

## MANAGING HOSPITALITY THROUGH ICT SERVICES. CASE OF ALBANIAN TOURISM INDUSTRY

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### Abstract

The definitions of tourism innovation (e.g. product, service and technological innovations) remains unclear, with the exception maybe of the internet. New technologies can produce an essential contribution to tourism development.

For tourism businesses, the Internet offers the potential to make information and booking facilities available to large numbers of tourists at relatively low costs. It also provides a tool for communication between tourism suppliers, intermediaries, as well as end – consumers. OECD (2000) revealed that the advent of Internet – based electronic commerce offers considerable opportunities for firms to expand their customer base, enter new product markets and rationalize their business. WTO (2001) also indicated that electronic business offers SMEs the opportunity to undertake their business in new and more cost-effective ways.

According to WTO, the Internet is revolutionizing the distribution of tourism information and sales. An increasing proportion of Internet users are buying on-line and tourism will gain a larger and larger share of the online commerce market. Obviously, the Internet is having a major impact as a source of information for tourism. However, the SMTEs are facing more stringent impediments to the adoption of new information technology, in particular, e-business. Part of the problem relates to the scale and affordability of information technology, as well as the facility of implementation within rapidly growing and changing organizations. In addition, new solutions configured for large, stable, and internationally-oriented firms do not fit well for small, dynamic, and locally-based tourism firms.

Despite these challenges, SMTEs with well developed and innovative Web sites can now have “equal Internet access” to international tourism markets. This implies equal access to telecom infrastructure, as well as to marketing management and education. According to a UN report (2001), “it is not the cost of being there, on the on-line market place, which must be reckoned with, but the cost of not being there.” It is certain that embracing digital communication and information technology is no longer an option, but a necessity. Thus, one of the most important characteristics of electronic commerce is the opportunity and promise it holds for SMTEs to extend their capabilities and grow.

**Key words:** ICT, Albania, SMTEs, development

### Literature review, ICT and Tourism

ICT pervades almost all aspects of tourism and related industry. For instance, we depend upon it right from the scratch while identifying and developing tourism site and destinations itself. The use of Geospatial Information Technologies in the recent years across the globe for varied purposes is popularly known and Tourism industry has not been an exception in availing its advantages. It can be used by tourist professionals to define the boundaries of the proposed tourist site as well its surrounding areas and the communities living in it. It can also get information on roads linking to the sites and availability of other utilities like water, power, market etc. Such technologies are also useful for site management and monitoring. The role of ICT tools in the industry for marketing, operation, and management of customer is widely known. Marketing techniques can be more innovative through ICT tools. The potential use of ICT tools in the industry are:

*Site development:* GIS used for identification of Tourist site and destinations

*Marketing:* Advertisement, promotion

*Operations:* Buying and management of supplies and services

*Customer services:* Management of customer relationships through booking travel, lodge etc

*Monitoring:* GIS and GPS is also used for managing and monitoring tourist sites.

### Key factors for applying ICT in tourism

1. IT education and training for policy makers, managers and other players in the industry
2. Integration of various sectors like transport, lodge etc.
3. Technical Infrastructure

4. Human Infrastructure, which includes skilled people, vision and management.

5. Legal Infrastructure

a. Regulation of telecommunication providers

b. Subsidies for Internet service providers

c. Legal framework for online advertisement or official endorsement for online marketing.

6. ICT culture

a. Create and sustain ICT environment

b. Maintenance and update of websites

c. ICT training for all level of workers

d. Establish electronic linkages between all related sectors

Recent Studies on ICT and tourism has revealed the transition in the industry as a result of ICT impact and have explored its possibility and potential.

Poon (1993) analyses some of the major challenges facing tourism industry and outlines the nexus between tourism and ICT. He traces the rapid shift-taking place between ‘traditional tourism sector’ and ‘new tourism industry’. Technology has a strategic role in reshaping the value chain in the industry and in the process, consumers are gradually adapting to the new values, lifestyles and new tourism products, which has re-engineered by the new technologies. Although some of the technologies described are now obsolete, the implicit message is relevant and gives an overall review of the changing face of the tourism industry.

Inkpen (1998) and Sheldon (1997) have examined the main characteristics of the industry structure and the operation of the new technologies in it. ICT applications in different sectors like airlines, hotels, tour operators, road and rail transport etc is dealt in detail with informative case studies.

