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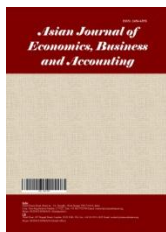
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## **What Impact Does Digital Marketing Tools have on the Financial Performance of Sri Lankan Listed Hotels?**

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### **Authors' contributions**

*This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.*

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### **ABSTRACT**

Digital marketing platforms have recently played a crucial role in hotel marketing and customer interaction strategies. Hotel managers have understood that hotel customers today and future rely increasingly on digital media use. However, the adoption of digital marketing tools appears to be relatively low in listed hotels in Sri Lanka due to unfamiliarity with digital marketing and not being confident in investing in digital marketing tools in achieving the expected financial and non-financial results. A considerable number of research has been carried out throughout the world on digital marketing and business performance; however, a limited study has been conducted in Sri Lanka to evaluate the influence of digital marketing tools on listed hotels' financial performance. This research fulfills the above gap by measuring the impact of digital marketing tools on the financial performance of Sri Lankan-listed hotels. The study population consists of thirty-seven (37) listed hotels in Colombo Stock Exchange, and the entire population was taken as the sample. The dependent variable used to study the financial performance is the Return on Equity. Digital marketing tools such as social media and mobile marketing are independent variables considered in this study. A self-administrated structured questionnaire was circulated to the marketing professionals. After analyzing the responses using correlation analysis and regression analysis, it was revealed that social media and mobile marketing have a significant positive impact on the hotel's financial performance. The findings are useful in reducing ambiguity and confusion about financial and non-financial outcomes based on digital marketing tools.

**Keywords:** *Digital marketing; financial performance; listed hotels; mobile marketing; social media marketing; tourism industry.*

## 1. INTRODUCTION

According to Chaffey & Ellis-Chadwick [1], marketing is employed to promote a company's financial performance. People all over the world have embraced digital media technologies such as social media and smartphones, which have transformed nearly all marketing efforts run by virtually all enterprises. According to Monnappa [2], every day, a quarter-billion people utilize social media. Consumers currently expect product and service information to be available via social media. This demonstrates the value of digital marketing, which includes social media marketing. As a result, most firms increasingly concentrate on selling products through digital platforms like social media [3]. Digital marketing is the practice of interacting with current and future clients using the internet or other electronic and digital media like social media and mobile phones. Using digital marketing, businesses may reach a wider audience and highlight their whole range of offerings [4].

In Sri Lanka, tourism is one of the sectors that has recognized the importance of digital marketing [5]. Sri Lanka's economy relies heavily on the hospitality, travel, hotel, and tourist industries. Hotel and tourist earnings drive the domestic economy, accounting for 12.6% of GDP in 2019 [6]. Sri Lanka's hotel and tourist industries developed dramatically following the civil war [7]. In today's corporate climate, digital marketing technologies such as social media and mobile marketing are critical since they have a big influence on company performance [8]. While digital marketing is largely acknowledged worldwide, according to Ranasinghe & Kartheeswaran [9], it is not commonly utilized in Sri Lanka. A focused group discussion was undertaken at the outset of the research to better understand the nature and present situation of the tourist industry.

The preliminary discussion looked into how hotels used digital marketing, who their target clients were, and why they didn't use digital marketing tools like social media and mobile phones. Most Sri Lankan hotels had greater revenues and a younger customer base, according to the experts. Young people are obsessed with the latest smartphones [10,11]. According to experts, many businesses and hotels in Sri Lanka are hesitant to engage in

