

## Chapter 10

# Factors Affecting E-Commerce Adoption by Small Businesses in a Developing Country: A Case Study of a Small Hotel

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### ABSTRACT

*Internet use has grown and spread rapidly around the world during the last decade. Today, computers and the Internet have become an integral part of modern societies. The Internet has created a new medium for communication and commerce for businesses. It is hard to imagine a business working without using a computer. These technological advances have also largely affected small and medium-sized enterprises (SMEs). While large companies have been quick to adopt the information and communication technologies (ICTs), SMEs have been slow to adopt these technologies in general for various reasons, especially in developing countries. This study explores the factors affecting the adoption of e-commerce by small businesses in a developing country. To attain this purpose a case study was conducted in a small hotel, which is using its website to keep up with customer expectations and competition in a small Turkish city. Conclusions and suggestions derived from this study provide a meaningful contribution to the understanding of e-commerce adoption among small businesses in developing countries.*

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## INTRODUCTION

The ICTs are developing at a fast pace, affecting almost all aspects of our daily lives. Today, computers and the Internet have become an indispensable part of modern societies. According to Internet World Stats (2010) it is estimated that there are approximately 2 billion (28.7% of the world's population) Internet users in the world. From 2000 to 2010, the number of Internet users around the world increased by 444.8% (Internet World Stats, 2010) and Internet use in all areas of life has become more common over the time. The use of Internet for commercial purposes has also greatly increased. According to the United States Census Bureau, the total volume of e-commerce transactions in the United States was about 3,704 billion dollars in 2008, and among them 92.2% were B2B (United States Census Bureau, 2010).

Computers and the Internet have changed the way we live, the way we communicate, the way we get education, and the way we make business (Lee & Chan, 2008). Today, many businesses depend on computers and the Internet for their daily operations.

In terms of entrepreneurship, apart from assisting large corporate enterprises, the Internet has also providing many benefits and advantages to small businesses. It serves the small businesses in many ways. As a means of transaction, the Internet serves as a marketplace to bring sellers and buyers together for conducting sales; as a communication medium, the World Wide Web provides an inexpensive, easy and fast way for interacting with customers, suppliers and other businesses, and a company's Web presence helps enhance credibility, gather feedback, improve customer service, and facilitate business process (Chen et al., 2003).

However, SMEs face various difficulties when adopting the Internet and e-commerce. These difficulties are mainly related with SME's structure and their surrounding environment (Al-Qirim, 2007). Small businesses usually lack the technical

knowledge, the financial power, the know-how, and the experience (Al-Hawari, Al-Yamani, & Izwawa, 2008). Overall, the literature suggests that Internet use is not prevalent among small enterprises (Karanasios, 2007), especially in developing countries.

Since the tourism and hospitality industry is very important for developing countries to prevent unemployment and to achieve economic development, tourism is the top national priority for economic development in many developing countries, and because of its relatively low start-up costs and its high potential to attract foreign capital, e-tourism is being promoted (Bui, Le, & Jones, 2006). The vast majority of hospitality businesses around the world are small and medium sized, belong to local entrepreneurs, are run by family, generally employ members of the local society (Main, 2002). Because small and medium sized hospitality organizations provide stable employment opportunities and support the integration of local economies in peripheral areas, even during recession periods, despite their size, these organizations are very important (Buhalis & Main, 1998).

The tourism and hospitality industry has relied mainly on information, while tourism services are produced and consumed in a physical world in a regional or local context, purchase decision of a tourism product is generally based on information received through direct or intermediary market channels; prior knowledge; word of mouth; and perceptions of trust and service quality (Braun, 2006). In this case, the ICTs, especially the World Wide Web, can provide the information to customers looking for data as part of their purchase process.

The tourism and hospitality enterprises can obtain a wide range of benefits from using the ICTs. These technologies help the tourism and hospitality enterprises to reduce costs, enhance operational efficiency, and improve service quality and customer experience (Law, Leung, & Buhalis, 2009). The Internet can create a direct link

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