

E-commerce Journey for Tanzanian SMEs: A Case of Tourism Industry

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Outline

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Introduction: Tourism

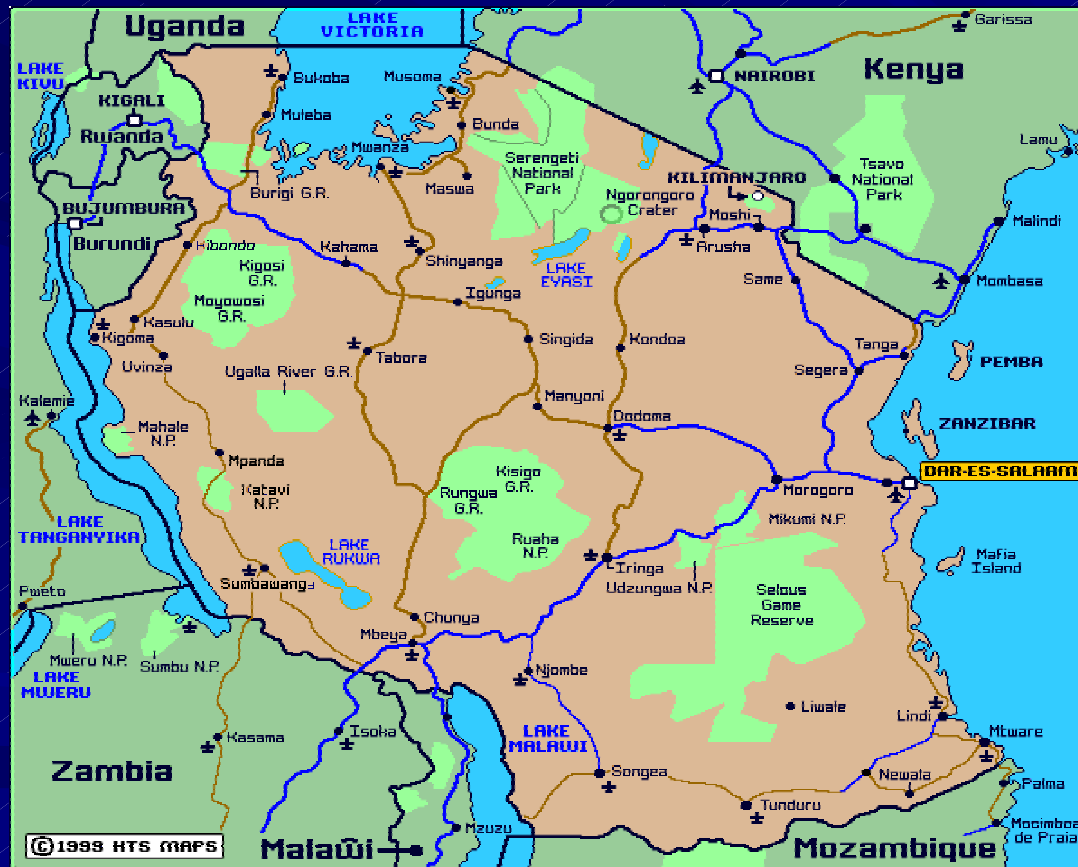
- Tourism and travel are largest industry (11% of world GDP and employs 9% of workforce).
- Leading source of economic growth in many developing countries, eg Tanzania (16% of GDP and more than 25% of forex)
- One of industries which poor countries have competitive advantages
- Industry is dominated by SMEs globally and locally in service supply

Role of SMEs in the Economy

Source of:

- productivity
- growth
- job creation
- Tax revenue

Some attractions in TZ



Tourism and Poverty reduction

- Consumers come to the factory – opening opportunities to communities
- Labour intensive (good for women and youth)
- Linked with natural resources and culture thus a justification for preservation
- Industry infrastructure benefit communities
- Linkage with other sectors eg agric.
- (caveat: leakages need to be checked e.g. by responsible/rural/community tourism)

Working definitions

- **ICTs**: information-handling tools - hardware, applications and services that are used to produce, store, process, distribute and exchange information. Can be categorised: Old (radio, television and telephone); new (computers, satellite and wireless technology and the Internet) UNDP, 2001: 2
- Heeks (1999) divides information handling technologies: **ICTs i.e digital** => hard/soft ware and network; **intermediate** (analogue =>radio, TV, telephone);
literal (written word => books, newspapers) and **organic** (brain)

This presentation is more on new/digital technologies

- **Tourism**: activities of people travelling for leisure, business and other purposes to places outside their usual environment and staying for no more than one consecutive year (WTO, 2001).

In this presentation we consider international tourism.