digital marketing tools since they are costly at first. In addition, meticulous monitoring, repairs, and upkeep are costly. According to Nuskiya [5], instead of reading notices or newspapers, travelers today use their mobile phones and social media tools to explore goods and services. It denotes a chance to employ digital marketing methods to reach a wider spectrum of potential consumers and earn more financial and non-financial benefits, opportunities, and returns. Businesses can reach the appropriate audience at the right time by utilizing new digital marketing platforms and technology. According to the preliminary discussions, a few Sri Lankan institutions and lodges are afraid that they would not be able to accomplish these results without the assistance of professionals since their management lacks expertise with marketing ideas such as social media. They also don't believe it's a good idea to spend in digital marketing since they don't believe they'll get the necessary financial and non-financial results. A plethora of research on digital marketing and company effectiveness have been undertaken all over the world. However, there has been limited research done to determine the impact of digital marketing tools on financial performance among Sri Lanka's listed hotels. Because of this knowledge vacuum, the study's major goal is to determine the influence of social media and mobile marketing on the financial performance of Sri Lankan listed hotels.

Only the hotels listed under Colombo Stock Exchange (CSE) Sri Lanka have been studied due to time constraints. Because of the manageable population size, the entire population of the species is used as the sample. Only the financial performance of the listed hotels has been evaluated. Furthermore, in this study, the ROE is the only measure employed to assess financial performance. Data was gathered through online questionnaires, emails, and yearly reports published on the CSE website.

Smartphones and social media are the most extensively utilized platforms at the moment [12]. From youngsters to adults, everyone is aware of or uses social media and mobile phones. The majority of consumers use social media sites such as Facebook, Instagram, Twitter, and WhatsApp to search about items and services they are interested in purchasing. As a result, the

research that examines the financial impact of social media and mobile marketing on the Sri Lankan hotels is critical. The outcomes of this study will assist Sri Lankan hotels in enhancing their performance by revealing the impact of adopting digital marketing to promote their services. Hotel management may also understand which digital marketing tactics are most effective in reaching out to present and future consumers. In the end, hotels will gain from this since they will be able to compete more effectively.

## 2. THEORETICAL REVIEW

### 2.1 Sri Lankan Tourism Industry

Because tourism is so important to a country's economic strength, it has the potential to generate employment, economic development, and poverty alleviation [13]. Many nations throughout the world have made significant investments in the tourist business, and these nations benefit since the tourism industry has a favourable impact on their economies. The tourist sector's revenue is substantial since it contributed over 12% of GDP in 2019. The tourist industry has gained the title of being Sri Lanka's principal economic driver behind growth due to its important position in the country's economy. International tourists flocked to Sri Lanka for a variety of reasons after the country gained freedom in 1948 [14]. Many people believe Sri Lanka to be one of the best holiday locations in the world [15]. Sri Lanka's government invests an extremely large proportion of its budget on the tourism business [16]. Because of charges of human rights breaches during the civil war before 2009, the world community harshly criticized Sri Lanka's actions for years, even after the conflict ended. Sri Lanka was forced to use a variety of marketing strategies to reclaim its lost reputation and popularity. Sri Lanka has launched a massive marketing campaign labelled "Sri Lanka, The Wonder of Asia." With the slogan "So Sri Lanka," the Sri Lanka Tourism Promotion Bureau has officially launched a digital marketing campaign [15]. These nominations and marketing attempts caused in a significant increase in the number of tourists visiting the region, which benefited the tourism industry greatly. According to Nuskiya [5], any visitors to Sri Lanka's hotels choose to plan their excursions and make bookings using modern technologies such as smartphones and social media. By utilizing digital marketing platforms

such as social media and smartphones, hotels can reach a much bigger client base.

### 2.2 The Tourism Industry's Financial Performance

The contemporary economic climate is dominated by the hotel and tourism industries, which are intensely competitive. Businesses need construct intelligible metrics to track their progress and see how they are performing as a result of this competition. Kala and Bagri [44] investigated the primary performance indicators in Uttarakhand's tourism industry, as well as the extent to which those indicators affected managerial leadership attributes. According to their findings, financial performance indicators are still the best and most likely choice for these extraordinary organizations. It highlights how important these indicators are for organizations to measure their progress and keep on track with their competitors. As a consequence, these financial performance metrics are quite essential to these organizations, and financial metrics are also considered a major element of hotel performance assessment [16]. Because financial performance reflects a firm's potential to make profit or money, most hotels relied on financial measurements to judge success, with non-financial factors receiving negligible consideration [17]. The study will use financial performance as a main indicator to analyze the success or failure of social media and mobile marketing in the hotel and tourist industry. Because of time constraints and convenience in data collection, this study only employs Return on Equity (ROE) as a financial success metric.

