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### **Adoption of e-business by Libyan Tourism enterprises**

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## **Abstract**

This paper investigates enterprises in the Libyan tourism industry and their perception of the adoption of e-business in developing the industry. Consideration is given to enterprises that do not adopt e-business, the problems they face and the benefits they would gain from an e-business programme. With regards to this the importance of e-business and the extent to which theory is followed is examined. This paper explores what should be done to develop e-business for tourist enterprises and how to implement strategic plans for the industry to increase its market share to enable it to compete in the international market place. Tourism is important to Libya's economy and greater consideration should be given to its development and, in particular, to e-business. It is especially the case for small and medium-sized tourism enterprises (SMTEs) since most industrial sectors depend on these composing 50% privately owned and the rest full or part government owned.

**Keywords: Libyan tourism, enterprises, e-business**

## **Introduction**

The race for survival amongst enterprises is one of the main issues owner/managers are concerned with. Consequently, greater focus is being targeted at the management of e-business since it is one of the most influential aspects in the overall performance and competitive advantage of organisations which lead to their growth or decline. In Libya many enterprises consider e-business as an extra cost, arguing that if they sell their products why should they consider an activity that will increase costs?

E-business takes place over the Internet and it covers a wide range of activities including 'advertising, customer communications, branding and relationship-building efforts, loyalty and retention programs – all conducted over the Internet. Much more than creating a Web site, e-business focuses more on communicating on line' (CISCO, 2000). The use of the World Wide Web grants SMEs the opportunity to compete with larger organisations on a global level (Quelch and Klein, 1996). Quelch and Klein identified Internet advertising as a means of overcoming some of the problems facing SMEs, as it will allow them to reduce the cost of advertising and overcome entry obstacles. They concluded that lower costs in communications on the Internet might give firms with limited financial resources the opportunity to become global marketers very quickly (Buhalis and Main, 1998). Werthner and Klein (1999) have stated that tourism is considered one of the most important application domains on the World Wide Web (WWW). Wahab and Cooper (2001) point out that a Global marketing strategy has opened the door for SMEs to compete in the international market with similar opportunities to the big players. Strassel (1997) estimates that 33% of Internet transactions are tourism based. It is estimated that within the next 10 years 30% of tourism business will be Internet based (Werthner and Klein, 1999). Buhalis (1999) lists the costs and benefits for developing an Internet presence for SMTEs (Table 1).

**Table 1:** Cost benefit analysis for developing an Internet presence for SMTEs

<p><b>COSTS</b></p> <ul style="list-style-type: none"><li>• Cost of purchasing hardware, software and communication package</li><li>• Training cost of users</li><li>• Design and construction of Internet presence</li><li>• Cost of hosting the site on a reliable server</li><li>• On-going maintenance and regular updating</li><li>• Marketing the Internet service and registration of domain</li><li>• Commissions for purchases on line by intermediaries</li><li>• Advertising fees for representation in search engines and other sites</li><li>• Interconnectivity with travel intermediaries such as TravelWeb, ITN, Expedia</li></ul> <p><b>BENEFITS</b></p> <ul style="list-style-type: none"><li>• Direct bookings, often intermediaries and commission free</li><li>• Global distribution of multimedia information and promotional material</li><li>• Low cost of providing and distributing timely updates of information</li><li>• Global presence on the Internet, 24 hours a day, 365 days a year</li><li>• Durability of promotion (in comparison to limited life of printed advertising in press)</li><li>• Reduction in promotional cost and reduction of brochure waste</li><li>• Great degree of attention by visitors to Web site</li><li>• Reduction of time required for transactions and ability to offer last minute promotions</li><li>• Low marginal cost of providing information to additional users</li><li>• Support of marketing intelligence and product design functions</li><li>• Development of targeted mailing lists through people who actively request information</li><li>• Great interactivity with prospective customers</li><li>• Niche marketing to prospective consumers who request to receive information</li><li>• Interactivity with local partners and provision of added value products at destinations</li><li>• Ability to generate a community feel for current users and prospective customers.</li></ul>
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Source: Buhalis (1999) in Buhalis and Schertler (Eds.), 1999: 224

In the USA travellers using online services for their travel arrangements increased from 11% in 1996 to 28% in 1997 and in 1997 the number of people who preferred to make travel reservations on the Internet increased by 19% (Evans and Peacock, 1999). Jupiter communications' (1999) projection for World wide travel sales in 2003 is in the region of \$16.60 billion. More recently a WTOBC report has predicted that 'Internet transactions may account for more than 25 per cent of all tourism sales over the next three to four years' (e-Tourism Europe, 2002).

The aims of the research are:

- To determine the factors involved in e-business for the development of Libyan Small and Medium-sized Tourist Enterprises (SMTEs).