Some of the world's largest GDS (Global Distribution System) namely Sabre, Galileo, Amadeus and Worldspan are examined. Besides analyzing the telecommunication technologies in the industry, the hospitality sector, entertainment sector, transport sector, management sector and other intermediaries have been diligently explored. Werthner (1999) provides a more detailed and logical understating of the industry's structure by focusing on the concepts, definitions, consumer behavior, economic aspect, market transactions, etc. Information Technology (hardware & software developments), information management, intelligent applications and system integration etc are examined carefully. Additional information on business strategy exploring the relationship between ICT, strategy and organization is also articulated. Buhalis (2003) also stressed on strategic management in his book providing a comprehensive overview of both operational and strategic management. Buhalis and Laws (2001) deals with the theory, practice and issues related to tourism distribution. The distribution strategies and approaches from a destination point of view is explored and discusses the possible future research in tourism distribution channels. It needs to be noted that the distributional structures are mainly from Europe, UK and other western nations and hence may or may not be useful for developing country's strategies. Connor's (1999) work serves as a textbook on electronic distribution with its logical explanation and case studies. GDS, CRS and DMS are analyzed with example of cases from across the western world. The growing phenomenon of travel distribution through Internet and its impact on distribution channels structure and functionality is explored with rigor. Carter & Bedard (2001) and Carter & Richer (1999) have focused on the operators in the tourism industry. Developments of the e-commerce and DMO (Development Management Organizations) and their changing value chains are analyzed intelligently and clearly so that importance of internet presence for consumers,

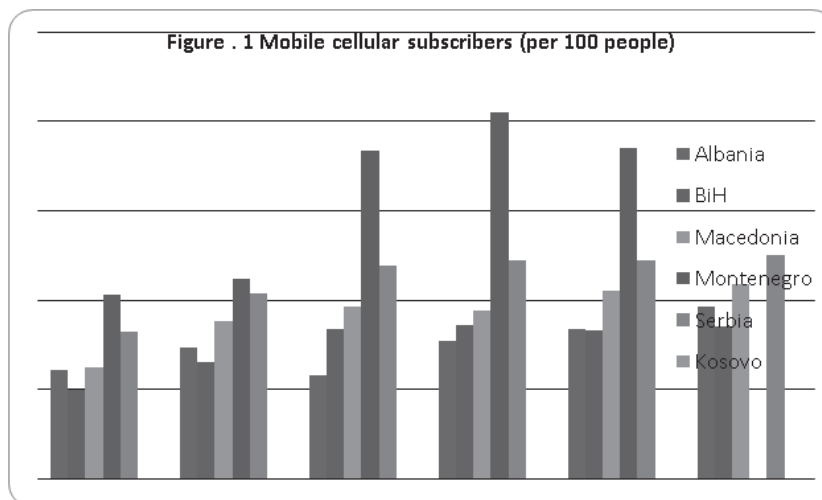
intermediaries, travel media and other players in the industry is noted and understood through their works. Marcussen (1999) attempts to provide an overview of innovative developments in distribution of travel and tourism services in Europe. It documents the wealth of statistical data on travel and related transactions in the European tourism industry. However, most of the experiences are based on the western developed world, which could be possibly a limitation while trying to understand the nexus of ICT and Tourism in an Albanian context. In fact one of the most important factors that drives ICT development and use in all sectors, but especially tourism sector is the human component.

**Methodology**

Research was performed to collect the secondary data regarding e-commerce for the tourism industry. Based on those data, a questionnaire was developed to get information on the challenges and opportunities faced by the tourism industry in Albania. The survey covered e-commerce activities, benefits, barriers and key success factors. It covered Albanian SMTEs, especially those located in the main tourist destinations, such as: Vlora, Tirana, Durres, Saranda.

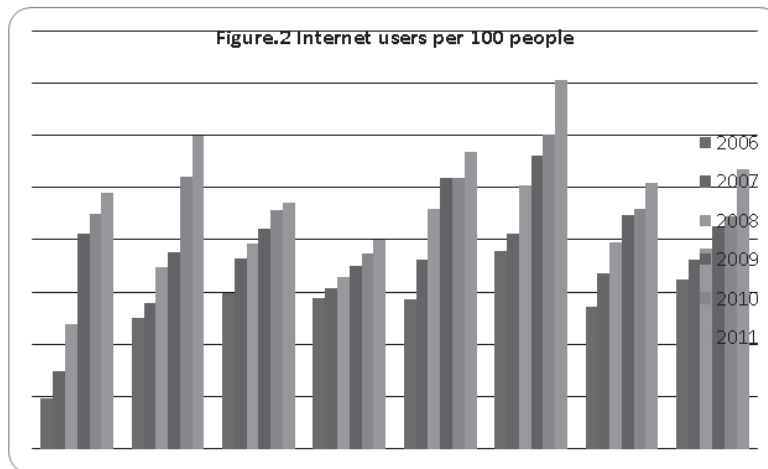
**A brief view of ICT development in Albania**