Information and Communication Technologies (ICTs) and Tourism

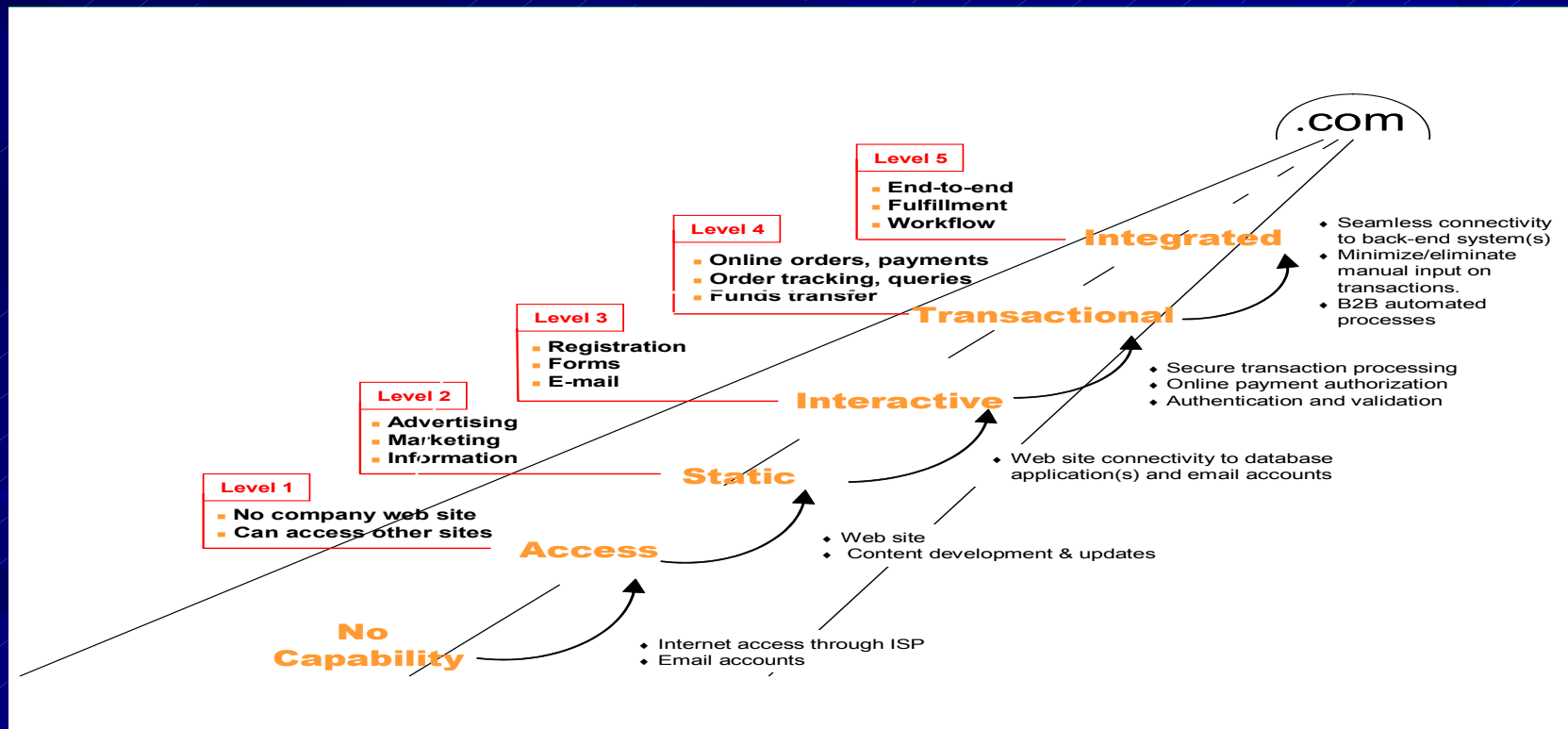
- Tourism is information intensive i.e relies on information to represent and describe products
- Perfect fit with ICTs (UNDP, 2001)
- Results: reduced operating costs, raise value to customers, achieve strategic competitive advantage.
- Studies indicate SMTEs are major users of ICTs in (see for example, EU, 2004 for EU; Matambalya and Wolf, 2001; and Neilinger, 2003 for Tanzania.
- Interaction btn ICTs and tourism => eTourism (e-commerce in tourism)

eTourism

- the digitisation of all processes and value chains in the tourism system (Buhalis, 03)
- Result: Tourism and travel are online largest industry
- Internet, especially, the web has revolutionalised the industry for both consumers and suppliers

Opportunities from e-commerce to SMTEs

- E-commerce Roadmap
- From level 2 SMTEs achieve disintermediation



Adapted from Duncan (2001)

Internet Access

- Exploratory survey among 106 SMTEs reveal:
- 100% of travel agents had Internet access
- Tour operators: 96%
- Hospitality firms: 92%
- “Internet is everything in my business” one interviewed Tour operator

Web Presence

- Travel agents (TAs): 67%
- Tour operators: 89% (8% under construction)
- Hospitality: 69% (8% under construction)
- Business model of TAs is walk in and still receiving a relatively hefty commission per ticket.
- Payment for tickets still is on cash basis but some international airlines are supporting e-tickets