- To assess the perceived relevance of 'best practice' in terms of assisting Libyan SMTEs in e-business.
- To develop a model that measures the importance of the factors involved in e-business.

The research question, which ties back directly to the above aims, asks - if the factors (which are identified through the survey work and 'best practice' cases) are properly integrated in the operation of e-business will this be conducive to the efficient operation of Libyan Small and Medium-sized Tourist Enterprises?

### *Theory/Issues*

One of the reasons for researching e-business for small businesses in the tourism industry is that they have been neglected in the past, and if more attention were given to the sector this would embrace the industry as well as the economy through the Internet at a national and international level. Friel (1998) has stated that a small tourism and hospitality firm may be said to be a business entity operating within the tourism and hospitality industry. This has neither the resources to have its own discrete e-business department with specialised job roles nor the funds to hire the services of an external e-business agency. While resources dedicated to e-business in such firms may be limited, this does not necessarily imply that they cannot or should not undertake e-business activities; nor does it imply that they are any less effective in these undertakings than larger firms.

The Marketing Association has defined marketing as 'the process of planning and executing the conception, pricing, promotion, distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives'. Marketing management is 'the process of scanning the environment, analysing the market opportunities, designing marketing strategies, and effectively implementing and controlling marketing practices' (Cravens et al, 1987). Also, 'marketing is specifically concerned with how transactions are created, stimulated, facilitated and valued' (Kotler, 1972). Indeed, the main purpose of marketing is to create and distribute values among the market parties through the process of transactions and market relationships (Sheth et al, 1988). The marketing interface is generally concerned with the process of finding out how SMEs perceive and undertake marketing in their business. SME managers gather information by using different approaches, which do not seem to connect together, and clarify the vague picture of marketing information that would serve as a base for their future acts. The interface contention is that marketing for the small firm should be relevant and appropriate both in respect to the problems that it seeks to address and the relative position of the firm in its life cycle. In particular, it is not against formal planning (Day, 2000). Indeed, marketing and entrepreneurship have essentially three key areas of interface: they are both change focused, opportunistic in nature and innovative in their approach to management (Collinson et al, 2001). Carson et al (1995) perceive the central focus of the interface as being change focused, essentially process based and market driven.

It has been reported that the marketing interface is strongly interdependent although it is not harmonious (Dewsnap and Jobber, 2000). The literature describes the relationship as having little cohesion, limited co-ordination, lacking co-operation and involving conflict (Shocker, Srivastava and Ruekert, 1994, Urbanski, 1987, Wellman, 1995 and Wood and Tandon, 1994). Bradley (1998) has defined the marketing interface as "a fundamental variety of forces within and beyond the organisation". Through e-business it is possible to marshal these forces beyond the organisation.

According to O'Sullivan (1998) the marketing interface claims "the status of enduring shapers and creators of human experience". Accordingly, the e-business interface exists between the SME and external social entities. Due to the absence of models, to illustrate this, the paper attempts to develop a model that measures the importance of the factors involved in e-business in this interface. A problem that can hinder the e-business interface is that barriers can arise affecting the operation of the interface (Cepedes, 1994). It is therefore important to manage the interface in relation to overcoming barriers to Libyan tourist enterprises.

## **Methods/Procedures**

The research has used the following methods:

- Secondary data to assess the existing environment which exists in the Tourist industry in Libya
- Quantitative methods to determine the different factors involved in the development of e-business
- Semi-structured qualitative methods to examine, in detail, the nature and importance of these factors and the relationships which currently exist to facilitate their implementation.

It is one of the primary aims of the research to understand 'best practice' in e-business. This approach is important to small and medium-sized tourist firms, since emulation amongst firms enables them to compare themselves with the leading firms in their field and is an effective way of propagating 'good practice'.

The research has been carried out in two stages. Stage 1 has set out the existing tourist environment, which currently exists within Libya and is described in the previous section. It has drawn primarily on existing research, secondary data sources and interviews with key policy makers. Secondary data sources include existing literature in the area, which consist of both published material and 'grey' literature (including reports from national bodies, universities and consultants). In addition, there has been a series of interviews with key tourism policy makers in Libya.

Stage 2 of the research has consisted of three main sub-tasks. The first has established a population of suitable SMTEs, using the guidelines established in stage 1. From this a sample of firms has been drawn up which have been stratified by size and type. The second sub-task has been the development of a questionnaire. The questionnaire has gauged the significance of e-business. The problem of the non-response rate to questionnaires, especially SMEs, has been attended to by developing a strategy to deal with non-response bias (NRB) during design and prior to distribution (Armstrong and Overton, 1977). The final part has been data collection using the questionnaire developed. Data cleaning and analysis have followed this.

