Online marketing of tourism companies

Cases from Borgarfjörður, Iceland

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Abstract

The objective of this thesis is to study how companies that cater to tourists in Iceland use the Internet as a marketing tool. The ever-expanding usage of the Internet, both in Iceland and around the globe, makes it a very useful marketing tool since it can be used to reach people on the other side of the world with a touch of a button. But the Internet can also be quite a hindrance when in this trade. A bad review on a respected website can have a devastating effect on a company and its business. It is therefore vital for tourism companies to increase their Internet usage so they can disseminate the correct, up-to-date information to both their present and future clients.

The methodology used was in the form of qualitative research that means the majority of analytical references came from interviews with owners and managers of the case companies involved. The interviews were semi-structured with a few predetermined questions and then follow-up questions as the interview went on.

The study shows that the case companies use the Internet quite differently in their day-to-day operation and they emphasize on different aspects of the Internet. Some claimed a lack of knowledge and others stated that they simply did not have the time needed to use the Internet in a more productive way, but everyone seemed to realize the importance of the Internet and agreed that Internet based marketing is something that they have to implement better into their marketing mix in the near future.

Key words

Prologue

This thesis is a final assignment for a bachelor degree in business by the faculty of business at Bifröst University. The assessment of this thesis is 12 ETCS credits. The work was performed during July and August 2010.

The subject of this thesis is online marketing in the tourism trade. Theoretical perspective of the research material is covered and a research case study was performed to verify the academics and to increase the understanding of the subject.

The author would like to thank the interviewees, Brynja Brynjarsdóttir, Hansína B. Einarsdóttir, Sigríður Margrét Guðmundsdóttir and Unnur Halldórsdóttir for taking time out of their busy summer schedule for the interviews. Without them this thesis would never have existed. The author would also like to thank Einar Svansson, assistant professor at Bifröst University, for his support during the process of this thesis; Ingibjörg Guðmundsdóttir, director of academic services at Bifröst University, for her understanding and patience and María Einarsdóttir, service manager at Bifröst University, for her input and help during the research. The author would also like to thank everyone else that supported and encouraged him during the writing process.

I, the undersigned, have done this thesis on my own and fully according to the regulations and demands of Bifröst University regarding work of final assignments in undergraduate studies.

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Bifröst, 19 August 2010

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1 Introduction

Tourism is a relatively new industry in Iceland but its importance is ever-increasing. In recent years it has become one of the biggest industries in Iceland and there are a lot of opportunities that have yet to be explored. With the increased arrival or tourist to Iceland and the increase in tourism worldwide it is absolutely necessary for tourism companies to be marketed in the most effective way possible. That is where the Internet comes in with its quick, far-reaching capabilities. Is the Icelandic tourism industry fully using the Internets potential and if not how can these potentials be exploited?

1.1 Objective

The objective of the research was to evaluate how small tourism companies in and around Borgarfjörður use the Internet as a marketing tool and try to figure out how these companies, and others, may be able to go even further in its usage. The Internet is ever expanding and there is a lot of competition in the tourism trade, which is also always becoming a bigger and bigger business. Tourism in Iceland is a growing industry, just as it is a growing industry worldwide. In 2009 around just under 80% of tourists visiting Iceland planned their own trip or approximately 370.000 people (Ferðamálastofa, 2010). What can be done to make Iceland an even more attractive place to visit? Perhaps the answer lies in the usage of the Internet and online marketing.

Both the Internet and tourism have been subjects of interest for the author for a while now and it did, therefore, seem like a good idea to combine the two and write about online tourism in the area around Bifröst University. The outline or objective of the thesis is to look at the Icelandic tourism industry and answer the research question:

How do small Icelandic tourism companies in

Borgarfjörður use the Internet as a marketing and promotional

tool?

1.2 The importance of the Internet

Most companies in the tourism sector realize in importance on the Internet and that is also the case with the Icelandic Travel Industry Association (*I*: Samtök ferðaþjónustunnar / SAF) that has formed a special advisory and knowledge group or think tank especially to help the Icelandic travel industry on online marketing (Hauksson, n.d.). While Google no longer displays the number of sites it indexes the figure is thought to be over ten billion (10.000.000.000) sites. While many of these may be duplicates and no longer operated and may therefore be irrelevant, this figure shows the vastness of the Internet. Every month tens or even hundred of thousands of sites are created and while many of them may be not be business orientated, those who are aim to get the business noticed before comparable businesses (Hauksson, n.d.).

It is a widespread misconception that just by launching a website that the business will immediately increase. That money will start rolling in as soon as the site is up and running. The cold truth is that approximately 95% of websites are not considered search engine friendly and since most users use the search engines to find what they are looking for these websites will never have a chance on a competitive market (Hauksson, n.d.).

A survey conducted by Global Market Insite (GMI) from 2005 showed that an average of approximately 55% of the participants named a web search as a source to find out where to go on holiday. This was an international survey among some of the worlds largest markets, including China, India, Russia, Brazil, Canada, the United States and Western Europe (Varlow, 2008).

By looking at this data it is clear that the importance of the Internet as a marketing tool for travel and tourism has become quite significant. It is therefore very important for companies that are looking to increase their share on the market and those that wish to increase the flow of tourists to Iceland to do their homework and be well prepared before launching a website or getting into an advertising campaign.

1.3 Methodology

The first step taken during this research was to look at the subject of it using Philip Kotler's classic 6-step process.

1. Define the problem and research objectives	2. Develop the research plan	3. Collect the information	4. Analyze the information	5. Present the findings	6. Make the decision

(Kotler & Keller, 2009)

The method of qualitative research was chosen while conducting this research rather than using the quantitative research method. This was decided since the companies taking part in this research are few and in a rather small geographical area and it is therefore better suited since qualitative research allows for better interaction with the subject. That in turn gives a better understanding of the choices being made, an understanding not readily attained through predetermined questionnaires or specific written down questions. The focus during a qualitative research is getting answer to questions like 'how?' and 'why?' rather than asking 'when?' and/or 'where?' (Taylor & Bogdan, 1998). Another benefit of doing qualitative research is the free flowing dialog that can occur during the interview. The interviewee may have a totally different vision on a subject than the interviewer ever imagined and may be able to offer insights not before considered. All the interviews were semi-structured with open-ended questions.

> Semi-structured interviews consist of predetermined questions to domains of interest, administered to a representative sample of respondents to confirm study domains, and identify factors, variables, and items or attributes of variables for analysis or use in a survey (Schensul, Schensul, & LeCompte, 1999, bls. 149).

