

ECOTOURISM AND THE E-COMMERCE BUSINESS MODEL

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ABSTRACT

Ecotourism has become a new attractive alternative for tourists who are conscientious of such issues as environmental protection, global warming effects, and natural resources preservation, etc. A new business model evolved, which focuses on serving the tourists with special interests in safeguarding the integrity of the ecosystem visited and producing economic benefits for local communities. This paper addresses various issues associated with ecotourism and its associated e-commerce business model.

Introduction

Tourism is ranked as one of the world's largest industry, with a global GDP of 11%, and also the largest on-line industry. (Roger, Vogel 2002) Ecotourism is its fastest growing sector with an estimated annual growth of 10-30% (Wearing, Neil 1998). Eco-tourism is responsible travel to natural areas. Responsible travel safeguards the integrity of the ecosystem one is visiting and produces economic benefits for local communities. When it is successful, ecotourism meets the needs of both conservation and local economic development (www.prb.org).

According to the **Quebec Declaration of Ecotourism**, there are principles that must be met in order to distinguish ecotourism from ordinary sustainable tourism. First, Ecotourism must "contribute actively to the conservation of natural and cultural heritage". Second, it must "include local and indigenous communities in its planning, development and operation, contributing to their well-being." Third, Ecotourism must "interpret the natural and cultural heritage of the destination to visitor and fourth, it must lend itself better to independent travelers, as well as to organized tours for small size groups" (www.untiptie.org).

Ecotourism has become a new attractive alternative for tourists who are conscientious of such issues as environmental protection, global warming effects, and natural resources preservation, etc. A new business model evolved, which focuses on serving the tourists with special interests in safeguarding the integrity of the ecosystem visited and producing economic benefits for local communities. This paper addresses various issues associated with ecotourism and its associated e-commerce business model.

Basic information about the ecotourism will be discussed in the following section. The key components of an e-commerce business model will then be presented and be used to lay the foundation for a model applicable to ecotourism areas. Managerial implications of the suggested

e-business model will then be reported. Some major findings of this study then conclude this study.

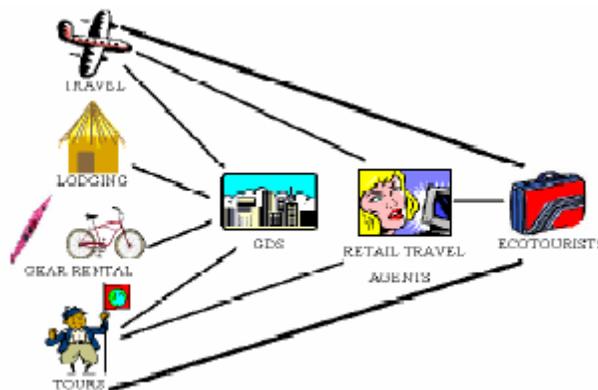
Some Background Information

A majority of ecotourism destinations are in developing countries, which lack modern technologies. Ecotourism is a very important for developing countries because it provides economic diversity to communities and aids in preventing single sector dependence. Ecotourism promotes local employment and small business developments in these countries, which helps their economy (Campbell, 1999)

The growth in the ecotourism and travel can be contributed to globalization. This globalization can be contributed to improved technologies. The Internet is the most common information channel for travel. In 2001 29% of travelers reported planning their travels online. In 2002 that number rose to 49% (Laudon, Traver 2004). Transferal of information about ecotourism and destination options being transferred to potential customers relies heavily on IT and the Internet. Ecotourism is facilitated by improved technologies that compress space and time. These improved technologies include better roads, better telephones, cell phone services, better computers, and better Internet capabilities (Amador 2004).

