

Transformation in electronic commerce adoption in SMMEs (small medium micro enterprises) in the tourism sector

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Abstract

The objective of this research study is to investigate the adoption of e-Commerce (electronic commerce) by SMMEs (Small Medium Micro Enterprises) in the tourism industry, especially by the previously disadvantaged individuals (PDIs). In South Africa there is small research in the tourism sector with regards to e-commerce adoption that is formally conducted that investigates PDIs. The study also inspects the hindrances for SMMEs and PDIs in adopting eCommerce. So, e-commerce is growing, in 2005 in South Africa, even to other groups that one would not readily expect to find awareness.

The methodology used in this research study was qualitative to provide opportunities for in-depth exploration of viewpoints in the early stages of the adoption process, allowing the researchers to gain a better understanding of the problem and identifying phenomena, attitudes and influences. The researchers used a case study targeting tourism-related companies in South Africa. Personal interviews were conducted providing a tool to investigate a wide range of aspects. Case study research is particularly suited when *who, why and how* questions have to be dealt with, especially in business and management fields. Interviews afford opportunities to observe individuals and groups in action and to learn facts, opinions, and beliefs, which may vary within an SMME.

The results indicate that barriers exist in e-commerce adoption initiatives of SMMEs in the South African tourism industry with regards to PDIs. The primary conclusion reached is to report the status on the transformation in the e-commerce adoption in SMMEs. The researchers recommend further research in areas of other electronic commerce barriers that were not covered by this research.

CLARIFICATION OF TERMS AND CONCEPTS

A barrier prevents people from getting past (Hawkins 2002). In the context of this study it is an obstacle, hindrance or a limitation to adopt e-Commerce.

E-commerce is defined as any electronic interaction between an organisation and its trading community. It is a sub-set of electronic business that covers both intra-and inter-organisational electronic messaging and information management (Chesher and Kaura

1999). e-Commerce is the online interaction between a business and its customers, or a business and its suppliers, for the placement of orders and the associated funds transfer (Cloete 2002).

McNurlin and Sprague (2002) define e-Business as the use of telecommunication networks, particularly the Internet, to conduct business transactions.

e-Business can be divided into three categories, which map directly into the three strategic roles of Information Technology (IT) – inward, outward, and across:

B2E - Business-to-employee: Intranet-based applications internal to a firm

B2C - Business-to-consumer: Internet-based applications for a firm's customers

B2B - Business-to-business: Extranet-based applications for a firm's business partners

The World Tourism Organisation (WTO) defines tourism as "The activities of person(s) travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes".

1. INTRODUCTION

E-commerce adoption barriers are due to many factors and (Farhoomand *et al.*, 2000) find that technical, organisational, economic, cultural, political and legal factors are the main barriers. Superficial observation of online sales does not tell the entire story. The WWW has made real-time information, open communication and the results of online data processing more accessible to stakeholders. All players in the tourism sector – from airlines, hotels, B&Bs (bed and breakfasts) to GDS (Global Distribution System) services, have found either opportunities or threats, but none more so than travel agents. A few years ago, it was predicted that the demise of travel agencies was imminent. It appears that some travel agencies have transformed technology from being a chink in their armour to a new business weapon (Hartley and Worthington-Smith, 2003).

Smaller, independent travel agencies are undoubtedly under threat especially now that the Internet allows customers to find travel information themselves and conclude bookings directly. Considering Porter's five forces, the opposing bargaining powers of suppliers and buyers is very real in e-Commerce (Porter, 1985). Much as the case in other industry sectors, travel agencies can no longer survive simply by doing the job of matching demand and supply because the Internet can do that far better than they could hope to do (Hartley and Worthington-Smith, 2003).

1.1 e-Commerce and e-Business issues

It is important for a clear distinction to be made between e-Business and e-Commerce. Damanpour (2001) states e-Business / e-Commerce is any "net" business activity that transforms internal and external relationships to create value and exploit market opportunities driven by new rules of the connected economy.

A more comprehensive definition of e-Business includes activities such as customer relationship management, customer profiling and the evolution of entirely new products and services, the realisation of a fully fledged virtual value chain as described by

Rayport and Sviokla (1995). It is apparent that the reality of e-Business for most SMEs is often limited to the use of a subset of basic services such as e-mail, banking and a passive brochure-ware Web site.