An advantage of semi-structured interviews is that the interviewer has prepared questions ahead of time and potential follow-up questions as well. That helps him appear competent and professional during the interviews. Another benefit of the semi-

structured interview is that the interviewees have the potential to express their views and thought in their own terms and it does therefore have a great probability to provide reliable qualitative data (Wengraf, 2004). Open-ended questions are of great value to a research like this on since "open-ended interviews allow respondents to answer them in any way they want […] a closed question, in contrast, would ask the respondents to make choices among a set of alternatives given by the researcher." (Sekaran, 2003, p. 239). There are not only benefits that come from using the open-ended method and personal interviews. While personal interviews are flexible, with the interviewer being able to easily correct any misunderstanding that may arise and be able to adapt the questions that follow, the interviewer must often build trust with the interviewee as well as ensuring their own neutrality in the process (Sekaran, 2003).

Secondary data was also used during this research. Data that was available online, in articles, reports and publications was utilized. Secondary data is material that has been collected for another purpose and is available and accessible (Sekaran, 2003).

1.4 Outline of thesis

In the following chapters will cover the basic history of the Internet, which has grown at an astonishing pace in recent years, the history of tourism and Icelandic tourism in particular and how it has evolved over the years. Also how the research was conducted, interviews performed and how the analytical work took place. Finally conclusions will be revealed and covered and some recommendations made.

2 Tourism

The World Tourism Organization (UNWTO) refers to tourism as an economic and social phenomenon. It emphasizes that today's business volume of tourism is close to surpassing the business volume of oil exports, food products or automobiles. Furthermore, the global spread of tourism in developed states has produced economic as well as employment benefits in a number of related sectors, from construction to agriculture to telecommunications (World Tourism Organization, 2006).

Tourism is defined as the activities of persons traveling to and staying in places outside their usual environment for more than twenty-four (24) hours and not more than one consecutive year for leisure, business or other purposes (World Tourism Organization, 1995).

In 1996 the Icelandic Ministry of Transport, Communications and Local Government defined the term *tourism industry* as a line of business that includes all companies and individuals that are in some way employed in a field that is connected with traveling, such as selling trips wholesale or in retail capacity, trip organization, transportation of people (at least in part), lodging, guides and so on (Samgönguráðuneytið, 1996).

2.1 Globally

Global tourism is a big business and it has been growing constantly since the 1950's when air travel became available to the general public. The vast growth in international travel does, without a doubt, put tourism on a list of the 20th century's most remarkable phenomena, both economically and socially. In 1950 the number of international arrivals was only around 25 million globally. In 2005 the figure had reached 806 million which corresponds to an average annual growth rate of 6,5%. In the period since 1950 Europe has had almost half of global foreign arrivals while Asia and the Pacific has seen the greatest average growth at around 13% annually (World Tourism Organization, n.d.a).

In 2002 the World Tourism Organization (UNWTO) published a long-term forecast of the development of tourism until 2020. In this forecast, called 'Tourism 2020 Vision' the UNWTO predicted that worldwide international arrivals would break the billion (1.000.000.000) traveler mark in 2010 and it would go as high as 1,6 billion (1.600.000.000) by 2020 (World Tourism Organization, n.d.b). Unforeseen events, like the global financial crisis of 2007, did affect the fruition of the forecast and in the latter half of 2008 international tourism saw a negative trend emerging and that intensified in 2009. The figures show that international arrivals were 8,4% fewer in 2009 than they had been in 2008 (World Tourism Organization, 2009). After a difficult year the tourism industry seems to be getting back on its feet and the

UNWTO predicts a 3-4% increase in international tourist arrives in 2010 (World Tourism Organization, 2010).

2.2 Iceland

Tourism as an important industry in Iceland could be viewed as a relatively new phenomenon. Foreigners arriving in Iceland and Icelanders traveling abroad were considered a rare event and there were limited services provided within tourism until it really began to develop after the Second World War. Statistics show that only 4.383 tourists traveled to Iceland in 1950 (Bjarnleifsdóttir, 2006). Shortly after WWII Iceland experienced an explosion of sorts within the tourism industry and services that relate, such as international commercial flight, to tourism developed rapidly. With better communications and an ever-increasing quality of life the traveling habits of Icelanders quickly changed. Traveling abroad soon became a fad of sorts and foreign arrivals to Iceland had nearly tripled by 1960 (Borgþórsson, 2004). These changes started the development of the tourism industry in Iceland and the number of foreign arrivals in Iceland rose from 12.806 in 1960 to 65.921 in 1980 (Ferðamálastofa, 2009).

Foreign visitors going through Keflavík Airport
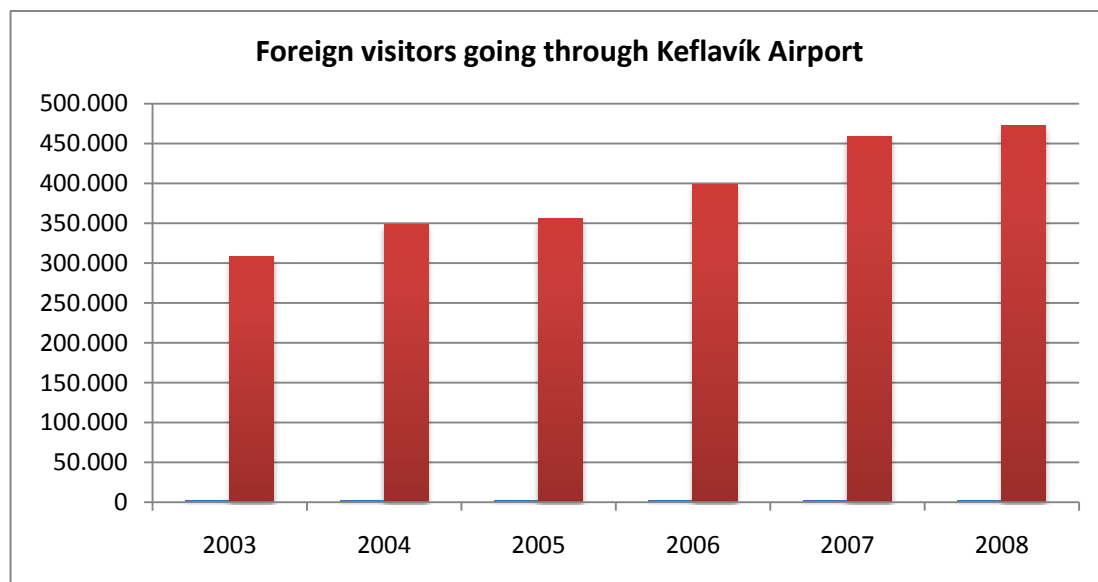
(Hagstofa Íslands, 2009)