In “E-Commerce for community based tourism in developing countries,” Harris and Vogel state that Electronic commerce for tourism can drive income closer to the actual providers of tourism experiences. Because of the lack technological infrastructure and unavailability of Internet access in many of the places that offer ecotourism, intermediaries such as global distribution systems (GDS) and travel agents are used to market ecotourism services. GDS are merchants who buy travel services from a provider and then sell these services to a travel agent. The travel agent then acts as a retailer and sells the services to consumers as a package (Laudon and Traver, 2002). The addition of these intermediaries transfers ecotourism industry value chain into a very complex system as illustrated in Figure 1 below.

Figure 1: The Ecotravel Services Value Chain



There are various types of companies that offer ecotourism packages including nonprofit wildlife conservation organizations, outdoors adventure gear retailers, individuals who own and manage physical ecotourism facilities, and travel agents. These companies range from non-profit

organizations to public corporations to locally owned and operated businesses. Search engines such as www.google.com and www.yahoo.com also play a large role of marketing the ecotourism. To examine the E-commerce business model used by these ecotourism companies, the make-up of these online companies will be studied.

The e-commerce business model and its major components

An e-commerce business model is a set of planned activities that uses the Internet and World Wide Web with the goal of making a profit in the marketplace (Timmers 1998). There are eight elements of the business model that must be met in order to be effective. These elements are: value proposition, revenue model, market opportunity, competitive environment, competitive advantage, market strategy, organizational development, and management team (Ghosh 1998). Table 1 below presents information that may be used to better understand these key ingredients (Laudon, Traver 2004).

Table 1: Key Ingredients of a business model components key questions

components	key questions
value proposition	Why should the customer buy from you?
market opportunity	How will you earn money?
competitive environment	What marketplace do you intend to serve, and what is its size?
competitive advantage	What special advantages does your business bring to the marketplace?
market strategy	Who do you plan to promote your services to attract your target audience?
organizational development	What types of organizational structures within the business are necessary to carry out the business plan?
management team	What kinds of experiences and background are important for the company's leaders to have?

Information presented in this table is further elaborated as follows.

The value proposition defines why a customer should buy a company's product or service and why this product/service is better than the competitors. Aspects of e-commerce that customers look for include; personalization and customization of the product/service, lower product search costs, lower price discovery costs, and "facilitation of transactions by managing product delivery" (Laudon 2004). Companies often base their own value proposition on the market conditions and trends.

The revenue model of a company describes their plan for earning revenue, generating profits, and to generate returns higher than alternatives investments. The revenue model is how a company makes revenue or what product/service they offer in order to make money. The major revenue models used are: the advertising model, the subscription model, the transaction fee model, the sales model, and the affiliate model. A company using the advertising model makes revenues from fees from advertisers listed on forums. A company using the subscription model

makes a profit from customers paying a subscription fee for content/services of the company's website. Companies using the transaction fee model make profits by receiving a fee for enabling or executing a transaction. The sales model is used for companies that sell goods, information, or services to customers. The affiliate model is used for companies with websites that have links for and "affiliate" and then receive a referral fee or a percentage of the revenue made from sales as a result of the customer using the link on their site (Laudon and Traver 2004).

The market opportunity is the market space the company intends to serve and the size of that market space. The market opportunity is often found by discovering a niche market or by focusing on an attainable portion of the market in which needs are not being met by the industry. In order for a company to use the niche market approach it needs to find or develop a focused market whose needs are not being met, who are accessible, and in an area that is growing quickly (www.about.com).

A company's competitive environment is the direct and indirect competitors of the company. The competitive environment is all of the companies that sell substitutes or similar products in the same marketplace.

A company can gain a competitive advantage when it offers a superior product/service over most or all of its competitors. This can be done a multiple of ways such as having a lower price, being more convenient, being of higher quality, or cutting search or receiving time. Cutting edge technology is usually the key to having competitive advantage over one's competitors.

A company's market strategy is the company's strategy for entering a market and gaining customers. A company's marketing strategy can include advertising, promotions, distribution, and pricing of their product or service.

A company's organizational development plan is the company's plan of how the company will organize its day-to-day activities so that it operates efficiently. It is the plan the company sets forth to get the needed work done.