A starting point for an SMTE to move towards more efficient e-business is to comprehend the importance of the e-business interface. If they perceive factors affecting the interface as important then these need to be included in the e-business evaluation process. It will be the Internet customer who determines the relative quality of an SMTE's products and services and they will determine which factors are significant. For an enterprise to improve its relative quality it is important for customers' views to be understood with regard to three critical aspects:

- Which factors determine choice of SMTE?
- How important is each factor in the consumption of the tourism product or service?
- How does the enterprise perform in relation to each factor compared to its competitors?

Information on this can be determined through a profiling exercise for SMTEs. Moreover, profiling can involve three stages in the evaluation of the e-business interface. These three stages are:

*Stage 1. Which factors are important in the choice of the tourism provider on the Internet?*

*Stage 2. How important is each factor in the purchasing of tourism products and services on the Internet?*

*Stage 3. How well does each SMTE perform with regard to each factor relative to the enterprise's main competitors?*

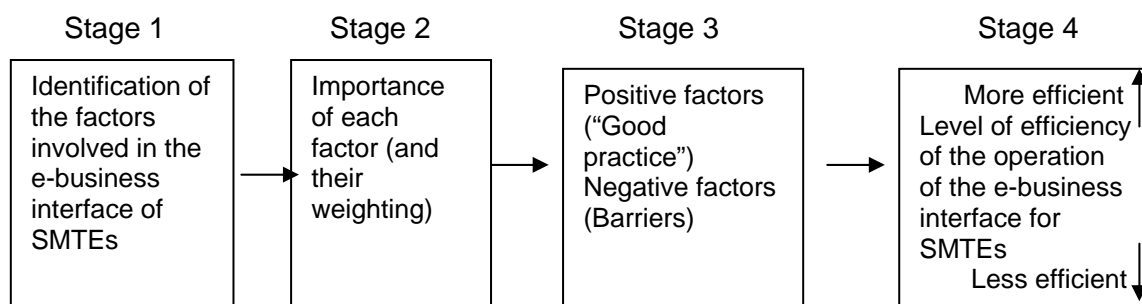
Table 2 (Al-Hasan et al, 2002) illustrates the types of factors that can assist SMTEs in the development of the e-business interface. These are based upon the findings of the research so far, which can be developed and drawn up into a profile to compare customers' views on performance (Greenan et al, 1997) for an enterprise with its main competitors.

**Table 2:** Factors assisting SMTEs in the development of the e-business interface

Factors	Weighting	Percentage
Accessibility of Web site	X 2	10
Appropriateness of the Web site	X 1	5
Suitability for distributed use	X 1	5
Maintenance of the Web site	X 2	10
Availability in terms of cost	X 2	10
Information provided	X 2	10
Multi-lingual	X 3	15
Delivery platforms	X 2	10
Quality of service	X 2	10
Security	X 3	15
Index	20	100

Although it may be argued that an SMTE's individual influence on a tourism economy may be small; when grouped together they will have considerable influence for emerging economies such as Libya. A way forward concerns electronic networking and this can involve creating linkages between SMTEs and institutions. Useful links may be between SMTEs and local universities and between SMTEs and public bodies. From past evidence Humphreys and Garvin (1995) have shown that only a small number of enterprises (14%) consider using universities to help them develop and implement effective practices.

By taking the above stages and linking them together as a process it is possible to develop a model to measure the factors involved in the efficient operation of the e-business interface for SMTEs, as illustrated in Figure 1.

**Figure 1:** A model to measure the factors involved in the efficient operation of the e-business interface for SMTEs

Through the application and development of the above preliminary model for the evaluation of factors involved in the operation of the e-business interface for SMTEs it will be possible to improve the competitiveness of enterprises in the Libyan tourism industry. The problems facing the Libyan SMTE tourism e-business interface can be attended to through 'good practice'. These problems are divided into two categories, the first category are general problems which face many tourism industries in developing countries, and the second category are more specific problems faced by most parties involved in the tourism industry in the country. The general problems are:

- Lack of knowledge and awareness of the potential of e-business. There is a lack of awareness of the economic importance of e-business. This is true for its positive impact as a potential source of foreign exchange and employment.
- Lack of e-business-related infrastructures. The country lacks the sufficient infrastructures necessary for the development of e-business.
- Lack of technical know-how and weak promotional activity.
- Lack of e-business investments. Investment in e-business is considered a risk, and foreign investors, especially private companies, are still demanding more assurances from the government for their investments in the country.

Private sector (specific) problems are often brought about by the public sector, which in turn faces its own financing problems. Table 3 (Jwaili et al, 2002) illustrates the types of problems affecting the e-business interface for Libyan SMTEs. If these problems are addressed, and the role of e-business for SMTEs is recognised, this will have positive benefits for Libyan tourism development.