Figure 1 – Foreign visitors arriving in Iceland

With the growth of tourism in Iceland, both the government and private citizens realized the potential business opportunities related to tourism. In 2004 the Ministry

of Communication published a report called 'Tourism Strategy 2006-2015' which states that international tourism did increase by approximately 7% on average each year from 1950 to 2000 (Borgþórsson, 2004). Official data shows that almost 190.000 tourists arrived in Iceland in 1995 and Iceland's market share measured 0,027% of global tourism. By 2003 Iceland's share had increased to 0,04% of the market with 280.000 foreign arrivals. Then in 2008 the number was up to 502.000 foreign arrivals, which is a massive increase in only five years. The largest portion of foreign visitors came in 2008 from Scandinavia (119.180), Britain (69.936), Germany (45.111) and the US (40.491). These countries have, along with France, traditionally been Iceland's main source of foreign visitors, but other areas seem to be opening up with arrivals from Canada and the Netherlands showing large growth between 2007 and 2008. It should be noted that there was a small decline in 2009 with 493.941 foreign arrivals, but it can be speculated that the global financial turmoil has more to do with that than a sudden decrease in Iceland's appeal for foreigners (Ferðamálastofa, 2009).

But tourism in Iceland is of course not confined to foreign travelers. A survey published in January 2010 shows that 88,1% of Icelanders travelled domestically in 2009. Out of those 48,2% only traveled within Iceland while 39,9% traveled both domestically and abroad (Thorstensen, 2010). That means that Icelanders are by far the largest group of travelers in Iceland with almost 21% of those answering taking seven or more trips within Iceland in 2009 (Thorstensen, 2010).

3 The Internet

The Internet has become an indispensable part of life for many people in the so-called developed world. It has even gone so far that some people manage most, if not all, of their affairs online. It is therefore necessary to take a good look at the Internet and its history to realize how this medium can be used to its full potential.

3.1 Historical overview

The Internet timeline begins in 1962, before the word 'Internet' is invented (Computer History Museum, 2006).

The first concept of a network connecting computers together for general communication came about in 1962 when the computer scientist J.C.R. Licklider theorized a concept he called an "Intergalactic Computer Network." The ideas put forth by Licklider in his memoranda contain virtually everything the makes the contemporary Internet what it is. This revolutionary idea led to Licklider being appointed to a post at the Advanced Research Project Agency (ARPA), an agency within the United States Department of Defense (DoD). This agency then worked on the concept of electronic data transfer for a few years, and on 29 October 1969 the first computers were remotely connected when the University of California, Los Angeles (UCLA) and Stanford University's Stanford Research Institute were connected (Computer History Museum, 2006).

In the beginning, ARPA created the ARPANET.

And the ARPANET was without form and void.

And darkness was upon the deep.

And the spirit of ARPA moved upon the face of the network and ARPA said,

'Let there be protocol,' and there was protocol.

And ARPA saw that it was good.

And ARPA said, 'Let there be more protocol, and it was so.

And ARPA saw that it was good.

And ARPA said, ' Let there be more networks,' and it was so.
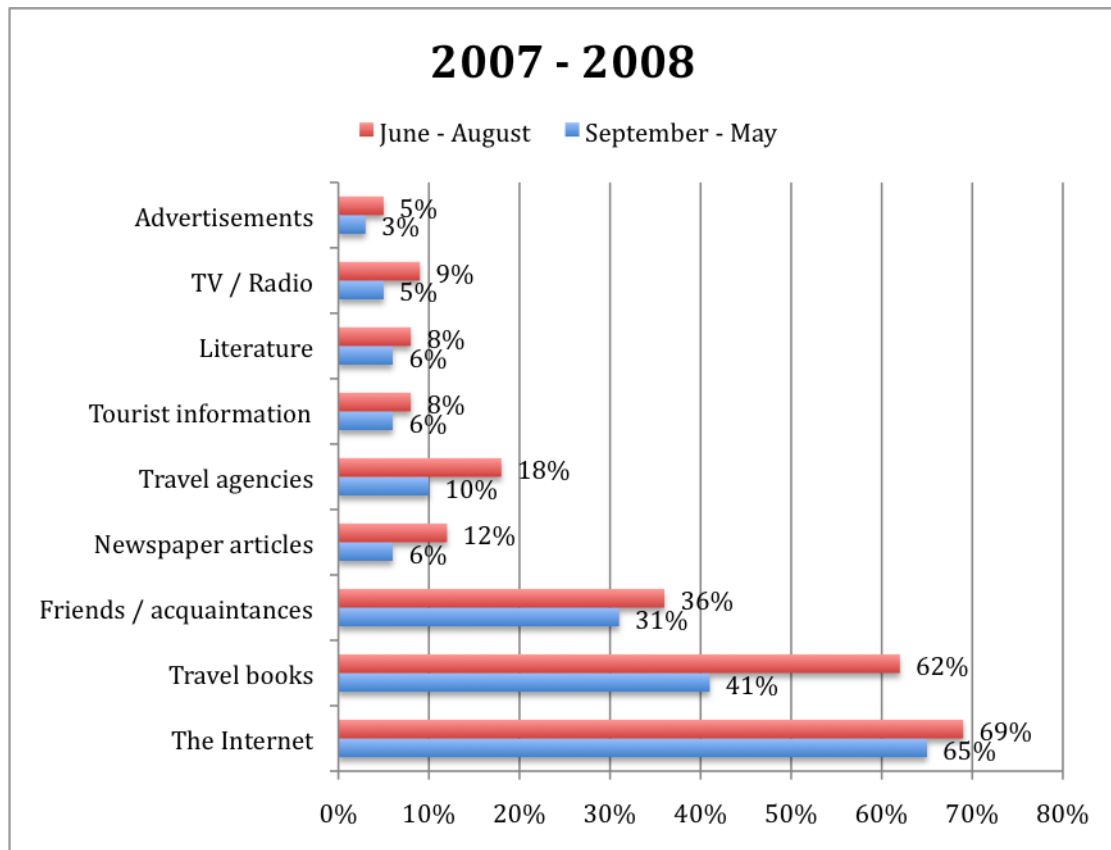
-- Danny Cohen (Cohen, 2006)

The Internet has grown at an incredible pace and it is in fact the fastest growing media in history. It only took the Internet 7 year to reach 25% of the United States population. Comparing that with other major technical communications breakthroughs it can be seen that it took the mobile phone 13 years, radio 22 years and television 26 years and the now old fashioned landline telephones took 35 years to reach that percentage of the population (Guðmundsson & Hauksson, 2009). 40 years after the first computer were connected over a network the Internet has grown to 1,8 billion (1.802.000.000) users in December 2009 or almost 27% of the world population (Internet World Stats, 2010).