### 2.3 Return on Equity

There are numerous financial measures that can be used to assess an organization's success, but ROE is the most well-known and widely used measure [18]. Profitability measures, such as ROA, ROE, and return on investment reflect a company's ability to generate profits in the past [19]. ROE is the most commonly utilized financial performance metric [19-21]. Many studies have used ROE to evaluate financial success, which is particularly important for businesses [22,23]. The ROE is a critical metric for investors [24]. The ROE is a metric that measures a company's financial performance in relation to its shareholders' equity on the balance sheet [25]. At the same time, it's a necessary study of how a company's management manages investor funds. The ROE measure is important to

investors because it reveals the strength of investor money, which is necessary for demonstrating profitability. The ROE is computed by dividing net income by shareholder equity.

## 2.4 Tourism Industry and Digital Marketing

Sir Tim Berners-Lee created the World Wide Web in the 1990s. As a result, the world is not unfamiliar with digital media and technology. Furthermore, despite the advancements in digital marketing and social media, these changes have enhanced business client connections [1]. The most popular digital tools on the market now are smartphones and social media. Many people's lives have been influenced by social media and the internet throughout the world. The reliance on mobile phones and other technology has increased at a shocking rate. Furthermore, since consumers spend more time online seeking for information about products and services, digital marketing has become a global phenomenon in recent years.

The use of digital media has had a considerable impact on the selecting of travel lodgings [26]. Furthermore, travelers visiting Sri Lanka are more likely to utilize online booking items when traveling due to statistically significant aspects such as mentality, effectiveness, confidence, and willingness to use mobile phones [27]. As a result, hotels are increasing their usage of digital media in order to attract more customers and enhance revenue and profit [28].

## 2.5 Social Media Marketing

With the development of the web and smartphone technology, people's use of social media has altered dramatically over time [29]. Several technological advances in modern society have fostered user participation and social contact via the Internet. Social media refers to such developments that allow the creation and distribution of user-generated content [30]. Social media marketing is one of the most prominent types of digital marketing, with its popularity increasing in recent years and growing exponentially. The process of discovering how technology has offered an outlet for customers to engage with their social circles and figuring out how to profit on that potential is known as social media marketing [31]. Because

the target group spends a lot of time on these sites, the most popular websites in respondents' opinions are Facebook, WhatsApp, and Instagram [32]. Facebook is a useful tool for communicating with clients [33]. According to Patel [34], social media currently connects over 3.6 billion people globally and it has made it easier for marketers to interact with customers. According to Maina [8], social media has a major impact on business success. As a result of this potential, numerous businesses use social media to do promotional activities [35].

