

E commerce use in the tourism industry tourism essay



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Abstract: The aim of this paper is to present the impact of Internet on tourism, highlighting the main benefits and limitations of e-commerce in the tourism industry. The article will provide some fundamental knowledge about the ICT (Information and Communications Technology) developments and their implication on various sectors of the travel and tourism industry, related to the world economic situation.

1. Introduction

The Internet which is considered to be the most important innovation since the development of the printing press (Hoffman, 2000) has revolutionized how businesses operate.

In 2010, Internet reached almost 2 billion users worldwide (28, 7% of the total population) including more than 800 million Internet users in Europe (58, 4% of its population) and approximately 7. 8 million users in the Romania (35% of its population). These figures represent an increase of 444, 8% compared to the year 2000.

Table 1. Internet Usage and penetration rate**Population (2010 est.)****% Pop. Of the world****Internet users****Penetration (% Population)****Users Growth****(2000 -2010)****Romania****21, 959, 278****0. 32%****7, 786, 700****35. 5 %****873. 3 %****Europe****813, 319, 511****11. 9 %****475, 069, 448****58. 4 %****352. 0 %****Rest of the world****6, 010, 331, 171****87. 78%**

1, 483, 658, 668

24. 7%

482. 8%

Total world

6, 845, 609, 960

100%

1, 966, 514, 816

28. 7 %

444. 8 %

(Source [www. internetworldstats. com](http://www.internetworldstats.com))

Due to the uninterrupted growth of the Internet penetration rate, demographic characteristics of online users are resembling more and more the ones of the general population. The average age of Internet users is rising in tandem with that of the general population, and racial and ethnic characteristics are more closely mirroring those in the offline population (eMarketer, 2010).

Another interesting is the fact that over 90% of people between age of 5 and 17 use the Internet on a regular basis (Turban, King, McKay, Marshall, Lee & Viehland, 2008). These younger generations are more familiar with the Internet than other media such as radio and television. When they will become economically active population, the Internet will be the most influential medium in business.

From the early ages of the public Internet development, the search for travel information and for the purpose of making a booking has been one of the main reasons that people use the Internet. The top 5 most popular online purchases were books (66%), clothes (57%), travel arrangements (57%), gifts (51%) and CDs (45%) in the US in 2007 (Center for the Digital Future, 2008).

The tourism industry has demonstrated rapid growth before the impact of the financial crisis and therefore has been identified as a key element of growth in the services sector.

The tourism industry continues to be an important element as foreign exchange earner, contributing to the growth of the Gross Domestic Product (GDP), the growth of the investments and employment rate as well as strengthening the services account of the balance of payments.

According to the World Tourism Organization (UNWTO) the tourism's contribution to worldwide GDP is estimated at some 5%, and ranges from approximately 2% to over 10% for countries where tourism is an important sector of the economy (UNWTO Tourism Highlights 2010).

The global economic recession combined with other problems related to natural disasters and influenza pandemic made out of 2009 one of the toughest years for the tourism sector worldwide. The year 2009 marked a decline in international tourist arrivals all over the world (880 million) and the tourism sector in Europe was the strongly affected. But starting with the 4th quarter of the year growth returned, after 14 months of negative results.

And good news is announced by the UNWTO prediction that international arrivals will almost double reaching 1.6 billion by 2020 (UNWTO Tourism Highlights 2010) and will continue to grow at a rapid pace.

The expansion of this industry will also have a benefic effect on the economic growth of other related service industries, such as food and beverages, accommodation, transport, shopping, entertainment and other small and medium-sized industries.

Source: UNWTO Tourism Highlights 2010

2. The connection between ICT and Tourism

Tourism industry has been linked with the progress and evolution of ICTs for over 30 years. Commencing in the 70's with the establishment of the Computer Reservation Systems (CRSs), then in the 80's the evolution of the Global Distribution Systems (GDSs) and the Internet in the 90's have changed operational and strategic practices in tourism.

Nowadays ICTs are relevant on all operative, structural, strategic and marketing levels to facilitate global interaction among suppliers, intermediaries and consumers around the world (Buhalis & Law, 2008; Egger & Buhalis, 2008)

Tourism is a dynamic sector of the economy, regardless if it is considered at local, national or international level, and as the Internet penetration rate increased, the use of e-commerce can become an effective tool to promote and develop new opportunities in the travel and tourism sector.

Because tourism can be considered an information intensive industry it has experienced important changes over the past few years due to the strong evolution of ICT, which together with the Internet spans the globe (G. Schneider, 2007). “ The tourism sector is characterized by the intensive production of information, to meet the needs of the various actors” (Ramos et al., 2009).

ICT has significantly altered the playground for travel and tourism stakeholders, creating new opportunities and challenges in selling and promoting their products/services. The way in which potential clients search for travel information and buy their holidays packages was also altered by the unforeseen development and mass diffusion of Internet.

Tourism and Internet combined together revolutionized the way of traveling.