3.2 Tourism online

In the early and mid 90's the travel industry did not view the Internet as a tool of great importance. The mood of the industry towards the Internet at that time can be summed up in the words of then manager of marketing automation for the Marriot hotels, Peter Dennis when he said that the web was "overhyped" and "a mess and navigational nightmare" (Travolution, 2006). With increased mass popularity and development the travel industry soon saw opportunities in using the Internet for both marketing and booking. An example of this change in ways was an announcement from Thomas Cook, a large UK based travel company, stating that the company would spend upwards of £2,5 million on the development and promotion of its website. Another example of this new direction was a decision by Radisson Hotels Worldwide to upgrade its site to include booking facilities. Both of these announcements were made in July 1996. October 1996 sees the emergence of Cheapflights.co.uk, a search engine for cheap flights and travel deals, and in November 1996 Aer Lingus, the flag carrier of Ireland, became the first carrier to auction airline seats from the UK (Travolution, 2006). It can therefore be said that 1996 was a really significant year for the travel industry online. Genesys, a travel technology consultancy, states that the number of travel suppliers available on the search engine Yahoo! increased by 133% or from 1.864 in July 1996 to 4.355 in March 1997. Genesys has also stated that 49% of people get travel information from the Internet (Travolution, 2006).

Another big step for online travel arrangements was taken around the turn of the century when various Internet-based reservation websites like Lastminute, OneTravel

and SideStep started emerging. These websites gave people the opportunity to conveniently compare prices of airfares, car rentals, hotel prices, activities, recreation, etc. around the globe and that in turn encouraged the established travel companies to get online (Kontzer, 2005).

2007 - 2008

■ June - August ■ September - May

Source	June - August	September - May
Advertisements	5%	3%
TV / Radio	9%	5%
Literature	8%	6%
Tourist information	8%	6%
Travel agencies	18%	10%
Newspaper articles	12%	6%
Friends / acquaintances	36%	31%
Travel books	62%	41%
The Internet	69%	65%

Figure 2 – Where did foreign visitors gather data about Iceland ('07-'08)

This development also affected Iceland and the way the potential tourist gathers information about it. The Icelandic Tourist Board (*I:* Ferðamálastofa) conducted two surveys, the first published in 2005 and the latter in 2010, and by comparing the results shows that tourists increasingly rely on the Internet to gather information about Iceland. In 2005 53,5% had used the Internet in their search about Iceland but the figure was up to about 74% five years later (Ferðamálastofa, 2010).

2008 - 2009

■ June - August   ■ September - May

Source	June - August	September - May
Advertisements	4%	5%
TV / Radio	7%	6%
Literature	8%	6%
Tourist information	9%	7%
Travel agencies	13%	9%
Newspaper articles	11%	12%
Friends / acquaintances	37%	33%
Travel books	60%	50%
The Internet	73%	74%
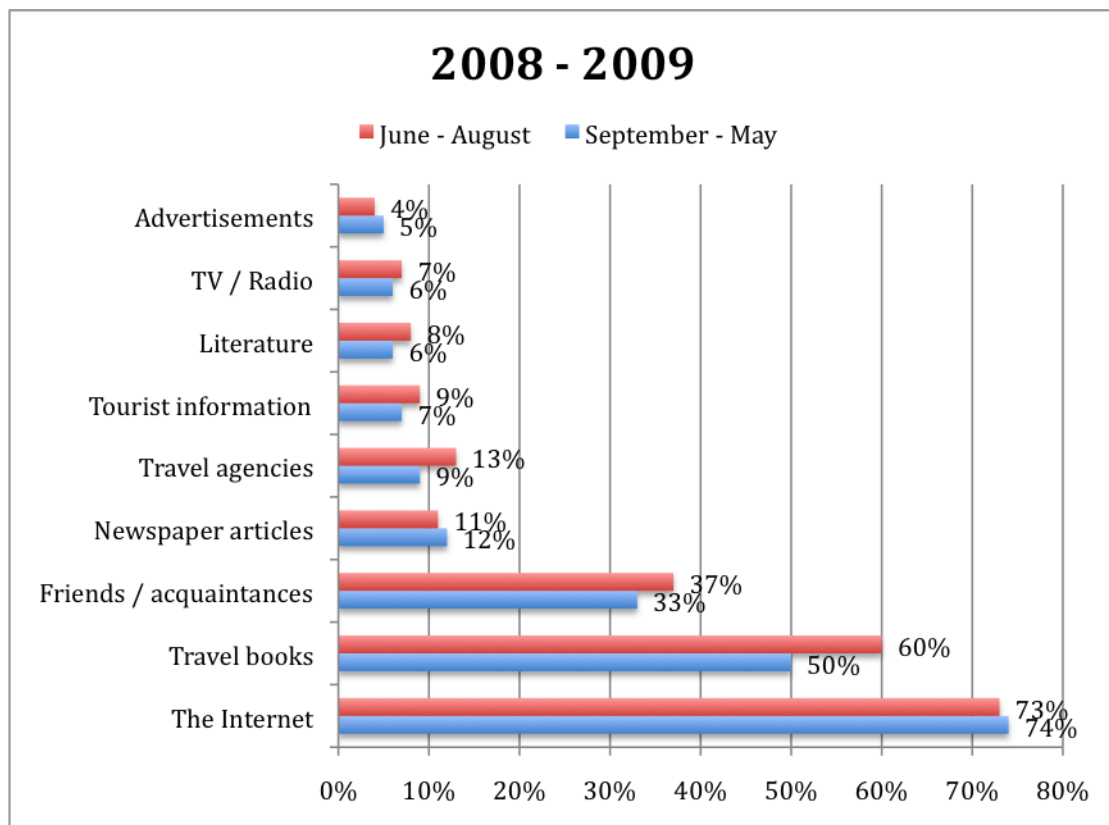
Figure 3 – Where did foreign visitors gather data about Iceland ('08-'09)

This shows a vast increase in the Internet usage by tourist from countries that are most likely to visit Iceland. It should be noted that in 2009 over half of all foreign travelers going through Keflavík Airport were from six countries: Britain, Denmark, Germany, Norway, Sweden and the United States (Ferðamálastofa, 2010).

This considerable increase in Internet usage has in not small part been because of the development of search engines of which Bing, Google and Yahoo! are the three most popular. Of these three Google is by far the most popular with approximately 85% market share, while Yahoo! has about 6% and the relatively new Microsoft engine Bing has 3,5% share of searches. The Chinese/Japanese search engine Baidu comes next with roughly 3% and other search engines like AOL and Ask.com do not even come close to that figure (NetMarketshare, 2010).