Frequency of use of e-mails in Business Communication

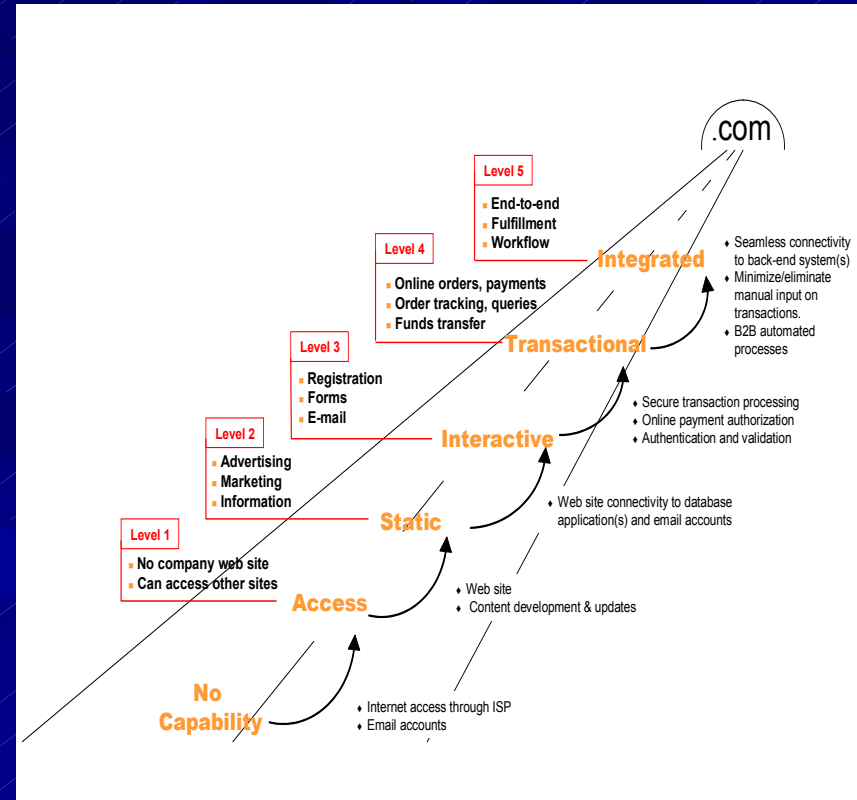
SMTEs business	Frequency of use of email (%)	
	Weekly	Almost daily
Travel Agent	16.7	83.3
Tour Operator	3.8	96.2
Hospitality	24	50

Impact of Internet on business

- Nearly all SMTEs claim the Internet has had positive impact on their business processes.
- 8% of TOs said Internet has had negative effect since it has resulted into reduction in market share. “Now it is easy for anyone to enter this business by opening a website and have an e-mail address” one dissatisfied TO.
- The web has increased challenge on TOs to be more knowledgable about their destinations since tourists arrive informed. “Being an international tourist is no longer being ‘ignorant about a destination’”, one respondent.

Need for Continuing with the E-commerce Journey

- E-commerce journey is long. Now TZ SMTes are between levels 2 and 3.
- To achieve higher levels more efforts are required from firm (micro) to national (macro) levels.



Firm level

- Acquire the right information culture and competence, whereby:
- **Information culture**: A culture in which the value and utility of information in achieving operational and strategic success is recognized, where information forms the basis of decision making (Curry and Moore (2003))
- To read or not to read? i.e question on oral tradition of information acquisition (Madzingira, 2001; IICD, 2002; Olden, 1999)

Firm level (2)

Information competence:

- the capacity to access the needed information effectively and efficiently;
- the capacity to evaluate information and to incorporate selected information into one's own knowledge base (contextualize); and
- iii) the capacity to process and share information effectively with others (using appropriate media/channels e.g web, e-mails, etc) (based on Gilger, 2004).
- Or *a set of abilities enabling individuals to recognize when information is needed and have the ability to locate, evaluate, and use effectively the needed information*" (Association of College and Research Libraries, 2000:2).

Information competence in SMTEs in TZ

- Currently ability to publish information on the web is a competence firms require.
- Survey with SMTEs has revealed that only 27% designed their websites. In addition, less than 50% manage their websites i.e updating of content is still done by someone out of the firm (this may not be appropriate in dynamic nature of business).

Macro level

- **Creation of Enabling Environment** i.e. legal systems which provides for privacy, cross-border dispute resolution and recognition of electronic contracts and electronic transactions as well as investments in human capacity development and the infrastructure (UNCITRAL, 2002 and UNCTAD, 2000).

Recommendations

- Since SMTEs seem to be ahead in utilisation of ICTs, the Gateway should acknowledge this and strategise to harness this potential
- Competitive advantage enjoyed by tourism sector need to be recognised more in bilateral ties (e.g. can source countries commit to promoting sustainable tourism and commit to bring more customers to rural areas?; thought through travel warnings?; tourism AGOA?, etc)

Conclusion

- E-commerce journey has already begun in Tanzania among SMTEs. What is needed is to implement higher levels and facilitate policy, infrastructure and human capacity to exploit the power of ICTs.
 - Disintermediation is good for local SMTEs in poverty reduction efforts.
 - What is true for SMTEs is true for other SMEs in Tanzania (to a great extent)
- Asanteni sana!

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