The cumulative effect generated by the following factors: the progress made in the field of the ICTs combined with the fact that technology became largely available; the digitalization of business; the growth of e-commerce in all fields of the economy; the adoption and integration of these revolutionary technologies in the field of tourism led to the birth of the concept of “ e-tourism”.

Electronic tourism (e-tourism) is defined as being the application of ICT on the tourism industry (Buhalis, 2003).

After a literature review of works done on this domain I would like to point out that experts stated that e-tourism represents the digitalization of the

value chain and business processes in the travel, tourism, hospitality and catering industries.

“ At the tactical level, it includes e-commerce and applies ICTs for maximizing the efficiency and effectiveness of the tourism organization. At the strategic level, e-tourism revolutionizes all business processes, the entire value chain as well as the strategic relationships of tourism organizations with all their stakeholders”. (Buhalis, 2003)

3. Benefits and limitations of the Internet and ICT

As mentioned above the evolution in technology allowed existing business to re-engineer themselves through technological innovation and permitted the entrance and creation of new business. The implementation and use of e-commerce applications present a series of advantages but also a series of disadvantages.

The most relevant benefits and limitations of electronic commerce use are displayed in the tables below:

Table 2. Benefits of e-commerce

Source: Turban et al. 2008

Table 3. Limitations of e-commerce

Source: Turban et al. 2008

ICT and Internet have provided the means for tourism organizations to develop their business processes and adapt their management structure and strategy to take advantage of the newly created possibilities in order to:

Increase internal efficiency and better manage of their capacity and improve yield management.

Interact more with existing and potential customers and personalize the products/services in order to meet their needs.

Revolutionize tourism intermediation and increase the number of points of sale.

Enable consumers to communicate with each other and share opinions.

Provide Location Based Services - utilize the ability to make use of the location of the mobile device. (Virrantaus et al. 2001)

Promote of efficient cooperation between partners in the value system.

Enhance the operational and geographic scope by offering strategic tools for global expansion. (Buhalis, 2003)

The most discussed technological barriers are the lack of global standards for quality, security, and reliability (Turban et al., 2008; Van Toorn, Bunker, Yee, & Smith, 2006). The absence of standards in technologies and its applications can increase significantly the cost of system integration for a more efficient management in distribution, operation and communication worldwide.

Hospitality corporations had the financial power to invest and transform their systems into a "total network system". Small and medium-sized tourism enterprises (SME) on the other hand are having trouble integrating their

systems because of limited financial resources. Due to this fact SME have a competitive disadvantage when competing against large corporation and it is difficult to conserve their position on market.

The major non-technological problem is the payment and privacy issues, which can result in keeping consumers away from making online transactions. Businesses must protect themselves and their customers from losses due to cyber-vandalism and fraud, offering secure transactions and privacy protection of personal information by using advance cryptographic methods.

The large availability of Internet created huge amounts of information, some of which can be inaccurate and deluding. For this reason, the Internet has lead to a decrease in the efficient search for information (Allen & Shoard, 2005; Farhoomand & Drury, 2002; Lurie, 2004).

From the consumer point of view this may result in frustration due to the increased number of alternatives and attributes and finally may lead to increased cost for searching and indentifying alternatives

Using ICT as a stand-alone initiative is not adequate and has to be combined with redesigning the business processes, structures and management control systems. ICT can enhance business success when rational and innovative planning and management is exercised on regular basis in organization.

Intellect therefore becomes a critical asset, while continuous education and training are instrumental for the innovative use of ICT and the competitiveness of tourism organizations. (Buhalis, 2003)

The integration of e-commerce application in tourism affected both supply and demand in this industry. In all sectors of the tourism industry the influence of ICT and Internet can be noticed through internal re-organization, relationships with partners and the way it relates and interacts with customers and stakeholders.

E-tourism offers a wide range of opportunities for business expansion in all geographical, marketing and operational senses and as a result an important number of new players have arisen, sometimes referred as “barbarians” in the literature (Wade, 2000), as they enter with self-defined new rules.

Table 4. Influence on various tourism industry players

Source: Werthner, H. and Klein, 1999

4. Conclusion

Travel and tourism have demonstrated that e-commerce may influence the structure of an industry, and provide new opportunities for business.

In order to keep up with the highly demanding and better-informed customers, tourism organization have to use the advantages provided by the development of ICT and integrate the innovational technologies into their business process. The changes in industry structure is equally affecting large corporation and small and medium companies but it is more stringent for SME to master the ability grasp the opportunities provided by ICT, because

failure to do so will materialize in loss of competitiveness and business opportunities.

As experts stated it: “ Given the importance of e-commerce in tourism, it is essential that

tourism organizations adopt e-commerce as their business strategy”.

All type of tourism organization should pay attention to the new mobile technologies that emerged in the past few years and to the advantages offered by m-commerce because this may take e-tourism a step forward by offering a better interaction with the customers. The study of what seems to be materializing, as “ m-tourism” will be the focus of further research.

Due to the fact that the use of e-commerce had a continuous and rapid growth despite the current economic situation combined with the great potential of the tourism sector, I venture my self in stating that e-tourism can provide us with a way to surpass more quickly the negative effects generated by the international financial crisis into the economy.