## 2.6 Mobile Marketing

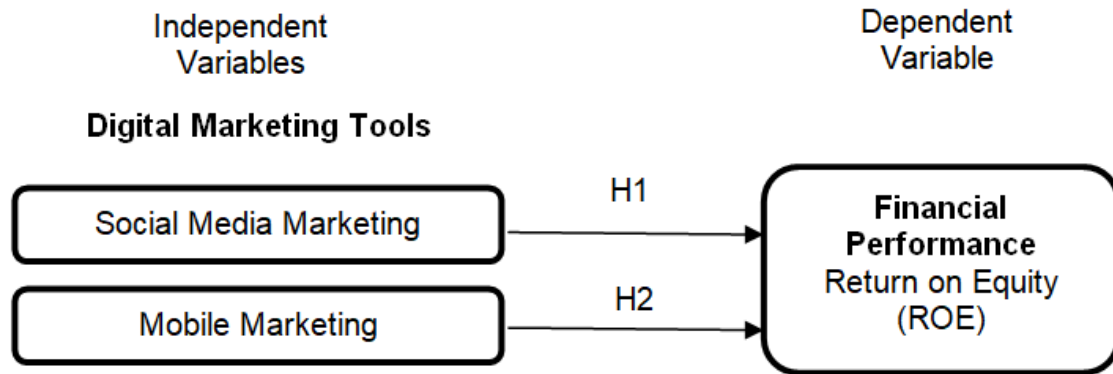
According to the Mobile Marketing Association, mobile marketing is defined as contacting clients via mobile phones [36]. Customers can get location, time, and personal information through interactive wireless media [37,38]. Today's consumers' primary screen is their phone [39]. Unlike in the past, customers increasingly use smartphones to reserve flights and hotels. In 2015, TripAdvisor members used their smartphones for 75% of their vacations. Mobile marketing may be used by salespeople to communicate with consumers directly [40]. As a consequence, hotels can communicate with their visitors at all times, regardless of where they are or what time it is. For enterprises, mobile marketing boosted efficiency and customer reach [41]. Other research has showed that encouraging customers to participate actively using mobile applications improved revenue [42]. Tourism mainly relies on mobile and social media marketing. It has numerous benefits for businesses as well as a significant financial impact.

## 2.7 Hypotheses Development

Prior research conducted by Maina [8] in 2017 was used to generate the independent and dependent variables indicated in the diagram below. The dependent variable in the figure is return on equity, which is used to study financial performance. In this study, social media marketing and mobile marketing were the independent variables.

### 2.7.1 Hypotheses of the study

The following hypotheses were created with the intention of achieving the research's primary objective.



**Fig. 1. Conceptual Framework**

Source: Based on Maina [8]

**H<sub>1</sub>:** Social media marketing has a positive influence on the Sri Lankan listed hotels' financial performance.

**H<sub>2</sub>:** Mobile marketing has a positive influence on the Sri Lankan listed hotels' financial performance.

### 3. METHODOLOGY

The following information will provide a description of the research methodologies used to attain the research's principal goal. The deductive technique was used as the research approach since this study was based on existing theory and hypotheses were produced and evaluated during the research process. This study is completely quantitative since numerical data was collected, and variables and hypotheses were assessed.

Sri Lanka's tourist business, according to the International Finance Corporation – IFC [43], employs a large number of providers, including 906 lodging establishments. The study's population was limited to Sri Lanka's listed hotels due to the study's scope, the limited availability of secondary data, and the study's time constraints. According to worldwide industry categorization norms, all Sri Lankan hotels listed on the CSE were formerly classed as Consumer Services. There are 37 hotels listed in the aforementioned sector as of March 2021. The entire population is chosen as the study sample since the entire population is contained inside 37 specified hotels and is manageable.

This research incorporates both primary and secondary data. A self-administrated structured questionnaire was constructed based on existing research and expert comments to collect primary data. The questionnaire was sent to marketing managers at listed hotels. The survey included self-administered questions about the effect of social media and mobile marketing on the financial performance of the listed hotels, and the online survey link was shared through social media platforms. The questionnaire is concerned with the assessment of independent variables. Secondary data was acquired from annual reports of listed hotels published on the CSE for the 2019/20 financial year.

The findings of the data collection were then sorted into the Statistical Package for the Social Sciences (SPSS) software to determine whether to accept or reject the hypothesis. Each of the assumptions was evaluated using correlation and regression analysis. The correlation between independent and dependent variables, as well as the strength of that link, has been determined using these techniques of analysis.

#### 3.1 Pilot Study

A questionnaire was distributed to marketing managers at several hotels to test the reliability of the questions. Internal consistency is still the preferred approach to evaluate the reliability of research outcomes. Cronbach's alpha is the most extensively used internal consistency statistic.