When Google was founded in 1998 and could at that time search among 26 million (26.000.000) different URLs (Uniform Resource Locator) or addresses on the Internet. In June 2000 Google announced it had reached 1 billion (1.000.000.000)

URLs and with that it became that largest and most efficient search engine in the world. Google reached another milestone eight years later or in July 2008 when it counted 1 trillion (1.000.000.000.000) unique URLs (Google, 2010a). With Google's popularity being hard to beat Bing and Yahoo! announced an internet search deal in July 2009 stating that the companies would cooperate to gain further market share (BBC News, 2009).

Companies in the tourism industry can utilize these search engines in a number of ways. The chief among which is to use what is called a 'pay per click search engine' or 'sponsored search' like Yahoo! Search Marketing or Google's AdWords. These are self-service advertisement programs that offer keyword targeting and feedback for its users (Google, 2010a). AdWords enables any advertiser to purchase keywords on Google that will result in their website getting priority placement in the search result page (Google, 2000). This could be useful for Icelandic tourist companies, as they could purchase 'hotels in Iceland' or 'tourist attraction in Iceland' for example. This could turn out to be a cheap and effective way to get some attention for the business. The Internet is after all the least expensive media when it comes to global marketing and not only that it is also very easy to measure the effectiveness of marketing campaign (Hauksson, 2009). If marketing managers have a good knowledge of Internet based marketing and a vivid imagination even the smallest company can benefit, since everyone that has access to the Internet has equal access to all sites (Xiang, Wöber, & Fesenmaier, 2008). But it is not enough to make a website and think that it will do wonders for the business. One aspect that has been a problem for the tourism industry online is how to organize available information in an effective manner (Werthner & Klein, 1999). A possible way for Icelandic tourism companies, especially the smaller one's, is to become visible and active on so-called 'social networks'. Social network services emerged in the mid 1990's with sites like theglobe.com, Geocities and Tripod.com (theglobe.com, 2009). The popularity of social networks quickly rose and an example of that development is that in July 2005 MySpace had 22 million members and the site got more views per day than Google (Rosenbush, 2005). Another network, Facebook, which was launched in 2004 has since knocked MySpace of the mantle and is currently the world's largest social network (Economist, 2007).

3.3 Network services

Social networks are utilities that help people to communicate and stay in touch with their family, friends and co-workers in an effective and often entertaining way. Here is a short description of a few of them, but a lot more exist. There is also a description of some other popular websites that could be useful for those trying to become more visible online.

3.3.1 Digg

Digg is a site that allows its users to post and share content that they have found on the Internet with other users. Those users can then vote on the posting and the more votes it gets the higher it places and in turn it will be spread to even more users. "From the biggest online destinations to the most obscure blog, Digg surfaces the best stuff as voted on by our users" (Digg, n.d.).

3.3.2 Facebook

Facebook was founded in 2004 as a university network in the United States. It soon expanded and was opened to everyone in 2006. Facebook has develops and uses technology to facilitate information sharing by digitally mapping people's social connections (Facebook, 2010a). Today there are more than 500 million (500.000.000) active users on Facebook. An account is considered active if it has been logged into in the last 30 days (Facebook, 2010b).

3.3.3 Hoover's

Hoover's is a business research company that gathers, analyzes and provides information for its clients and currently maintains a database of over 65 million (65.000.000) companies worldwide and approximately 85 million (85.000.000) business people (Hoover's, 2010a). The information is constantly being updated and subscribers are always able to get the latest data with a touch of a button (Hoover's, 2010b).

3.3.4 LinkedIn

LinkedIn is a professional network service where its 75 million (75.000.000) users can list their qualifications and employment record and use the site to look for a job that suits them. They can even look for a specific company and see what is available there and sign up for a notification when something becomes available. It helps to better the professional network of individuals and "connects the world's professionals to make them more productive and successful" (LinkedIn, 2008).

3.3.5 MySpace

MySpace is a Los Angeles based technology company that connects people through its social network site. In was first launched in 2004 and only a year later it was bought for $580 million (580.000.000) by Rupert Murdoch's News Corporation. Even though it was once the most popular social network its popularity has dwindled over the last few years it still has more than 110 million (110.000.000) monthly active users worldwide (MySpace, 2010).

3.3.6 TripAdvisor

TripAdvisor is an online travel guide that helps customers in gathering travel information, lets them post their opinions and travel experiences and even offers an interactive forum for travelers. Its users mostly provide the sites content and it is free for all to use. The site currently has more than 35 million (35.000.000) reviews and opinions written by its 20 million (20.000.000) users worldwide (TripAdvisor, 2010a).

3.3.7 Wikipedia

Wikipedia is a multilingual, free-content encyclopedia only available online. It is in an openly editable format which means that anyone with Internet access can contribute to the site. As of January 2010 Wikipedia attracts more than 78 million (78.000.000) visitors each month. There are more than 16 million (16.000.000)

articles available on Wikipedia in 270 languages, though most of them are in English. The first wiki, as the articles are sometimes called, went online 10 January 2001 (Wikipedia, 2010).

3.3.8 YouTube

YouTube is an online video community that allows people to both post and play videos online. It was founded in 2005 and soon became the world leader when it comes to online videos (YouTube, n.d.). Around 1,2 million (1.200.000) of the videos on YouTube are tagged as travel related, but the number of videos available dwarfs that number. In fact it is very difficult to determine the number of videos available since it is considered a slow day on YouTube when 150 million (150.000.000) are uploaded (Courtois, n.d.).

4 Case companies

Semi structured interviews were performed with owners of four different tourist companies in and around Borgarfjörður. Many other companies were contacted and asked to participate in this study but some did not reply, some did not have any time to spare and other simply did not show any interest or value in being involved. Among the companies contacted were Borgarnes Bed & Breakfast, the Center for Puppet Arts in Borgarnes, Milli Vina Guesthouse located in Hvítárbakki in rural district of Borgarfjörður and Snorrastofa in Reykholt. The following four were willing to participate and each interview has been worked and diagnosed independently in the following segments.

4.1 Research outline

It is clear to see that individuals and companies have very different view and take on marketing and the Internets usage in the marketing mix. In order to get a better understanding of these differences, managers from four different tourism companies were interviewed. Before the interviews were performed a list of a few key questions was made that all the interviewees would be asked. The questions were designed to get a basic understanding of each business and its use of online marketing. Since the interviews were semi-structured and the interviewees answered the questions quite differently, the follow-up questions varied somewhat as well. The interviews were therefore not analyzed as a whole, but separately from each other.