A company must also have a strong management team. A company's management team must be structured and work together to ensure the business model is efficient or change it so that it is efficient.

Categorizing eco-tourism using business models

E-commerce businesses of the ecotourism industry can be categorized into e-commerce sectors using these 8 elements of the business model. In order to categorize eco-tourism companies, my focus will mainly be on the B2C (business to consumer models), although there are also categories of B2B (business to business) and C2C (consumer to consumer). Although there are many alternative business model categorizations, very few descriptions of the business model are clear. It seems that the easiest way to understand the best business models for Internet-based businesses for eco-tourism could be the one provided by Timmers (1998). The major components of Timmers's business model along with eco-tourism examples are presented in Table 2 below.

<u>Business Models</u>	<u>Variations</u>	<u>Description</u>	<u>Revenue Model</u>	<u>Eco-tourism example</u>
Portal	Horizontal/ General	Offers an integrated package of content-search, news, e-mail, chat, downloads, calendars, information, etc	Advertising, subscription fees, transaction fees	www.google.com www.yahoo.com www.msn.com www.aol.com
	Vertical/ Specialized	Offers services/products to specialized marketplace	Advertising, subscription fees, transaction fees	www.wildseeker.com www.ecotourdirectory.com http://www.ecobusinesslinks.com/default.htm www.planeta.com
E-tailer	Catalog Merchant	Online version of direct mail catalog	Sales of goods	www.REladventures.com
	Clicks & Bricks	Online distribution channel for a company that also has physical stores	Sales of goods	www.nationalgeographic.com www.REI.com www.trektravel.com
	Virtual Merchant	Online version of retail store where customers can shop anytime with internet access	Sales of goods	www.worldwildlife.org www.outdoortrips.info http://www.bajaex.com/ http://www.daintree-ecolodge.com.au/
Transaction Broker		Processors of online sales transactions that increase a customers' productivity by helping them get things done faster & cheaper	Transaction fees	www.trekescapes.com www.iexplore.com http://www.caravantour.com/

The first E-commerce business model is the portal. Portals rely on advertising, subscription fees, and/or transaction fees for revenues. There are two variations of the portal business model: the horizontal or general portal business model and the vertical or specialized portal business model. The horizontal or general portal model targets a generalized market. They are often search engines and do not sell products themselves but refer the customer to websites that offer what they are looking for. They help businesses “reach people when they are actively looking for information about your products and services online, and send targeted visitors directly to what you are offering” (www.google.com).

They offer cost-per-click pricing to advertisers. Advertisers are charged each time their website gets visited due to a link on the search engine. Many customers searching for ecotravel packages will “google it” in order to find other websites that can better assist them (Laudon, Traver 2004). The vertical or specialized portal business model, often called vortals, targets a particular market segment or is focused around a distinct subject matter (Laudon, Traver 2004). There are many vortal websites directed at those interested in ecotourism. These websites have ecotourism forums, refer visitors to ecotourism books, offer a calendar of events, display pictures and videos, and direct customers to websites that actually sell ecotour packages. This is a very distinct market niche and often advertisers spend more advertising to these target markets. (Laudon, Traver 2004)

The second type of E-commerce business model is the e-tailer. Sales are the main source of revenues for these companies. There are three variations to the e-tailer business model: clicks and bricks, catalog merchants, and virtual merchants. Clicks and bricks are online subsidiaries of physical stores that contain the same products as the online store. They offer the option of buying online or going to the physical store to buy the item. An example of this would be www.nationalgeographic.com. National Geographic has small retail stores in malls.

Catalog merchants are online stores that also offer catalogs. Often the catalog lists the products sold but the website offers a more detailed description of the products. An example of a catalog merchant is www.REIadventures.com. Virtual merchants are online retail stores (Laudon, Trever 2004). They offer convenience to the customer by being available anytime and anywhere (as long as internet access is available). An example of virtual merchant is www.worldwildlife.org. It is a site that is owned and operated by a non-profit organization, but they also sell ecotourism packages.

