

**E-COMMERCE AND BUSINESS IN THE REGIONS: REGIONAL
TOURISM AND THE INTERNET**

Dr Patrice Braun

Research Fellow

Centre for Regional Innovation & Competitiveness

University of Ballarat

POBox 663, Ballarat, Vic 3353, Australia

61-3- 5327-9465 phone

61-3- 5327-9405 fax

p.braun@ballarat.edu.au

E-COMMERCE AND BUSINESS IN THE REGIONS: REGIONAL TOURISM AND THE INTERNET

ABSTRACT

The Internet provides tourism industry businesses of all sizes with far-reaching opportunities to offer virtual tourism product and develop or enhance relationships with their customers. In many parts of the world, small and medium sized tourism firms (tourism SMEs) make up the majority of the tourism industry and therefore make a substantial contribution to regional economies. This article discusses the adoption of e-commerce technologies by regional tourism firms in general and by regional Australian small and medium size enterprises (SMEs) in particular.

Australian tourism SMEs continue to be reluctant e-commerce adopters as they have a negative perception on the effectiveness of networked technologies. As a result, industry preparedness falls well short of the requirements to operate within a now mainly ICT-driven sector.

INTRODUCTION

With economic agents operating in global networks of interaction, we now have a global economy, in which the use of information and communication technologies (ICT) and e-commerce has an impact on entire industries, regions, and firms of all sizes (Lundvall & Archibugi, 2001).

Adoption of electronic-commerce (e-commerce) - referred to here in terms of connection, electronic data exchange and transaction capability via the Internet - and networked technologies by firms is directly related to the size and nature of the firm and largely depends on the firm's perception of affordability and opportunity for their business (OECD, 1998). The greater the number of parties involved in e-business activities, the greater the potential to form relationships, transact and gain benefits (Rogers, 1997).

The growing influence of new communication technologies is relevant to regional development in that the diffusion of ICT and the Internet directly impacts on interactions between regional and global forces. This article discusses the adoption of e-commerce technologies by regional tourism firms in general and by regional Australian small and medium size enterprises (SMEs) in particular. Australian tourism SMEs continue to be reluctant e-commerce adopters as they have a negative perception on the effectiveness of networked technologies. As a result, industry preparedness falls well short of the requirements to operate within a now mainly ICT-driven sector.

REGIONAL TOURISM FIRMS

The push towards networked technologies has put extraordinary pressure on the tourism industry to embrace the Internet for marketing and transaction purposes. As consumers become more knowledgeable about the Internet, they have increasing expectations in terms of viewing and purchasing tourism and travel products online (Wynne, Berthon, Pitt, Ewing, & Napoli, 2001). ICT literate consumers now expect to

find information, book and purchase local and regional travel, tours and accommodation via the Internet. To satisfy that demand, tourism firms of all sizes may need to expand their traditional marketing channels (for example brochures, billboards and stands at trade shows) and their conventional tourism product distribution channels (such as the use of travel agents, destination marketing organisations and travel wholesalers) to include the Internet for business-to-consumer (B2C) interaction (Buhalis & Main, 1998).

The Internet provides tourism industry players with far-reaching B2C opportunities to offer virtual tourism product and develop or enhance relationships with their customers. The potential for commercial travel sales is widely recognised and has given rise to new market entrants coming from an information technology rather than from a travel background. For example, the new generation of highly successful mega-websites such as Expedia and Travelocity offer end users access to booking systems that includes air, hotel, car and vacation packages. By facilitating web-based sales and honing customer services through customer profiling, mega travel sites may seemingly provide all a traveller could ever want or need (Bernstein & Awe, 1999). However, these mega-travel sites on the Internet are run by large operators, realistically excluding small tourism product providers and restricting small tourism firms and customers access to one another (Anckar & Walden, 2001).

