

# Internet Diffusion in the Hospitality Industry

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## INTRODUCTION

Tourism is the most important industry in the world in terms of the numbers of employees and its effect on the social and economical development of a region or country. Holjevac (2003) believes that, by the year 2050, tourism will by far be the largest industry worldwide, with 2 billion tourists and US\$24 billion in domestic and international receipts. Moreover, the major tourist destinations will be India, China, Indonesia, and Brazil.

The use of information technologies for basic functions—conferences, business meetings in distant places, training, designed routes and airlines, reservations and tickets purchased through computer systems, tourist shops, restaurants—is becoming usual in tourism. All these services have led tourist companies to adopt more updated methods in order to increase competition. Consumers, who are already becoming familiar with new technologies, demand more flexible, interactive, and specialized products and services, bringing new management techniques from the intelligent use of IT used to accomplish tour company business processes (Buhalis, 2000).

The hotels depend progressively on the resources of new information technology to follow and update the tools which allow an efficient development of activities in each section of the company, leading to better results for its management (Mendes-Filho & Ramos, 2003a). To Phillips and Moutinho (1998), information technology (IT) is one of the critical factors of success in the hotel industry.

According to studies and data, the use of technological tools will allow a bigger competitiveness for hotels (Cline, 1999). Technology will be the catalyst of change, a source of growing connectivity and one of the most important factors in distinguishing success among hotel companies. Few issues have greater importance to the business of hospitality than the technological decisions that will be made in the coming years (Buhalis, 2000; Mendes-Filho & Ramos, 2004; Olsen & Connolly, 2000).

The hotel industry is one of the most important kinds of Web commerce. The data shows that all major companies linked to the tourism industry (hotels, agencies, air companies, and rentals) possess some kind of e-commerce activity

through the Web (O'Connor, 1999; Scottish Executive, 2000; Werthner & Klein, 1999).

## BACKGROUND

Decades ago, before the use of the computer in the accommodation sector, those charged with making reservations performed their service by checking availability tables exposed on the wall or in large, updated, hand-written lists (O'Connor, 1999). The hotels received innumerable telephone calls, letters, and telex from potential clients, sometimes larger than that of the hotel's reception, and worked to select correspondence, type letters, send telegrams, and deal with other demands. The delays were frequent, the cost of correspondence writing went sky-high, and specialized typists were in demand (World Tourism Organization, 2003).

A way found by the American hotel chains to streamline the reservation services was to centralize this function in a main office, serving the consumer better and offering a valuable service to the hotels belonging to that chain. O'Connor (1999) states that the reservation process in hotels in the USA was made even easier with the introduction of free telephone services in the mid-'60s, which permitted potential clients to perform an only call to obtain information or make reservations in any of the hotels of that chain in the world.

Although the reservation area became faster and more efficient, two large costs remained, those of telecommunications (free telephone service payment) and labor costs of the reservation agents necessary to answer the phones. With the increase in trips during the 1960s, the airline companies developed the computer reservation system (CRS), which pressured the hotel sector to develop its own (O'Connor, 1999).

The main focus in hotel and restaurant management has always been the maximization of consumer satisfaction and personalized attention. The use of IT has, at times, seemed incompatible with this objective, and the hotel sector has, in a way, delayed the application of IT in its operations. The technology has been viewed as a hindrance to personalized service because it creates an impersonal, mechanical, and cold environment with the clients.

However, the change of this belief is being changed within the hotel sector. Nowadays, according to Sheldon (1997), the establishments are noticing that IT can bring efficiency to the hotel, besides reducing costs and offering a great potential to increase the levels of personalized service to the clients.

In a survey performed by financial managers of American hotels, all stated that IT increased the hotel's productivity (David, Grabski, & Kasavana, 1996). The motives used to justify this statement were the following: Technology reduces the administration costs, decreases the amount of paperwork between sectors, minimizes operational errors, increases the earnings/profits of the hotel, and makes the reservation management more efficient. This same survey proved that IT is not only used to increase the hotel's productivity but also to improve the service, as well as to offer new services to the guests.

According to Namasivayam, Enz, and Siguaw (2000), IT can also be employed to reach business objectives. American and European hotel executives have plans to use the technology to reduce operational costs, increase sales, improve the service to the client, increase employees' productivity, and increase hotel earnings.

In research performed by Van Hoof et al. (1995), 550 American hotel managers answered questions about their perceptions of the use and implementation of technology in their establishments. Those responding identified the front office (reception and reservations) of the hotel as the sector that can benefit the most from the use of the technology, followed by sales and marketing, accounting, and the food and drink sector. According to Van Hoof et al., having a quality service is a challenge to the hotel industry, which has high employee turnover indexes, employee salary increase, and low age of the most qualified people. Consequently, technological applications have been developed in hotels to increase this quality in the services and improve the interaction of the hotel employees with the guests.

### **IMPACTS OF THE INTERNET IN HOTEL INDUSTRY**

During the '80s and '90s several authors from companies and universities had already foreseen that as new technologies were increasingly used, hotels could benefit from that in a great range of situations, for example: better qualified services for customers, increased sales and profits, efficiency in operation and integration of hotel sectors, rapid communication, and cost reduction (Laudon & Laudon, 1999).

Technological applications enable information and knowledge to bring a competitive advantage to the future profile of the hotel. The "Information Age" idea is that the most modern companies will build their success upon the amount of knowledge they have about their clients as well

as information on their products and services and how they will make a profit in this new environment (Olsen & Conolly, 2000).

With the Internet being used as a means of communication, this brings several advantages or benefits compared to other vehicles. Flecha and Damiani (2000) state that when it comes to the tourist area, the main points are: the new relationship between consumers and companies, marketing for actively participating consumers, the importance of detailed information, self-service application, credibility, and agility of communication.

The use of the Internet and World Wide Web is spreading quickly in most consumer access areas to travel database developments. There are hundreds of thousands of suppliers' homepages, associations, e-news, newsgroups, and chats for the travel and tourism community. This group of technologies provides many opportunities for the industry to interact with its consumers and suppliers. It is also possible that, through information technology, products and services may be personalized according to the tourist's needs and thus may become a differential feature for those who adopt it (Buhalis, 2000; Sheldon, 1997).

The purchase of products and services through the Internet is revolutionizing the world of business and people's lives as well. For some clients it is more comfortable to book an e-ticket through the company home page rather than going to the travel agency (Franco, 2001).

As the Internet began and grew, the use of such technologies at home or work and also the new opportunities that arose from the lower costs in telecommunication equipment made it possible for suppliers to distribute information to their clients and process reservations directly with the clients (O'Connor, 1999).

According to Jeong and Lambert (2001), the Internet has already modified the competitive strategy of some hotels. It is through the Internet that the client can have a "self-understanding" in a service that is being offered to him in a more efficient way. In hotels, check-in processes can already be totally automatic, from the Internet booking until the moment the client takes his keys in an automatic dispenser. The result is that clients can become more informed and willing to have quick answers from the orders online. Though many experts and businessmen agree that the Internet is probably the most important technological tool, it is still relatively new and misused in the hotel industry (Van Hoof & Verbeeten, 1997).

Several authors have identified impediments to the growth of the Internet in the industry and, hence, have reservations about the willingness of hotel operators to adopt the Internet wholeheartedly (Wei et al., 2001). These problems include user-friendliness, the quality and accuracy of information obtained from the Web, and the issue of data security (Wei et al.). Here are other difficulties found by Lituchy and Rail (2000) in their research: problems in updating new

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