

## Chapter 5.24

# E-Commerce and Small Tourism Firms

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### INTRODUCTION

Today's networked economy is a strategic combination of many factors, with electronic platforms and relationships underpinning competitive advantage. Enabled and driven by information and communication technologies (ICT) and connectivity, the networked economy is challenging the fundamental bases of established government frameworks, conventional business practices, and traditional marketing disciplines. To achieve business success in this techno-economic paradigm requires new ways of thinking for all.

This article examines regional development trends, such as the growing importance of connectivity, electronic-commerce (e-commerce), and industry networks for global competitive advantage. Within that context, it discusses issues facing small tourism firms in becoming part of the networked economy.

### REGIONAL NETWORKS

A consistent pattern in today's economic business process is collaboration between firms, whereby emphasis is placed on networking, knowledge sharing, and cooperation rather than competition (Asheim, 2001). The adoption and diffusion of ICT and the Internet are integral components in today's business processes, as connectivity has increased our ability to connect and communicate with others, regardless of whether they are located locally, regionally, nationally, or across the globe.

Research indicates that network building is not only a major new source of competitive advantage for any company, but also a crucial asset to business survival and an essential global and, indeed, regional development requirement (Porter, 1998). Because the processes of ICT-based information seeking, information distribution, and knowledge sharing are interactive, it is believed that a firm's information channels or interpersonal networks play an important role.

In recent times, regional development policy has undergone a paradigm shift from an exogenous or external focus to an endogenous or internal and relational network one (Storper, 1997). Networking, community building, and learning are portrayed as pivotal linkages for regional growth, whereby policy makers concerned with the performance of regional economies are seeking to foster a networked community culture (Asheim, 2001). In geographic terms, networks can operate on international, national, regional, and local levels. Examples of this network-building trend may be found internationally on the European Commission and the APEC action agendas (APEC, 2001). The trend is also reflected in Australian regional development policy, which, in taking its cues from global trends in regional development, portrays connectivity, networking, industry clustering, regional specialization, and capacity building as pivotal for regional growth (ALGA, 2002).

As such, network formation is not a novel or emerging concept but rather a recycled notion caught up in a new policy wave. Theoretical discussions on interfirm organization can be found as far back as 1960 (Philips, 1960), although it would take several decades more until Miles and Snow (1992) identified a significant movement toward the so-called network form. Since then, myriad network structures and traits have been discussed in the literature, including firm interdependence, trust between network partners, pitfalls of network alliances, and issues surrounding change. The latter is of particular relevance in these rapidly changing times. Business networks are subject to external changes, such as a transformation in the economic and technological climate, and internal changes, such as competition and issues of power and trust (Håkansson, 1995).

Connectivity and the Internet have added new dimensions to the concept of networked firms. The advent of connectivity has boosted conventional reasons for interfirm networking, as the technology-enabled landscape provides the capacity for firms to collaborate with former

competitors and potentially achieve “competitive co-evolution, enhanced by digital platform features” (Ordanini, 2001, p. 282). The concept of clustering, another form of network formation, has gained new prominence, as it can help create critical mass and facilitate the knowledge-based infrastructure needed for competitive advantage. Porter (1998) discusses competitive advantage as being created and sustained through a highly localized process and ascribes enduring competitive advantage in a global economy to local knowledge, relationships, and motivation that cannot be duplicated by global partnering. Thus, as a result of the networked economy, it may be said that organizational change can be expected throughout regions and across a number of industries, and especially in information-based industries such as the tourism industry.

## **TOURISM AND TECHNOLOGY**

Being among the two largest, most rapidly growing, and most dynamic industries, tourism and technology have become inextricably linked. Together, they are changing the way society operates (Werthner & Klein, 1999). The tourism industry has always relied heavily on information. In fact, until a tourist gets to his or her chosen destination, tourism *is* information rather than a physical product. While tourism services are produced and consumed in a physical world set in a regional or local context, purchase of a tourism product is generally based on information received through direct or intermediary market channels, prior knowledge, word of mouth, and perceptions of trust and service quality. As the nature of the tourism product is information-based, it is a search product that is evaluated by perusing product-related information. Being dependent on effective information flows makes the tourism product a complex one, as it is “...almost entirely dependent upon representations (such as pictures in brochures) and descriptions to help consum-

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