In many parts of the world, small and medium sized tourism firms (tourism SMEs) make up the majority of the tourism industry. For example, most of the accommodation establishments worldwide are family-run small and medium size tourism enterprises belonging to local entrepreneurs (Buhalis & Main, 1998). In many

regions, tourism SMEs and micro tourism enterprises therefore make a substantial contribution to regional economies (Braithwaite, 2001). As a result, there is renewed interest in regional economies and online technologies to develop, market, and distribute regional tourism products. At the same time, regional policy makers are finding that incentives for ICT and online technology adoption are necessary to improve the effectiveness of the small tourism firm. Taking the view that e-commerce represents a dramatic change in the way people learn about destinations and book their vacations, the Scottish Tourist Board, for example, increased its 2000/01 budget by 25 per cent in order to accelerate Scottish tourism into the 'e-age' (Morrison & King, 2002).

While connectivity has the potential to increase regionally based tourism SMEs' visibility in the market place, small tourism enterprises have been facing difficulties embracing ICT and e-commerce. The uptake of technology has not been a priority for many small tourism firms. To begin with, micro and small tourism enterprises generally consider themselves outside the tourism value chain, despite the fact that most of their customers are tourists (Evans, Bohrer, & Richards, 2001). European studies on the uptake of technology by tourism SMEs further indicate that because of their size, small tourism firms often lack the time, skills, financial resources and manpower needed to implement ICT and compete with their larger counterparts (Buhalis & Main, 1998). As small individual enterprises they tend to be preoccupied with the operational running of their business. As a result, they fail to focus on marketing planning and online business transaction and approach their market less formally and more intuitively from direct contact with their guests (Main, 2002). Since proprietors of tourism SME are often dependent on external ICT expertise, they

fear losing control and are therefore resistant to change (Anckar & Walden, 2001). To make matter worse, tourism SMEs are often located in peripheral regions where the ICT infrastructure, especially broadband, can still be inadequate or prohibitively expensive due to limited demand.

REGIONAL TOURISM IN AUSTRALIA

Tourism is considered one of Australia's industry sectors that will likely benefit from e-commerce as it can offer products and services that are receptive to e-commerce. Looking at regional and local impacts of e-commerce, especially country areas that depend upon tourism and related activities can expect a large boost from e-commerce (NOIE, 2001). However, a national tourism online scoping study (CRC Tourism, 1999) indicates that before 2000 only four per cent of Australian businesses with an Internet presence were tourism and travel businesses. It was hence seen as imperative that Australian tourism firms invest in skills and alliances to exploit new technologies and enter emerging markets to avoid potential loss of competitive advantage (Danielle, Mistilis, & Ward, 2000). However, to date Australian tourism SMEs have shown few signs of interest in adopting networked technologies such as e-commerce, in some instances even displaying outright reticence towards the adoption of networked solutions (Applebee, Ritchie, Demoor, & Cressy, 2002).

Research indicates that Australian tourism SMEs lack the advantages of larger

tourism enterprises such as resources, know-how and access to global distribution and other networked support systems. Much like in other regions, Australian tourism SMEs lack size and scale to compete with their larger counterparts, which are in a better position to dominate the Australian tourism online market (Prosser et al, 2000). Studies on ICT uptake by small Australian tourism firms also demonstrate that non-users continue to have strong negative perceptions about the effectiveness and adoption of the Internet. As a result, industry preparedness falls well short of the requirements to operate within a now mainly ICT-driven sector and industry knowledge relating to the potential advantages of adopting e-commerce still needs considerable expansion (Applebee et al 2002).

Although ICT uptake by Australian tourism SMEs has increased somewhat in the past two years, the main ICT application that has been adopted by regional tourism SMEs is electronic mail (e-mail). Encouraging as this may be, it is apparent that many small tourism firms have not yet been ready to migrate from fax-based to web-based transaction processes. Indeed, study findings in regional Australia indicate that e-commerce adoption is an incremental process and that ICT adoption by tourism SMEs should be seen as a series of separate yet interrelated adoption steps, starting from electronic mail (email), followed by product promotion and a website presence, and then adoption of e-commerce (Braun, 2004). This rate of incremental ICT adoption by regional Australian tourism SMEs is in line with ICT adoption trends in other countries. A recent survey of small tourism firms in Greece, for example, confirmed that tourism SMEs primarily see the Internet as a mechanism for promoting their business rather than for e-commerce purposes (Buhalis & Deimezi, 2003).