The following people were interviewed in connection with the research.

1. Brynja Brynarsdóttir – Hraunsnef Country Hotel – Co-owner and general manager. The interview with Brynja took place on 16 August 2010 at Hraunsnef.
2. Hansína B. Einarsdóttir – Hotel Glymur – Co-owner and hotel manager. The interview with Hansína took place over the telephone on 17 August 2010.
3. Sigríður Margrét Guðmundsdóttir – The Settlement Centre – Co-owner and general manager. The interview with Sigríður took place on 13 August 2010 at and around the Settlement Centre.

4. Unnur Halldórsdóttir – Hotel Hamar – Co-owner and hotel manager. The interview with Unnur took place on 16 August 2010 at Hotel Hamar.

4.2 Hotel Glymur

Hotel Glymur is a relatively small family run hotel in a style that is known boutique hotel. It is located on a hillside on the northern shore of Hvalfjörður about 40 minutes drive from Reykjavík. The hotel first opened in 2001 and hosts a unique art collection with pieces from all over the globe and prides it on offering an especially welcoming atmosphere and surroundings (Glymur, n.d.). Since the opening of the tunnel under Hvalfjörður in 1998 (mbl.is, 1998), traffic around the fjord has decreased significantly and it has become a real treasure for the nature enthusiast. Hotel Glymur is open year round.

Hotel Glymur prides itself of having the highest rating of all Icelandic hotels on TripAdvisor and in an interview with the hotel's manager and owner, Hansína B. Einarsdóttir on 17 August 2010 she said that the hotel had held that position for 6 years. Hansína also said that this was most likely due to a very extensive marketing plan, but the hotel spends upwards of 10 million ISK (10.000.000) per year on marketing. It has, among other things, bought advertisements on search engines, on 12 foreign websites that feature luxury travel and accommodations and it is currently advertising on 7 Icelandic websites. Hansína also attributes some of the hotel's success to very favorable coverage in Lonely Planet and other travel based mediums.

Hansína said that the hotel receives on average approximately 50 emails per day and that 90% of the booking take place online. The hotel prefers online transactions and people that phone the hotel are asked to make reservations online if at all possible. The hotel uses the Internet extensively in both marketing capacity and also in trying to keep ahead of the curve, realizing what the customer wants and what is most popular at that time. It does this, in part at least, by closely following both direct competitors and similar hotels in other parts of the world and seeing what they offer and what innovations are taking place. Hansína said that if an idea is a good one and that it, or something similar, can be implemented at Hotel Glymur she would not hesitate to adapt it to the hotel or its surroundings.

Hotel Glymur has had a concise and specific marketing mix made annually and the Internet always plays a key role in that mix. As a part of that the hotel's website is in constant development and the hotel encourages its guests to point out what may be done differently or better. As a part of the analytical process this year was looking into why German visits to the website skyrocketed earlier this year, with up to 180 visits per day, but this did not result in a single booking. The team found out that there had been an article in a German magazine about Iceland and that the hotel had been mentioned especially. But why had no one reserved a room? The most probable explanation is that since the hotel's website is only available in Icelandic and English but not in German, the Germans decided to look elsewhere. In a response to this the website has now been translated into German and will be updated with the German text soon. Another similar case was a sudden spike in online visits from the United States. Again, this resulted in very few bookings, and the most likely explanation is thought to be that prices were only available in Icelandic Krona and Euros. Having the prices available in Dollars is also being implemented onto the site. There has also been some thought of making the website more accessible to Russian customers, but those plans have not been followed through since Hotel Glymur has been fortunate enough to deal with 3 travel agencies in Russia that have translated the information they need regarding the hotel.

The co-operation with the Russian travel agencies is though somewhat rare as the hotel sells almost all of its booking itself, that is directly to customers over the Internet or telephone. The hotel has though on occasion sell special trips to groups through travel agents, and Hansína did mention that Glymur sold 50 weeklong packages through a Swiss travel agent. This is quite unique, according to Hansína, since hotel guests in Iceland rarely stay this long in one hotel, with an average stay at Glymur being 2,2 days.

Another interesting point concerning Hotel Glymur is that according to Hansína the distribution between foreign visitors and Icelanders is approximately 50-50 no matter what time of year is being looked at. The hotel and its staff also try to sell customers a stay that is longer than one night since people that only stay one night at a hotel never get to experience what the hotel and its surroundings have to offer. By staying two, three or four nights in the same hotel and not having to pack your things

every day and register at a new hotel every night people get a feeling that they are coming home and that makes the trip much more enjoyable than being constantly on the move. Hansína states that she sees around 25% of people that stay at Glymur return as repeat customers within 3 years of their last visit.

Hotel Glymur does little to cater to large groups of tourist with almost all, or around 95%, of the reservations being for 2 people. When it comes to seminars and conferences it is quite another matter though, but the season for that starts in late August, early September. Glymur hosts a number of these during the winter, both for Icelandic gatherings and foreign businesses. Foreign conferences constitute about 30% of the total during the wintertime.

Hotel Glymur has an active mailing list where those that sign up are informed of everything that is going on concerning the hotel. Nothing has been done to encourage individuals to sign up for the mailing list other than having the form clearly visible on the hotel's web site.

On thing that Hansína mentioned especially during the interview was the hotel's usage of software named Xobni. It is an email application that can, among other things, search automatically online for people that have sent the hotel an email enquiry. Cross-referencing the users email address with websites like Facebook.com, Hoovers.com and LinkedIn.com does this and that in turn gives the hotel a better image of the potential client (Xobni, 2010). Is it someone that is looking for a cheap option or is it someone that would be willing to spend more and in turn get more luxury. Hansína states that using Xobni has been very beneficial and saved both time and labor when it comes to analyzing client's needs.

4.3 Hotel Hamar

Hotel Hamar is located on the outskirts of Borgarnes and it is a franchise of the Icelandair Hotels Group. The Icelandair Hotels Group was established when all the hotels in Iceland that were associated with Icelandair merged in 1998 (Icelandair Hotels, n.d.a). Hotel Hamar is a three-star 30 room hotel, located on an 18-hole golf course and it offers most amenities that the average modern traveler is likely to require, such as high-speed Internet access, a first class restaurant, a bar and great in-room features (Icelandair Hotels, n.d.b). Hotel Hamar is open all year around.