Many authors agree about the differences of e-Business and e-Commerce and that they are two different concepts, with the exception of one author (Damanpour 2001) who makes less of a distinction between the two terms.

The target population for this research study are SMMEs in South Africa. For clarity. Internationally SMMEs are referred to as SMEs, (Small Medium Enterprises) where its classification is based on the number of employees and their income status, working for such an enterprise. A medium business has not more than 400 employees, earning less than \$100 million per annum, whereas a small business has fewer than 250 employees with revenue of less than \$30 million per annum. In this study small businesses are viewed as a subset of either SMMEs or SMEs.

The DTI (Department of Trade and Industry) state that a SMME is privately and independently or co-operatively owned and managed and must not form part of an enterprise which exceeds the quantitative criteria referred to in Table 1, but may have more than one branch. The entity must comply with any two of the three criteria as listed in Table 1 below.

SIZE	TOTAL ANNUAL TURNOVER (VAT excluded)	TOTAL ASSET VALUE (fixed property excluded)	TOTAL NUMBER OF FULL-TIME EMPLOYEES
	Less than	Less than	Less than
Medium	R 25.0 million	R 5.0 million	51 - 200
Small	R 5.0 million	R 1.0 million	5 - 50
Micro	R 1.25 million	R 0.25 million	1 - 4

Table 1: Quantitative Criteria For SMMEs

2. BACKGROUND TO THE STUDY

There is a need to investigate the barriers to e-Business adoption by SMMEs in South Africa, and to make timely decisions how to avoid such barriers. Craig and Juthla (2001) state that a complete model, which may describe the e-Business phenomena concisely is lacking, and above all, people are not e-Business savvy. There is a need therefore to make a contribution to the body of knowledge in the field of e-Business and e-Commerce to avoid organisational barriers.

It is important to identify these barriers early in the adoption process in order to make recommendations to overcome them. These barriers are one of the many stumbling blocks retarding the adoption of e-Commerce.

The Internet has now become the main 'e-Business' infrastructure, a mutation in commercial relationships and transactions, emerging within organisations themselves. This includes SMEs that must adapt or re-engineer their business processes accordingly (Raymond 2001).

2.1 Preliminary enquiry

A preliminary enquiry was conducted using Software Colors (a company that offers computerised business solution), DMO (Destination Marketing Organisation) and Tiscover AG. These three organisations are collaborating on a project that empowers SMMEs in the tourism sector, by encouraging SMMEs to adopt e-Commerce. Software Colors provides services to enable users to realise benefits of online marketing. They, with the assistance of DMO, facilitate the ICT (Information and Communication Technologies) and e-Business training sessions for the SMMEs. DMO invested in the Tiscover system as a mechanism to market the Western Province via the Internet. Tiscover is the largest online destination-marketing organisation by providing online sales system for accommodation providers. In 2003, Tiscover had 57 million online visits (225 million web page views). They successfully completed 870 000 online bookings. The DTI (Department of Trade and Industry) plans to join the collaboration to fund further e-Business projects specifically focusing on SMMEs.

A focus group was attended with owners, directors, and managers of the PDIs (Previously Disadvantaged Individuals) from the tourism sector, organised by Software Colors and DMO.

There is great potential with the collaboration of Software Colors, DMO and the Tiscover AG to promote e-Business adoption within the SMME sector. Furthermore, Software Colors partnered with an Austrian team to produce a Tiscover Management System. Software Colors introduced a portal www.tiscover.co.za that is ideally suited for SMMEs in the tourism sector. The portal offers a high standard of professionalism. The SMMEs are trained to submit their content on a structured, e-Commerce web site template, on the Tiscover portal and are also trained to use ICT and e-Commerce. This collaboration is doing more than training SMMEs; it is empowering them!

This is a preliminary enquiry of the e-Commerce critical review. For the purpose of this study, the focus is going to be on the PDIs.

3 LITERATURE REVIEW

According to the study conducted by Barnes and Hunt (2001) the most significant barriers to the adoption of e-commerce are implementation costs, operating costs, lack of expertise and difficulties in providing adequate training (Table 2). Table 2 lists some of the many barriers to e-commerce adoption, and the ranking of the barriers, from the most important to the least important. Training and education is an important issue and SMMEs have to be prepared to invest in this area.