FUTURE TRENDS FOR REGIONAL TOURISM

Since tourism SMEs are relatively new to the virtual world and appear to have neither the expertise nor the resources for e-business, they are in danger of being isolated and out of touch with changing marketing and e-commerce dynamics (Hutt, LeBrun, & Mannhardt, 2001).

Although ICT still appears to intimidate small regional tourism firms, there is also reason to be optimistic. Regardless of their size or location, there are ample competent entrepreneurs who will take advantage of the opportunities that the Internet offers. An English study (Evans 2001) found that independent micro-firms were among the most creative users of ICT and that the level of ICT usage among small tourism firms surveyed was higher than expected, given the perceived limitations of such firms vis-à-vis technology adoption. While the latter is indeed encouraging, a recent survey of tourism SMEs in the European hotel sector demonstrates that small tourism firms are not yet utilising information technology for e-commerce purposes (Collins, Buhalis, & Peters, 2003). We have known for some time that e-commerce novices need substantial encouragement and support to make them willing to take the e-business plunge (CRC Tourism, 1999) and Australian research indicates that regional tourism firms would benefit from continued support and training in relation to e-commerce (Braun, 2002).

Tourism SMEs will likely have varying levels of digital literacy and understanding of the potential strength of interactive communication tools. Awareness, confidence and

competence in e-business plays a significant role vis-à-vis e-business platform adoption, but it will be some time before SME are ready to drop the 'e' out of e-business and consider e-commerce part of their daily business routines (Earl, 2000). For many small tourism businesses e-commerce is still a new product and ICT a language they do not yet understand. In considering training, it is important to have an understanding of the real and perceived barriers and challenges to online adoption, as seen through the eyes of individual small tourism business owner-operators (Morrison & King, 2002). Initial value for small tourism firms lies in the debunking of ICT jargon, cutting connectivity cost, gaining online visibility, and gaining trust in and perceiving value in new technology tools. Individual SME capacity building will not only create e-business awareness among individual operators, but also help to reduce isolation and maintain core market reach in a rapidly changing economy. By making e-markets more accessible, training can also generate support towards destination/regional partnership building (Braun, 2004).

In the context of emerging technologies and related regional development models, linking stakeholders in networks is believed to enhance competition and regional innovation (OECD, 2001). It has further been suggested that destinations that integrate ICT-based networking and cooperative marketing strategies to create tourism SME networks of scale could further reduce SME isolation, bring tourism SMEs and cyber customers together and increase the willingness of cyber customers to purchase tourism product from smaller suppliers. By drawing on a broader skill base through the forging of new partnerships between small tourism firms and regional e-business experts, issues such as regional product development and global customer reach may be addressed.

Many regional tourism SMEs have already started to consider adopting networked infrastructures and strategic alliances in order to counteract possible loss of competitive advantage in the networked economy. In a survey study conducted among small tourism firms in England, respondents from both the macro (destination) level and the individual SME level indicated that they could see the potential benefits of using web technologies for joint marketing and securing new business collaborative purposes (Main, 1999). Another British study similarly showed that the development of a shared destination website proved to be attractive to local tourism operators (Evans et al., 2001). Indeed, examples of destination network formation can now be found in tourism regions across the globe (Pavlovich, 2003; Ryhänen, 2003).

With networking on the rise, the opportunity exists to cultivate a new ethos of connectivity between tourism SMEs, but such a collaborative or network culture is not present as a matter of course in every region. A systemically embedded culture of competition and autonomy may prevent network building from taking place (Buhalis & Cooper, 1998). Researchers have highlighted varying degrees of reluctance by SMEs within the tourism sector in terms of joining a network (Braun, 2004; Evans, 1999). Therefore, network formation may need to be fostered, especially in regions where tourism SMEs are not naturally prone to collaboration or may be geographically dispersed. Informal processes such as attending seminars, local or regional tourism association meetings and participating in online chats with other firm managers can help establish interfirm relationship building (Braun, 2004). Incremental and more formal levels of virtual collaboration may be introduced once tourism SMEs are receptive to transform their local and regional relationships within

online environments such as web portals.