An interview with the owner of Hotel Hamar, Unnur Halldórsdóttir, was conducted 16 August 2010 at the hotel. In that interview Unnur said that the Icelandair Hotels Group do all foreign marketing for the hotel and all other hotels in the group, but since her hotel is a franchise owned by her and not the group she can do her own marketing domestically. One way that Hamar has been marketed domestically is by extensive use of Facebook, both through the hotel's group on the site and also by purchasing advertising space. According to Unnur these advertisements have paid off and procured considerable business for the hotel. This is especially useful when the hotel is not fully booked and during slow periods since Facebook offers a direct link to potential clients and special offers can be made available to them very quickly. Unnur has also compiled a mailing list of her own, made up of members of organizations that she belongs to for example, like The Icelandic Association of Women Entrepreneurs (*I*: Félag kvenna í atvinnurekstri), through which she regularly sends special offers, especially during slow period or the off season. The Icelandair Hotels also have a mailing list that is sent out to its Netclub members about once a month. That mailing list is of course for all Icelandair Hotels, but if Hotel Hamar has some special offer that it wants to promote it can do so via this mailing list.

According to Unnur that online advertising does not have the same effect as advertisements on the radio. She states that radio advertisements yield noticeable results every time and that is in her opinion by far the best value for money. This is particularly noticeable during winter and the off season when Icelanders make up around 80% of the hotel's guests as opposite of being only about 15-20% during the summertime.

Since Hotel Hamar is a part of the Icelandair chain of hotels, it is restricts the online capabilities of Hamar somewhat. The hotel's website is for example directed onto Icelandair Hotels main site, which is in a way both good and bad. The good thing is that this way Unnur does not have to operated and update the site herself and she uses Icelandair's booking engine, which is of great benefit to her. The down side of this arrangement is that her hotel, being a rather small one, does not get the attention that it needs. All changes take a long time to implement and the information is not always up to date. Unnur also feels that the site does not offer enough information for

the would-be traveler about the surrounding area and its offerings. She point at the website of Hotel Rangá (www.hotelranga.is) as an exemplary website for a hotel in rural Iceland and expressed a desire to have something similar done for Hotel Hamar where her guests could book tours and trips directly on the hotel's website.

4.4 Hraunsnef Country Hotel

Hraunsnef is a small ten-room country hotel in Norðurárdalur near Bifröst. Hraunsnef also offers three cottages separate from the main building for extra privacy. There is also a first-class restaurant that seats up to 38 people at Hraunsnef, which is operated by the owners, a husband and wife team.

Hraunsnef has a website, available in English and Icelandic. The website is hosted by a Reykjavík based company called Atómstöðin on its own web based software solution named Dísill (Atómstöðin, n.d.). An interview was conducted with Brynja Brynjarsdóttir, the hotel manager and one of the owners of Hraunsnef, on 16 August 2010. She stated that the hotel's website received up to 80 visits at maximum per day and she claims that there seems to be no noticeable pattern concerning the visits. She uses Google Analytics to monitor the traffic. No certain day of the week is busier than another for example. The owners of Hraunsnef update their own website with minimal assistance from Atómstöðin, which only comes in when a problem arises with the site. Brynja says that she has bought online advertisement online and that she has purchased certain words on Google's AdWords, but these advertisements have not resulted in a measurable difference in customer attraction. She says that the most measurable difference is when an advertisement in played on the radio, which show immediate difference in traffic through the hotel.

Hraunsnef also has no fewer than three Facebook accounts. One is a profile where one may add Hraunsnef as a Facebook friend. There is also a Hraunsnef group for people to join and finally there is a corporate account where people can follow the latest updates without opening their own account to a company. Hraunsnef has also gotten some exposure through TripAdvisor where it has gotten 9 reviews and those reviews are 88% positive (TripAdvisor, 2010b).

Brynja stated that one major disadvantage that the hotel now faces is the increased power that travel agencies seem to have over small, independent hotels

around Iceland. Hraunsnef does not operate its own Internet booking engine (IBE) since it takes considerable capital to open up. Icelandic Farm Holidays (*I*: Ferðaþjónusta bænda) has offered to allow Hraunsnef access to its IBE, but at a cost of 15% of all bookings made. Hraunsnef's owners have deemed this to be to high a percentage and are currently looking at other alternatives such as Hotels.com but no agreement has been reached yet.

An interesting point was revealed during the interview and that is the fact that word of mouth marketing seems to yield considerable business for Hraunsnef and especially through students at Bifröst University. Brynja claims that people quite often mention that they did not know that there was a hotel and restaurant in this area until some friend or relative that has studied at Bifröst University mentioned and recommended that place.

While Hraunsnef does not have any specific policy lined up regarding its website there is one course of action being looked into. Some sort of Contact Management System (CMS) is being evaluated where Hraunsnef can purchase information about companies and institutions that Hraunsnef thinks it can service and initiate contact with these companies and their employees and offer them meeting accommodation, team building exercises, a place to hold annual celebrations, etc. Since Hraunsnef does not operate a mailing list of its own this could be an ideal instrument to reach a new segment of the market.

4.5 Settlement Centre – Landnámssetur Íslands

Located in Borgarnes, the Settlement Centre houses two permanent exhibitions. The first tells the saga of the settlement of Iceland and the second is about Egill Skallagrímsson, Iceland's most famous viking and warrior poet. Both of these exhibitions offer an audio guide in ten languages so everyone should be able to attend. The Settlement Centre also has a small theatre loft that has hosted a number of shows and events that all relate in some way with the early history of Iceland. The Settlement Centre has been given numerous awards, among which is the tourist industry innovation award, and is always looking at new ways to bring Iceland's history alive in a fun and inspiring way (Landnámssetur Íslands, n.d.a). The Settlement Centre has a first class restaurant that offers classic Icelandic cuisine with

a modern twist (Landnámssetur Íslands, n.d.b). Being only about an hours drive from Reykjavík the Settlement Centre could be an ideal first stop for the traveler that wants to learn about Iceland's past before setting out on his own Icelandic adventure. The Settlement Centre is open throughout the year.

During an interview on 13 August 2010 with Sigríður Margrét Guðmundsdóttir, one of the owners of the Settlement Centre, she said that the Centre's website received between 80 and 100 visits per day or around 2.500 visits each month and almost all of them are from IP addresses in Iceland. These numbers are found out by using Google Analytics, a free service offered by Google that generates detailed statistics about visitors to a website (Google, 2010b). Those figures have to be considered quite high when the fact that the Settlement Centre does not have a specific marketing strategy concerning the Internet and it has never bought advertisements online. The Centre's owners and employees manage and update the website themselves. The Centre's website is built on a special software developed by Nepal Software in Borgarnes which also hosts the site. The Centre sent two of its employees on a seminar held by Kristján Már Hauksson, who is a specialist in search engine optimization, marketing and online public relations (Nordic eMarketing, n.d.), but that seminar has not yet been beneficial to the Settlement Centre when it comes to online marketing, according to Sigríður.

