King Hotel Goes Online: The Case of a Medium Enterprise in Using eCommerce*

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EXECUTIVE SUMMARY

Small and medium sized enterprises (SMEs) usually face financial constraints that limit their resource development and hinder their technological advancement. In Egypt, SMEs comprise almost 99% of the non-agricultural private sector and 75% of the private sector in Egypt at large. It is an important contributor to the economy and affects a number of sectors including tourism. The increase in competition in the sector has driven a number of SMEs to turn to the Internet to gain competitive advantage and to leverage their position and attract more business. However, the successful integration of what is still an innovation into the business process and its application into organisational functionality requires careful institutionalization. There are many challenges that need to be carefully handled in addition to a number of societal and cultural factors that are integral to the process that need to be adapted. The role of the change agent at the SME level is vital to the success of the introduction of the technology, its diffusion, adaptation and acceptance by the different levels in the organisation. This case demonstrates the results of a study addressing the impact of introducing information and communication technology to small and medium sized enterprises in Egypt, represented through the experience of King Hotel in introducing the Internet as a platform for business development, the challenges faced, opportunities created, and lessons learnt for future implementations.

Keywords: Egypt; eCommerce; IT in developing nations; online tourism; SMEs

* This article was submitted August 2003

ORGANISATIONAL BACKGROUND

This case analyses the impact of innovative information and communication technology such as the use of the Internet in small and medium sized enterprises in Egypt. The case focuses on King Hotel (www.king-hotel.com), presenting its experience in introducing the Internet and its diffusion into the organisation’s processes and opera-
tions. This will include the strategy used to capitalise on the use of the technology and the benefits gained or lost, followed by assessment and recommendations on how SMEs in Egypt can best benefit from the use of the Internet in leveraging organisational performance. The theoretical framework applied included the diffusion of innovation theory and the technology acceptance model. This allows the study of the changes introduced to the case (King Hotel). Adaptation of staff and the business processes is studied to evaluate the introduction and diffusion of the Internet and the implications of its use on the effectiveness and efficiency of the work itself.

The case discussed the following issues: (a) How was the Internet first introduced to the hotel? (b) How did the organisation adapt to the use of technology? (c) How did the Internet improve organisational functionality? (d) Who made use of the Internet within the hotel? (e) How many staff members were using computers? and (f) What are the planned actions for further use of the Internet in improving the business?

King Hotel is a family owned business. Data was gathered through interviews with the management as well as questionnaires distributed to the staff and other stakeholders in the industry and its related functions and activities. King Hotel, located in Cairo, is a three star hotel that started operations in 1983, with an occupancy capacity of 90 rooms and served by 65 staff members. As indicated by the assistant manager and part owner, Mr. Ahmed El Sherif1, the hotel had been facing problems with achieving sales targets over the period 1995-2000. The cost of developing marketing and sales campaigns was too high. Travel agents reserved the rooms at a discount, based on an agreement with the hotel. The room allotments contracted for the travel agents were charged at 50% of their value, for example, at 32 US dollars for a double room. The hotel needed to target individual guests who stood to be more rewarding for the hotel as they were charged the full rate of the room at 64 US dollars. The ideal balance for serving both target customers is a 50-50 allotment. However, the hotel was suffering from an imbalance, as the group rates were evaluated at 90% of the occupancy rates, while only 10% of the rooms were sold at individual rates.

King Hotel is one of many three star hotels located in the downtown Cairo area. The hotel faced high competition, especially from well-known hotel chains, which grew in capacity and volume over the last 10 years. King Hotel needed to continuously offer quality service and maintain its standard. Fixed costs were estimated at 13,500 US dollars per month, in order to maintain a specific standard that guaranteed the hotel its place as one of the top hotels in its category. Management was determined to maintain their prime position and to continuously improve to keep pace with the changes in the market. Respectively, after several studies, it was estimated that for the hotel to cover its costs and maintain its current quality standard, annual occupancy rates had to be at a minimum of 33%, with 60%-40% balance between group and individual rates. The hotel management discovered that they fell behind in their occupancy rates and their balance of guests, and were incurring large sums of fixed costs for their budget. Major changes needed to be introduced to improve the business processes of the hotel. Moreover, the hotel needed to update its brochures and printed material. They had only been developed once, in 1984-85, and most of the information was outdated. Updates had not been done earlier as it was always considered an item of less importance, in relevance to the small marketing budget available.
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