BARRIERS	RANKING (1 = most important 19 = least important)
Start-up costs (implementation)	1
Lack of staff expertise	2
Operating costs	3
Providing adequate training	4
WWW service provider products and services	5
Integration of WWW with internal applications	6
Time-consuming to adopt the WWW	7
WWW service provider performance	8
Not enough perceived benefits	9
Application software package WWW capabilities	10
Security problems associated with using WWW	11
Staff resistance	12
Lack of business partners who are WWW-capable	13
Need for re-engineering of business processes	14
Inter-connection among WWW service providers	15
Customer resistance	16
Other: specify	17
Difficulties with WWW document standards	18
Lack of space for computer	19

Table 2: Barriers to adopting Web technologies

3.2 Other Interesting ventures

It was interesting to note other groups that are trying to create portals for B&Bs and guesthouses. One of them is www.sonke.org. This would be categorized as a website instead of a portal, because of the purpose it serves. This website has been launched, yet, some pages are not working. There are no e-commerce facilities on the website. This website is not professional at all. There is another one for the provinces in South Africa. This website is www.sleep-out.co.za. It has a low level of professionalism, because, it only has one central telephone and facsimile number that belong to sleep-out (central reservation); one is unable to contact the particular guesthouse or B&B directly. This website does not display contact details (nor e-mail addresses) of the guesthouse nor the B&B they display. There are no e-commerce facilities on the website. The search function is not working properly, because when one searches for guesthouses and B&Bs in Pretoria, one Cape Town guesthouse is displayed in the results. This will be like that until the database administrator changes the database and the search function.

4 FOCUS GROUP AND OBSERVATION SESSION

On the 18 August 2004, on Wednesday from 09h00 to the afternoon, an educational session was facilitated by Software Colors, together with DMO. About seven SMMEs from the Tourism sector within the PDIs attended the informative session.

All the PDIs were keen to participate in the opportunities presented to them; however they had to first understand the benefits of the opportunities.

4.1 e-Commerce Adoption Barriers as experienced by PDIs

These are some of the barriers experienced by PDIs. Some of the PDIs experienced cultural and language barriers, because they did not understand some of the business culture issues and the ICT (Information and Communications Technology) and e-commerce terminology was not colloquial to them. For example, some PDIs needed to know the difference between the Internet and a website. The presenter of the session was sensitive to the questions of the PDIs. He had to be patient and simplify most of the terminology.

Some PDIs had lack of knowledge and all of them had lack of expertise when it came to ICT and e-commerce technologies. Some of them have never used a computer before, yet they would prefer that their grandchildren (even their children or any other willing person) would assist them (or better yet, for them, do all the computer-related work for them). These perceptions had to be challenged by the presenter of the session. Some have used the computer before, however they have never learnt about methods of trading online. Lack of understanding ICT & e-commerce issues was evident, because some PDIs were not sure whether the Internet is a good thing or a bad thing. For example, when some of them heard that from the same Internet, sex and gambling are advertised; they were not sure whether their positive, tourism-related businesses should be in the midst of such. Once more the presenter had to illustrate and educate with regards to how the Internet works and again motivate the PDIs by highlighting the benefits of the Internet. Even after the preliminary informative session, the PDIs may be oblivious to the great opportunity that they have to be part of the selected group for this venture. Some of them do not fully comprehend the magnitude of this prospect. There was some resistance to change from the elderly owners/managers of B&Bs (bed and breakfasts), because, they have a perception that the Internet is for the young people. It was not easy to convince them that even at their different age level they still could learn ICT and e-commerce.

Many people are generally afraid of venturing into the unknown. They would rather hide behind the negative attitudes instead of dealing with, for example, learning about e-Commerce in order to deal with the challenge/s constructively. Fear and insecurity issues affect e-Commerce adoption in organisations.

Some of the tourism-related barriers are lack of business acumen and lack of knowledge in the standards of maintaining the guest houses, B&Bs, restaurants, etc. The PDIs raised their concern with regards to these issues.

5 CONCLUSION

The PDIs need to be interviewed to find out more about their individual perceptions with regards to the adoption of e-business. A lot of time and money is needed for such ventures. Software Colors and DMO need to be commended for their investment that has already been invested into the communities.

The next phase of this project is to enquire the status of business from PDIs. Guidelines to minimize (and possibly overcome) organisational barriers in SMMEs are being pursued and will be recommended, appropriately for the PDIs.

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