The acceptable range of Cronbach Alpha Values is 0.7. A value over 0.7 is regarded as being

acceptable and reliable [8]. Table 1 shows that the Cronbach Alpha value for social media marketing is 0.926 and for mobile marketing is 0.9, both of which are above the acceptable range. As a result, the study's consistency may be regarded as highly reliable.

#### 4. RESULTS AND DISCUSSION

This section focuses into the statistics that were utilized to analyze the influence of social media marketing and mobile marketing on the financial performance of the Sri Lankan listed hotels.

##### 4.1 Correlation Analysis

Pearson's Product Moment Correlation was used to determine the strength of the link between the variables. The outcomes are shown in Table 2.

Table 2 shows that when social media marketing is connected to ROE, the R-value is 0.684, which is close to 1, indicating that the two variables have a strong positive association. Furthermore, the results have a significance level of less than 0.05 (0.000<0.05). Social media marketing has a

significant positive relationship with ROE since the significance value is less than 0.05 and the R-value is near to 1.

Mobile marketing has a positive relationship with ROE, as indicated by the R-value of 0.798. Because the R-value is closer to 1 (0.798), there is a substantial positive link between mobile marketing and ROE. Table 2 shows that the study's significance level is less than 0.05. Mobile marketing has a significant positive link with ROE since the R-value is near 1 and the significance value is less than 0.05.

##### 4.2 Regression Analysis

Multiple regression analysis was used to illustrate how the dependent variable fluctuates based on the independent factors in order to assess the relationship between variables.

According to Table 3, the adjusted R Square is .734, indicating that the predictor variables, social media marketing and mobile marketing, describe a positive 73.4 percent of the variance in ROE.

**Table 1. Pilot Study Results**

Variables	Number of Questions	Cronbach's Alpha
Social media marketing	20	0.926
Mobile marketing	15	0.900

Source: Authors' compilation based on SPSS outcome

**Table 2. Correlation Matrix**

		Social Media Marketing	Mobile Marketing	ROE
Social Media Marketing	Pearson Correlation	1	.491**	.684**
	Sig. (2-tailed)		.002	.000
	N	37	37	37
Mobile Marketing	Pearson Correlation	.491**	1	.798**
	Sig. (2-tailed)	.002		.000
	N	37	37	37
ROE	Pearson Correlation	.684**	.798**	1
	Sig. (2-tailed)	.000	.000	
	N	37	37	37

Source: Authors' compilation based on SPSS outcome

Note: Correlation is significant at the 0.01 level (2-tailed)

**Table 3. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.865 <sup>a</sup>	.749	.734	.22337

Source: Authors' compilation based on SPSS outcome.

Note: a. Predictors: (Constant), Social media marketing, Mobile marketing

**Table 4. ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.064	2	2.532	50.750	.000 <sup>b</sup>
	Residual	1.696	34	.050		
	Total	6.760	36			

Source: Authors' compilation based on SPSS outcome.

Note: a. Dependent Variable: ROE

b. Predictors: (Constant), Social media marketing, Mobile marketing

**Table 5. Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.290	.436		-.665	.511
	Social media marketing	.454	.116	.385	3.900	.000
	Mobile marketing	.622	.101	.609	6.179	.000

Source: Authors' compilation based on SPSS outcome

Note: a. Dependent Variable: ROE

**Table 6. Results of Hypotheses**

Hypothesis	Test Result
H <sub>1</sub> Social media marketing has a positive influence on the Sri Lankan listed hotels' financial performance.	Accepted
H <sub>2</sub> : Mobile marketing has a positive influence on the Sri Lankan listed hotels' financial performance.	Accepted

Source: Authors' Compilation (2021)



According to Table 4, the probability value of 0.000 indicates a significant regression link between social media and mobile marketing and hotel financial performance. At a 5% level of significance, the F value was interpreted as 50.750 at a 5 percent level of significance. It showcases a higher value when compared to the critical value of F (2.4472) which depicts the significant relationship.