In courting tourism SME to participate in new communication channels such as a web portal, the network will need to have appeal for SMEs. Merely providing a portal platform with e-business capability will mean little when stakeholders do not see the value proposition. In other words, successful network adoption for tourism SMEs requires both training and thorough strategic planning. Information partnership environments should have clearly defined benefits for participating tourism SMEs, e.g., saving time and resources, enhanced market visibility and strategic regional leverage. Thus, the structure of the destination network and the manner in which the linkages between tourism SMEs are formed and maintained are critical (Pavlovich, 2003).

CONCLUSION

Many tourism SMEs at the regional destination level have yet to explore in greater detail the value and opportunities of ICT and e-commerce, as well as the wider market options in terms of local-global relationships.

There is no doubt that tourism SME managers of the future will need to become familiar and comfortable with technology if they want to exploit its potential. In many instances, support and training for tourism SMEs can help small tourism businesses to enter the e-commerce marketplace. Network formation can further assist tourism SMEs to avoid isolation and share the costs of ICT investment.

Understanding the potential of the Internet will provide tourism firms of all sizes the opportunity to adopt new marketing and e-commerce models and become part of the global economy.

REFERENCES

- Anckar, B., & Walden, P. (2001). Introducing Web Technology in a Small Peripheral Hospitality Organization. *International Journal of Contemporary Hospitality Management*, 13(5), 241-250.
- Applebee, A., Ritchie, B. W., Demoor, S., & Cressy, A. (2002). Internet Use in the ACT Tourism Industry: An investigation into Adoption, Education and Training Needs. Paper presented at the 12th International Research Conference of the Council for Australian University Tourism and Hospitality education (CAUTHE), 6th - 9th February, Fremantle, Western Australia.
- Bernstein, J., & Awe, S. C. (1999). "Wired Travelers": travel and tourism Web sites. *Reference Services Review*, 27(4), 364-375.
- Braithwaite, D. (2001). Sustainable tourism: issues for regions. Paper presented at the Sustainable Economic Growth for Regional Australia 5th National Conference, Thuringowa, Queensland, September 8-12.
- Braun, P. (2004). Regional Innovation and Tourism Networks: the nexus between ICT diffusion and change in Australia. *Information Technology & Tourism*, 6(4), 35-47.
- Braun, P. (2002). Networking Tourism SMEs: E-Commerce and E-marketing Issues in Regional Australia. *Information Technology & Tourism*, 5(1), 13-24.

- Buhalis, D., & Cooper, C. (1998). Competition or Cooperation? Small and medium-sized tourism enterprises at the destination. In E. Laws & et al (Eds.), *Embracing and Managing Change in Tourism*. London: Routledge.
- Buhalis, D., & Deimezi, O. (2003). Information Technology Penetration and E-commerce Developments in Greece, With a Focus on Small to Medium-sized Enterprises. *Electronic Markets*, 13(4), 309-325.
- Buhalis, D., & Main, H. (1998). Information technology in peripheral small and medium hospitality enterprises: strategic analysis and critical factors. *International Journal of Contemporary Hospitality Management*, 10(5), 198-202.
- Collins, C., Buhalis, D., & Peters, M. (2003). Enhancing SMTEs' business performance through the Internet and e-learning platforms. *Education + Training*, 45(8/9), 483-495.
- CRC Tourism. (1999). Meeting the Challenge. National Online Tourism Scoping Study. Retrieved 9 october, 2000, from <http://www.isr.gov.au/tourism>
- Danielle, R., Mistilis, N., & Ward, L. (2000). Partnership Australia's national tourism data warehouse: preliminary assessment of a destination marketing system. In D. R. Fesenmaier, S. Klein & D. Buhalis (Eds.), *Information and Communication Technologies in Tourism 2000* (pp. 353-364). Wien/New York: Springer ComputerScience.
- Earl, J. M. (2000). Evolving the E-Business. *Business Strategy Review*, 11(2), 33-38.
- Evans, G. (1999). Networking for Growth and Digital Business: Local Urban Tourism SMTEs and ICT. In D. Buhalis & W. Schertler (Eds.), *International Conference on Information and Communication Technologies in Tourism 1999* (pp. 376-387). Innsbruck, Austria: Springer-Verlag.