Categorizing e-tailers is often difficult. This is mainly because many of the larger companies that sell ecotourism packages also offer other products/services. These companies often have separate marketing strategies for their ecotravel packages and other products. An example of this would be www.REIadventures.com, which is a subsidiary of REI (Recreational Equipment Inc.) REI sells its travel packages by catalog or online, but REI is also one of the largest suppliers of outdoor recreational gear and equipment. They sell these physical products in large superstores and online.

Often companies have separate business models for separate products/services they offer. These companies target a smaller niche market that compliments services of ecotourism: those with particular interests such people who bike, kayak, or hike, people who want to travel to learn about the wildlife or culture in an area, and even “tree-huggers” who travel just to be one with nature.

The third type of business model used in ecotourism is the transaction broker. This is the largest provider of ecotourism options. Transactions brokers are travel agents who process transactions for the consumer. Their primary value propositions are savings of money and time. They receive travel options from GDS and then resell them to the consumer as a “package deal.” This can consist of the consumer picking a package that is pre-assembled or choosing from a list of options for a personally assembled package. Some examples of transaction brokers are www.trekescapes.com, www.iexplore.com, and www.caravantours.com.

There is one final business model that can be used in ecotourism. This is the B2B or business-to-business business model. B2B companies sell their products/services to another company. The Global Distributors or Merchants use the B2B model because they buy travel options from suppliers and then resell them to travel agents.

Management Implications

Management implications can be researched from many angles in the ecotourism industry. The ecotourism industry can have complex channels that range from local ecotourism businesses, to GDS, to travel agents. There are also companies who are e-tailers of ecotour packages as well as

other products. Looking at each of these businesses in the eyes of management, there are different implementations that can occur in the ecotourism industry.

The potential impacts of the local industries of ecotourism: the countries whose economies rely on ecotourism. The management of these businesses needs to invest in advertising and technology: most importantly computers and Internet access. This will allow them to set up a web site to sell their services directly. This will knock out the middlemen and increase their revenues and profits. This will also help the consumer by allowing direct contact to the supplier.

As seen by the Global Distributors: the middlemen in the industry who buy from the suppliers and sell to travel agencies. The management of these businesses needs to increase the benefits of suppliers supplying to them. This will prevent the suppliers from taking initiative in investing in technology and advertising. If suppliers invest in technology, the middlemen will no longer be needed. The GDS must offer services and compensations to the supplier that benefit them in a way that the costs to continue selling to the GDS are lower than investing in technology.

The competitive advantages offered for travel agents: the transaction broker who sells services to customers for a transaction fee. Travel agency management should try to cut out the GDS (the middleman) by contacting and buying directly from the supplier. This will cut out costs and increase profits. They should also always offer a wide variety of ecotourism options.

They should have pre-assembled packages but also allow customers to choose from options and assemble packages to better fit the customer's needs. Management must make sure their web site offers all the information a customer is searching for.

Effects at e-tailers: the online retailer who sells ecotourism packages supplied by their company. The management of these companies needs to work on marketing. Many of these companies also sell other products or services that they are better known for.

Advertising and marketing needs to be done so people know they offer ecotourism options. This will increase sales because they will reach more potential buyers.

Concluding remarks

The ecotourism industry is a growing industry that offers many benefits to local ecosystems and to the economy. More people are becoming interested in learning about nature and traveling to remote destinations. It is an industry that has very complex channels. Each sector of the ecotourism value chain relies on one another to exist, but also compete for profits.

The existence of each sector requires assurance by the other sectors that both businesses benefit from one another equally. Ecotourism represents a niche market in tourism industry, and usually consists customers with high degree homogeneous demographic traits. The model, however, can serve as the base to identify niche markets in other industries. This report can help pave the foundation for future research of the similar concerns in other industries.

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