- **H<sub>1</sub>: Social media marketing positively impacts the financial performance of listed hotels in Sri Lanka**

According to Table 5, an increase in the number of social media marketing units will result in a 0.454 increase in financial performance. The variable was significant since the significance value was less than 0.05 ( $0.00 < 0.05$ ). Therefore, the hypothesis that social media marketing has a positive impact on the financial performance of Sri Lankan-listed hotels was accepted.

- **H<sub>2</sub>: Mobile marketing positively impacts the financial performance of listed hotels in Sri Lanka**

According to Table 5, increase in mobile marketing units results in a 0.622 improvement in financial performance. Mobile marketing has a considerable influence on return on equity since the significance level is less than 0.05 ( $0.00 < 0.05$ ). It refutes the null hypothesis, which asserted that there was no positive association between hotel financial performance and mobile marketing.

### 4.3 Hypotheses Results

The findings of the study's hypotheses are depicted in Table 6 below.

The results obtained for the study depict the significant positive impact showcased by social media marketing and mobile marketing on the financial performance of firms in the hotel industry in Sri Lanka. Therefore, the hypotheses which stated the significant positive impact of social media marketing and mobile marketing on the financial performance of the hotel industry in Sri Lanka are accepted. The results obtained from the study were consistent with the results of the research conducted by Maina [8] in 2017 which elaborated on the impact of the use of digital marketing tools such as social media marketing and mobile marketing on the financial performance of Nairobi's Real-Estate sector.

## 5. CONCLUSION

The hotel and tourist business plays an important role in the economy. It is a major contributor worldwide, particularly in Sri Lanka. The GDP contribution is complemented by a plethora of market job opportunities, which boosts economic development and reduces unemployment. Because of its significance, marketing and promotion are critical to its proper operation in today's changing economy. Traditional marketing has become outdated in the corporate world as a result of the introduction of digital marketing. Businesses need digital marketing tools because they allow them to reach a broader audience rapidly and inexpensively. Despite the fact that digital marketing is now generally acknowledged by businesses all over the world, its application in Sri Lanka remains restricted owing to a lack of knowledge. People utilize social media and mobile phones as digital marketing tools all around the world. Therefore, social media marketing and mobile marketing enables businesses to access a larger client base in a shorter amount of time. As a result, it has become an important corporate tool.

According to the results, 73.4 percent of the variance in ROE is due to social media and mobile marketing. The study's hypotheses that social media and mobile marketing have a positive influence on the financial performance of listed hotels in Sri Lanka are accepted since the F value is 50.750 and the significance level is less than 0.05 ( $0.00 < 0.05$ ). Furthermore, according to the study's findings, social media and mobile marketing, have a significant influence on financial success. Maina [8] observed that social media and mobile marketing had a significant impact on the financial performance of a real estate firm in Nairobi. As a result, the research's conclusions are consistent with the findings of the study of Maina [8].

Based on the outcomes of this study, future research might focus on how to apply these digital marketing tools in the business. It will assist companies in determining the impact of digital marketing tools to employ in order to maximize their effectiveness. The study's scope was limited to digital marketing tools and the financial success of organizations. Future studies may expand it to further measure the influence of digital marketing tools on other areas of businesses, such as customer relationship management. Future researchers might find that investigating this topic with a larger sample size

and a focus on other industries yields similar conclusions. In this study, the sole metric utilized to assess financial success is ROE. Future studies might look at how the digital marketing techniques employed by the companies affect other financial measures including return on investment, asset turnover, net profit, and gross profit margin.

## DISCLAIMER

The products used for this research are commonly and predominantly use products in our area of research and country. There is absolutely no conflict of interest between the authors and producers of the products because we do not intend to use these products as an avenue for any litigation but for the advancement of knowledge. Also, the research was not funded by the producing company rather it was funded by personal efforts of the authors.

## CONSENT

As per international standard or university standard, respondents' written consent has been collected and preserved by the author(s).

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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