

- additional sales;
- increase product awareness among customers; and
- provide a “reference tool” for customers.

This suggests that if there is any marketing strategy behind the development of the Web sites, it is still transaction oriented. Four of the managers were not sure of the extent of success of their Web sites in terms of achieving the marketing aims and objectives stated above. They commented that it is still currently not possible to find out reliably how many customer visits or “hits” are received by their Web sites. On the other hand, manager A claimed that his company has been able to monitor the number of “hits”, i.e. the number of visitors to the Web site. His company’s Web site has been receiving an average of 3,000 hits per week since its start and the figure is increasing by the week.

<table>
<thead>
<tr>
<th>Hotel chain</th>
<th>Rooms</th>
<th>Hotels</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>10,100</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>B</td>
<td>77,500</td>
<td>160</td>
<td>37</td>
</tr>
<tr>
<td>C</td>
<td>94,600</td>
<td>242</td>
<td>5</td>
</tr>
<tr>
<td>D</td>
<td>328,600</td>
<td>1,690</td>
<td>55</td>
</tr>
<tr>
<td>E</td>
<td>132,300</td>
<td>426</td>
<td>61</td>
</tr>
</tbody>
</table>

Table IX. Summary of the features of hotel chains interviewed
All the hotel chains interviewed have computerised database systems to store guests’ history records. The managers stated that the main sources of customer information are room registration cards, in-house guests, in-house dining programmes, in-house contests and health club registration cards. In their relationships with customers, the managers admitted that their priority is customer retention. Manager D believed that “if you can keep your customers, they themselves will generate new business by word of mouth”. The managers also claimed to have strong relationships with the channel members. Managers D and E viewed the wholesale and retail tourist organisations as “an extension of (their) sales team”. The channel members are seen as the key elements in bringing new business to the hotel chains.

The managers interviewed shared the opinion that the Web could serve as a marketing tool to establish, maintain and enhance long-term relationships with customers and third parties. They also believed that their Web sites are a cost-effective, strategic link between their companies and the customers, although they could not identify an organisational Web development strategy.

It is clear that hotel chains have attempted to take advantage of the capabilities of the Web as a marketing tool. When asked about the various Web mechanisms which they currently do not offer, the managers commented that they will possibly develop them sometime in the future, based upon customers’ demands and the available Web technology. Again, strategic planning was not mentioned in this context.

Discussion of the results and recommendations

The Web survey and the personal in-depth interviews have given interesting insights into the issues of hotel marketing on the World Wide Web and its potential as an RM tool. The inherent features of the Web provide a solution for the hotel industry in meeting current market challenges. Furthermore, there is a strong demand among business travellers for the Web as a hotel information source and booking medium. Given this, the qualitative research indicates that managers are primarily perceiving the medium as a sales and reference tool. The World Wide Web is not only an electronic technology and an interactive communication medium; it could also prove to be an efficient and effective means of hotel to business marketing by enabling the development of long-term relationships with customers as part of a sophisticated RM programme. The qualitative findings did establish a shared view, by leading hotel groups, that the Web has the capability of acting as a tool for building relationships. Having stated this the study has highlighted the lack of foresight in the strategic use of the Internet to achieve broader RM objectives.

The findings also show from the Web survey, and the follow-up interviews, that if there is a marketing strategy for the Web, then it is still transaction oriented and unlikely to deliver all of the potential business benefits of becoming Web enabled.

The large majority of the hotel chains have taken advantage of the potential of the Web as a strategic information centre and reservation medium. However,
only about one-fifth of the chains offer real-time processing of online transactions. Only a small minority of hotel chains surveyed have exploited the Web as an RM tool. Those that have do not appear to have planned it; rather it has happened because the unique features of the Web naturally push towards interaction, which is at the heart of RM. It is also important to realise that hospitality managers do not envisage that the Web will replace personal interaction between hotel employees and customers, but can be used to leverage existing business by enhancing customer relationships.

The authors’ assessment of the current situation is that most of the hotel chains are, at the time of the survey, focusing on the Web as a distribution channel and are at only stage 3 of Table I in approaches to the long-term retention of customers. The potential of the Web as a strategic interactive communication medium is identified only by the larger hotel chains, which seem to be leading the way. Web mechanisms to develop relationships with other parties, such as employees and channel members, are still relatively underdeveloped.

Conclusion
The World Wide Web can be described as a technology in search of a strategy. At present it is mostly the larger hotel chains which have begun to explore its potential to develop long-term relationships with customers. This will allow a competitive advantage to be developed by the larger hospitality organisations. However, the Web still has a long way to go in terms of its development as an RM tool, which is very much dependent upon customers’ demands, hotel companies’ willingness to let their Web sites assume a bigger marketing role, and the available technology. However, there seems to be widespread confidence within the hotel industry of the future of the Web as a marketing mechanism.

Both RM and the World Wide Web combined together can offer a powerful competitive advantage for hotel companies at a time when there is increasing competition over a reduced customer base. As such, no hotel company can afford to ignore the full potential of the Web as a strategic mechanism to facilitate the practice of RM. There is no single, foolproof strategy for successful Web commerce. The hotel industry must design and implement online applications which will add value to both the hotel companies and the customer. Hotel companies should, as proposed by Table I, adopt RM as a strategy guiding the development of their Web sites. The framework defines a model for integrating Web applications, which places interaction with the customer at the centre of a networked information system.

References