**Table 3.** Problems affecting the e-business interface for Libyan SMTEs

Problem	Description
1	Lack of co-ordination between the NBT and tourism companies concerning e-business.
2	E-business has not been developed enough to cope with the increasing demand in all the various types of tourism activities offered by the industry i.e. desert tourism.
3	Due to the lack of e-business there is a big disadvantage in relation to international markets.
4	Lack of e-business facilities for places of interest to the tourist.
5	Lack of preparation and training of all personnel in e-business.
6	Lack of co-ordination to develop a competitive e-business policy.
7	Lack of regulations to encourage e-business.
8	The delay by the NBT in establishing e-business.
9	There is no comprehensive regulation for e-business for the tourism industry that allows it to benefit from development in the international tourism market and international tourism research.

## Results

The questionnaire circulated to SMTEs in Libya, as part of stage 2 of the research during August 2002, composed of four principal questions regarding the gaining of competitive advantage through e-business. These included questions concerning the extent to which information technology (IT) facilities are used and what they are used for, whether the business has a Web site, and what information is provided on the site. The percentage of the sample of SMTEs in Libya who used IT facilities was 100%. In relation to this another question asked what business functions IT was used for by the SMTEs who had IT facilities. In response to this 100% said they use it for business correspondence, 91% use it for accounts and 93% apply it to customer data and personnel records. Also, 89% of firms use it for reservations, 50% apply IT in marketing analysis and business planning and 77% use it for brochure design. In response to a question whether SMTEs have a Web-site, 86% said they have one, 5% replied they did not, and 9% are working on one.

In another question businesses were asked what e-business information and activities their Web-site provided. Table 4 shows that for those SMTEs with Web sites 100% said it provides information on the company, 95% use it to give details of packages provided; only 63% said the Web-site gives prices of all services provided and 34% said the site allows direct e-booking.

**Table 4:** E-business information and activities provided by SMTEs' Web sites

<b>Does the Web-site allow you to:</b>	Yes	No	Don't know
Provide information on the company	100%	-	-
Give details of packages provided	95%	5%	-
Give prices for all services provided	63%	37%	-
Allow direct e-booking	34%	66%	-
Provide feedback on Web site visitors and requests	5%	89%	5%
Give access to contact company staff and partners	5%	95%	-

A small proportion said that their site provides feedback on Web-site visitors and requests. A similar proportion of 5% stated that the Web-site gives access to contact company staff and partners.



## Conclusions

The importance of e-business to the operation of SMTEs in Libya and how it is anticipated that this will affect business in the future has been determined. The results of the research show that e-business is viewed by SMTEs as important both now and in the future although this view is yet to be fully embraced by the authorities in terms of support. The significance of the obstacles to advancing SMTEs' business through this lack of e-business support has also been assessed. This has been found from the extent to which information technology and electronic facilities have been used within SMTEs. This is supported by the findings of the research that shows 100% of the sample of SMTEs uses IT. In addition to the study of micro e-business aspects at the level of the SMTE the macro aspects have also been considered with regard to policy. This has included the extent to which tourist offices use e-business and the role of the Libyan National Board of Tourism with regard to this. It is contended that in order for the Libyan tourism industry to become more e-business based tourist offices and the Libyan National Board for Tourism need to promote its use. In these terms the results of the research are of both academic and practical significance, contributing to the body of understanding on the processes involved in e-business applicable to Libyan SMTEs, as well as the development of specific policy measures to aid this process. The work has extended previous studies identified in the literature and provides knowledge about the different factors applicable to SMTEs to develop e-business. This may result in the development of specific initiatives in which SMTEs in Libya will have easier access to the benefits of e-business at the most relevant level. A policy towards greater marketing over the Internet for the Libyan tourism industry will:

- Enable SMTEs to extend their business beyond their present reach to connect to customers and tourists globally;
- Lower costs;
- Automate formerly time consuming tasks;
- Provide tools to measure the efficiency of procedures;
- Enable an integrated Web based service to be provided for SMTEs to market their services to prospective customers and tourists.

An e-business policy will enable SMTEs to have greater promotion and communication online and will significantly complement their marketing mix to lower cost (through e-mail), provide faster turnaround (by on line promotions). There will also be a quicker response to marketing efforts (through online marketing) and the opportunity for personalisation (by tailoring online promotions for each customer). The operational area of e-business will therefore cover the range of activities and prospects in the electronic marketplace, and this will range from e-business to e-service and information (Osterreich Werbung, 2002). In relation to the research question, it is apparent that if the factors (identified through the survey work and 'best practice' cases) are properly integrated in the operation of e-business this will be conducive to the efficient operation of Libyan Small and Medium-sized Enterprises.

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