Telecommunication sector in Albania is characterised by the presence of new service operators, improvement and expansion of existing services and new services present in the market. The number of fixed telephone lines users is increased with 32% in 2009 in comparison with 2001 datas. Despite the rapid growth, telecommunications sector infrastructure in Albania still needs to be enhanced when compared with the achievements of other countries in the region. Figure.1 give a view of the situation in cellular line subscribers per 100 people in the region, ranking Albania behind Montenegro, Serbia, etc.



Source : <http://data.worldbank.org/indicator/IT.CEL.SETS.P2/countries>

Another indicator of infrastructure in the telecommunications sector is internet users per 100 people. As presented in Figure.2 the number of internet users in Albania is still below that of other countries in the region, despite of the fact that in 2009 is noticed a considerable increasing in the number of internet users, which makes Albania comparable with Bulgaria, Montenegro and BiH.



Source : <http://data.worldbank.org/indicator/IT.NET.USER.P2/countries> (2010)

### Key factors for successful e – commerce for SMTEs in Albania

#### Benefits of e-commerce for SMTEs

The main benefits of e-commerce for tourism enterprises are “providing easy access to information on tourism services”, “providing better information on tourism services”, and “providing convenience for customers”. This result implies that respondents are less aware of many other benefits of e-commerce, such as “creating new markets”, “improving customer services”, “establishing interactive relationship with customers”, “reducing operating cost”, “interacting with other business partners”, and “founding new business partners”.

#### Barriers of e-commerce for SMTEs

There are a number of barriers for SMTEs in adopting e-commerce in Albania. These barriers include “limited knowledge of available technology”, “lack of awareness”, “cost of initial investment”, “lack of confidence in the benefits of e-commerce”, and “cost of system maintenance”. These barriers also include “shortage of skilled human resources”, and “resistance to adoption of e-commerce”. In terms of market situation, it is possible also to mention “insufficient e-commerce infrastructure” and “small e-commerce market size”.

#### Factors for successful SMTEs e-commerce practices

The two main factors for conducting successful e-commerce are “security of the e-commerce system” and “user-friendly Web interface”, thus recognizing that building customer trust and convenience for customers are essential to succeed. “Top management support”, “IT infrastructure” and “customer acceptance” were also considered as important factors. On the other hand, most SMTEs do not recognize the importance of “sharing knowledge and information between SMTEs” and “business partnerships” as e-commerce successful strategies.

e-Commerce strategies for innovation of the Albanian SMTEs

For Rayport and Jaworski (2002), e-commerce strategy should be implemented with the four critical forces: technology, capital, media and public infrastructures. An infrastructure is defined as the foundation of a system. E-commerce strategies refer to these four infrastructures:

- The technology infrastructure means the technological foundation of the Internet, which enables the running of e-commerce enterprises, including the hardware of computers, servers, routers, cables, network technologies, software, and communications. Understanding technology infrastructure – and thus understanding what is and is not achievable – is essential to formulating travel and tourism’s vision and strategy.
- The capital infrastructure relates to how to secure funding for an e-business and subsequently value that business.
- The media infrastructure is an important issue for all e-commerce managers because the Internet is a mass communication platform. Managers who run on line enterprises must learn to manage a staff responsible for design interface, stylistic choices, and editorial policies, and content choices associated with the new communication venue. Therefore, the e-commerce manager is now a publisher of digital content on the Web. He/she should make choices about the types of media employed (e.g. print, audio, video), the nature of the media, and editorial policy, including style, content, and look-and-feel.
- Finally, all the decisions related to technology, capital, media, and strategy are influenced by laws and regulation, that is, public policy decisions. The public policy infrastructure affects not only the specific business but also direct and indirect competitors. E-commerce managers should understand both the current laws and how the laws may affect their business and those around them.