- Evans, G., Bohrer, J., & Richards, G. (2001). Small is Beautiful? ICT and Tourism SMEs- a Comparative European Study. *Information Technology & Tourism*, 3(3/4), 139-153.
- Hutt, E., LeBrun, R., & Mannhardt, T. (2001). Simplifying Web Segmentation. Retrieved 23 July, 2001, from <http://www.mckinseyquarterly.com>
- Lundvall, B. A., & Archibugi, D. (2001). The New Economy Context. In D. Archibugi & B. A. Lundvall (Eds.), *The Globalizing Learning Economy* (pp. 1-17). Oxford: Oxford University Press.
- Main, H. C. (1999). Emerging technologies and their role in developing a marketing information system (MKIS) for tourism and hospitality products. In D. Buhalis & W. Schertler (Eds.), *International Conference on Information and Communication Technologies in Tourism 1999* (pp. 347-356). Innsbruck, Austria: Springer-Verlag.
- Main, H. C. (2002). The Expansion of Technology in Small and Medium Hospitality Enterprises with a Focus on New Technology. *Information Technology & Tourism*, 4(3/4), 167-174.
- Morrison, A. J., & King, B. E. M. (2002). Small Tourism Business and E-Commerce: Victorian Tourism Online. *Tourism and Hospitality Research: The Surrey Quarterly*, 4(2), 104-115.
- NOIE. (2001). Advancing with E-Commerce. A summary of 34 case studies of small business e-commerce ventures. Retrieved March 5, 2002, from <http://www.noie.gov.au/projects/casestudies/Ecommerce/PDF/report.pdf>
- OECD. (1998). *Small and Medium-Sized Enterprises and Electronic Commerce*. Retrieved 20 June, 2000, from <http://www.oecd.org/EN>

- OECD. (2001). The New Economy: Beyond the Hype. Retrieved 27 June, 2002, from <http://www.oecd.org/pdf/M00018000/M00018624.pdf>
- Pavlovich, K. (2003). The evolution and transformation of a tourism destination network: the Waitomo Caves, New Zealand. *Tourism Management*, 24(2), 203-216.
- Prosser, G., Hunt, S., Braithwaite, D., Bonnett, G., & Rosemann, I. (2000). The Significance of Regional Tourism. A Preliminary Report. (No. Occasional Paper Number 2). Lismore: Centre for Regional Tourism Research. Southern Cross University.
- Rogers, E. M. (1997). Diffusion of New Media: New Directions. *Mass Comm Review*, 24(1 and 2), 75-81.
- Ryhänen, H. (2003). From Learning SMTE Networks to Learning Lake Destinations. Paper presented at the The International Lake Tourism Conference, Savonlinna, Finland, July 2-5.
- Wynne, C., Berthon, P., Pitt, L., Ewing, M., & Napoli, J. (2001). The impact of the Internet on the distribution value chain. The case of the South African tourism industry. *International Marketing Review*, 18(4), 420-431.

TERMS AND THEIR DEFINITION

Connectivity	The ability to link to the Internet via a computer
E-Commerce	Connection, electronic data exchange and transaction capability via the Internet
B2C	Business-to-consumer trading involves the sale of goods or services by a business directly to individual customers

B2B	Business-to-business trading involves the sale of goods or services by a business to another business
ICT	Information and communication technologies. The technology and tools used to transfer information and speed up communication processes.
Broadband	A type of data transmission in which a single medium (such as fibre optic wire) can carry several channels at once. Cable TV, for example, uses broadband transmission. Expand to include capability and how it differs from narrowband
Market Channel	A publicly accessible means such as a newspaper, magazine, trade show, radio, billboards, television or the Internet, used to advertise, market and distribute products.
Portal	A website or service that provides access to a wide range of services which can be either local or remote, structure or unstructured. The user stays inside the portal interface, which provides access to remote websites on the user's behalf.
SMEs:	Small and medium size enterprises. Small and medium size tourism enterprises are also referred to as SMTE. In Australia a small size enterprise refers to firms with less than 20 employees and micro enterprises 0-9 employees.
Supply Chain	A network of suppliers, storage facilities, distributors, transporters, and retailers that participate in the sale, delivery and production of a particular product. Related to a particular firm or industry or both???
Value Chain	A value chain is a string of diverse companies working together to create or satisfy market demand for a particular product or a bundle of products
Web-enabled	Business systems that are supported by Internet technologies