The only other exposure that the Centre is involved in online is on Facebook where the Centre has its own profile and Sigríður recently added information about the Centre to TripAdvisor.

The main reason Sigríður could point out in the lack of emphasis on online marketing is the difficulty the Centre has to evaluate if that form of marketing really pays off. Sigríður says that there is a direct and noticeable link between an advertisement on the radio and immediate increase in interest in the Centre and traffic through its website. Advertisements in a printed media, such a newspapers or magazines, have not yielded any noticeable results. The Settlement Centre did at one point have an online mailing list where the latest news concerning the centre was published, but this mailing list did not seem to have any effect on visits and it has now been disbanded.

The Settlement Centre has done one thing that is quite different from other parties involved and that is the development of what they call a Smart Guide. This project has been in development since 2006 in cooperation with a software specialist named Leifur Björn Björnsson who founded a company called Locatify around the development (Locatify, n.d.). The Smart Guide is a computer application that is compatible with Apple's iPhone, iPod Touch and iPad and it is available through the Apple online application store (Locatify, 2010). This application uses the instruments GPS capability to automatically activate the Smart Guide when the user arrives at a designated geographical location. The Smart Guide then tells the user about points of interest in that area (Locatify, 2010). While this is a relatively new addition to the Settlement Centre's offering (the Centre actually only has two devises to lend out as of yet) Sigríður firmly believes that people that own iPhones or any other instruments compatible with the Smart Guide will go online and look for applications before visiting Iceland (or any other destination for that matter).

5 Conclusions and recommendations

In the beginning of the thesis a research question was laid out concerning how the Icelandic tourism industry and its use of the Internet. The question was:

How do small Icelandic tourism companies in
Borgarfjörður use the Internet as a marketing and promotional
tool?

5.1 The question

After conducting this research it seems that the companies looked at are not taking full advantage of the Internets potential as a marketing and promotional tool. While all of them use the Internet in some capacity but there is without a doubt a lot to be worked on to maximize the value that the Internet could offer these companies.

5.1.1 Small tourism companies realize the importance of the Internet

While all the companies that were involved in this research use the Internet in some capacity there is a lot more that they can do. All the interviewees acknowledged the importance of the Internet and all showed considerable ambition to make their companies more visible online and to use the Internet in a more effective manner. The main reasons for not implementing these changes already is the lack of knowledge, time and funds. With the ever-increasing supply of tools for online developers it does not have to be complicated to develop and maintain a decent website. Applications like Google Sites, for example, are quite easy to operate and with just a minimal knowledge of computers and no previous knowledge of web design almost everyone should be able to do so.

5.1.2 Tourism companies use the Internet for marketing

Opening a website is of course not enough. The website and the business needs exposure and potential customers need to know that it exists. All those interviewed realize this and all have some way of exposing themselves online. At Hotel Glymur they have not used social networks like Facebook in any real way. But now they plan to change this and use Facebook especially to market Iceland and the hotel as a

destination for upper- and middleclass tourists from India. Another potentially beneficial approach is the experiment that Hotel Hraunsnef is evaluating with purchasing an account to a customer management system. This could be especially beneficial when it comes to bringing in customers during the offseason sending advertisements directly to Human Resource departments of companies and offering them accommodation for various gathering such as annual celebrations or meetings for example.

These examples show that hotel proprietors and others in the tourism industry are really well informed about the Internets importance and most have certainly done something to make their businesses more visible online but they can still do a lot more.

5.1.3 Recommendations to small tourism companies in Iceland

In a bid to increase their visibility on the Internet companies in the tourism trade have a number of options available to them. One such option is to increase the use of purchased advertisements of keywords on search engines like Google and Yahoo! This has been shown to benefit businesses greatly and can very well increase Iceland's visibility online.

By having an active mailing list companies contact their former and would be clients in a fast and easy way with hardly any financial expenditure at all. Having some kind of special promotion to encourage people to sign up for the mailing list could be very beneficial and attract parties that may otherwise not have signed up for receiving the mail.

By encouraging satisfied to write a review on websites like TripAdvisor, which has millions of active users, companies may very well get business that they otherwise would not have gotten. All the parties interviewed during the research mentioned that customers had mentioned that a favorable review on TripAdvisor had caused them to visit that location.

An active profile on a social network like Facebook can bring attention to the establishment for the sites users that may otherwise never have known it existed. While all those interviewed had at least one Facebook account, they had never

advertised on the site and confessed to updating the profile very infrequently. The same applies to Facebook and a company website as it is not enough to activate it if no one knows it is there.

Since most of the small businesses in this trade only have limited staff where the owners may be the backbone of the business and time is limited, it can only be beneficial to set aside a certain period of time to update the website and social network account frequently, answer emails and enquired within an acceptable amount of time, say 24 hours. Another big issue is the potential cost that comes with advertising and becoming more visible online. While this is of course a factor, the benefits can be a vast increase in visits and can therefore be very beneficial in the long run.

All in all there is quite a lot to be desired when looking at the status of online tourism in Iceland, but it should not be very expensive or troublesome some Icelandic companies to changes things for the better. While these companies, especially the hotels and guesthouses are of course in direct competition to each other, it may be a very good idea for them to team up and co-operate in modifying and modernizing their online image. This could very well benefit all parties and minimize the cost each company has to bear. It is always going to cost a bit to get things where they need to be and to make them acceptable to the modern traveler, but if the money side is what keeps the owners of the establishments from updating their resources they should remember the old saying: "You've got to spend money to make money."

5.1.4 Final words

When looking at the research and the conclusions it is quite interesting to note that while all the companies have made efforts to use the Internet in their marketing mix they have not used it a great deal. A notable exception may though be Hotel Glymur which has apparently used the Internet more extensively than the rest and has according to the hotel manager reaped benefits from this with clientele from other parts of the world than the classic Icelandic tourist that is from Scandinavia and Germany. This must be something that others in this business should look closely at in an effort to increase their own business.

Another interesting point that became apparent while working on this project was the fact that before the interviews were taken and the initial research was taking place one would not have expected that most of the companies first looked at had much ambition when it comes to online marketing since there was little to be found about them if one did not know them by name. A foreign visitor looking for a accommodation or recreation in Iceland might very well have missed these since they had limited exposure online. After the interview it was also an interesting and somewhat pleasant to note that all the parties interviewed commented that they had realized that there was much work still to be done online and that they would take more interest in it since the potentials are great and so are the potential benefits.

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