This paper suggests different strategies according to the e-commerce infrastructure of the business and stage of e-business development:

- Internet start – up SMTEs should adopt a business model appropriate for their own e-business objectives and environments. External service providers have great potential for them. Marketing should be done selectively. Earning a good reputation in the local market should be the top-priority. Internet start-up SMTEs can develop a strategy to access international markets directly to sell their tourism products and services.
- Established SMTEs should focus on two key strategies: 1) expanding the range of services and products and 2) upgrading their quality. They should redesign their Web sites to focus more on “customer retention” than “customer acquisition” to ensure quality of service. The Internet is a useful tool to reach international markets. E-partnerships between SMTEs or large firms are important. They should utilize their resource to build an e-community.

Their e-business strategies should be formulated according to their business environments. Linkage to a site of destination management organization is critical to success. Development of an online booking system is the most important technological aspect. Various measures to overcome lack of trust and confidence of consumers should be taken, such as utilization of “about us”, “frequently asked questions (FAQs)”, and “call center” services. Established SMTEs should consider e-strategy issues, including: 1) target market segments, 2) building trust and confidence of e-consumers, and 3) expanding e-commerce activities.

#### **Implications for the Albanian tourism policy**

The role of government is very important. The key principle is that the private sector leads the market. The government should avoid creating undue obstacles to e-commerce and its aims should be to support and enforce a predictable, minimal, consistent and simple legal environment if governmental involvement is needed. Active government support to foster an entrepreneurial culture is important. Key policy agendas include: 1) improving the legal and regulatory framework, 2) moving government procurement on line, and 3) facilitating e-transformation in industry sectors.

Legal and regulatory issues should consider consumer protection, legal resource mechanisms in disputes (e.g. e-commerce mediation committee), intellectual property protection, and validity and enforcement of contracts. The policies cover issues such as what taxes should apply to Internet transactions, the identification and residence of users, and the problem of tax avoidance. The guidelines of international organizations such as APEC and OECD can be a basis for e-commerce laws and regulations. To support consumer trust and confidence, a program of e-trust certification could be effective. Online government procurement and government participation in e-transformation of industry sectors should be planned and implemented in the medium- and long-term. Government

support can be provided in tax reductions, monetary support, and sharing of knowledge and information between industries and research organizations.

Finally, government could help the growth of e-commerce in various ways through planning, creating the legal and regulatory framework, building capacity in information technology infrastructure, skill formation and manpower planning, and also undertaking promotional and incentive measures. The government should function as a facilitator, promoter, educator, and “anchor tenant” for testing and pilot deployment of new applications. Government can also help create markets in emerging areas at the initial stage and help remove regulatory obstacles that may impede the growth of markets and businesses. Again, the ultimate objective of the government remains the promotion of private sector initiatives in e-commerce development (Kahn 2002).

#### **Conclusions**

In conclusion this paper suggests some recommendations for decision makers, entrepreneurs and practitioners in the tourism industry field, particularly for SMTEs.

The government should develop a national vision, a strategic plan and policy guidelines for SMTEs e-commerce activities. The development of e-commerce strategies should involve all tourism stakeholders. The policy makers are also responsible for establishing the appropriate laws, regulations and service standards that will enable to build trust and consumer confidence.

Entrepreneurs need to adopt business models which are tailor-made for their own e-business objectives and the SMTEs environment. SMTEs can combine various e-business models. External service providers have great potential to assist SMTEs.

Stakeholders should also find ways to integrate SMTEs into industry wide associations. This will encourage SMTEs to stop competing at the destination level, and to develop networks for mutual benefit. In line with this cooperation, they need to formulate and implement networking or strategic alliances through partnerships with other SMTEs or large firms, especially in the area of brand management, customer relationship management, and human resources management.

As regards marketing, association with e-shopping will allow SMTEs to conduct Internet-based e-commerce without bearing all the start-up costs, improvements cost, advertising and technical difficulties. Associations of e-shopping will provide SMTEs with the opportunity to take advantage of e-commerce systems e.g. interactivity, mass customization, real time and a database of customers.

In the established stage, SMTEs may need to re-design their website to focus more on “customer retention” than “customer acquisition”. They should also try to develop and manage their own digital brand. Brand power is more important on line than off line because the main stage of e-business is the virtual world where consumers are more dependent on recognized brands.

Finally, both the policy makers and the entrepreneurs should work together to raise awareness of e-commerce through training and education for stakeholders, employees

and consumers. E-commerce can not be implemented without empowering and enabling tourism stakeholders to take advantage of new Internet and e-commerce technologies.

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