

OPPORTUNITIES PROVIDED BY INTERNET USAGE FOR SMALL AND MEDIUM-SIZED ENTERPRISES IN TRADE AND TOURISM

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Abstract

This paper aims to assess the multiple opportunities provided by information technology and the internet for small and medium-sized enterprises (SMEs), with an emphasis on those operating in trade and tourism. In the first part, the literature review reveals the most important opinions and contributions concerning the influence of the internet and modern information technologies on the business activity of SMEs. Based on a consistent desktop research, the second part highlights and analyzes the advantages brought by the internet for SMEs, in their competitive struggle with large companies. The findings show that new opportunities range from business models and market orientation, increased efficiency and speed of the workflow, to studying new markets, and a significant push towards internationalization. Moreover, the business playing field is leveled to a larger extent. The results are tailored for SMEs active in trade and tourism, and their specific operations. The paper ends with some conclusions regarding the benefits that can be reaped by SMEs once they embrace information technologies in their business strategies. Finally, specific internet-related recommendations are made, which could prove worth for managers of SMEs, given the dynamic nature of the trade and tourism sectors.

Keywords: *small and medium-sized enterprises, internet, information technology, internationalization*

Classification JEL: *L81, L83*

1. Introduction and context of the study

With the expansion of information technology (IT), digitalization and afterwards the all-encompassing advent of the internet, it became obvious that the use of IT for modern-day business and its role for the current activities of any company would become a rapid point of interest in the world of enterprises.

Within the multitude of comments launched on the use of IT systems in the business world, comments that cross the whole range from pros to cons regarding the role of IT as a strategic tool, the sharp personal opinion of Carr (2003) stood out [1]. In the early 2000s, he advocated a moderate position, pointing out that IT may display diminishing returns over time.

However, the benefits of IT & the internet for the operation of small and medium-sized enterprises (SMEs) cannot be underestimated. These technologies do a lot to foster market orientation, as shown by Caniels, Lenaerts and Gelderman in 2015 [2], and to develop opportunities to gain business leverage (see Lawrence, 2009) for SMEs [3].

The paper features the following structure: section two contains some of the major advances in the academic literature regarding the relationship of SMEs with IT & the internet; section three analyses the advantages of this relationship, with a focus on the SMEs operating in trade and tourism, whereas section four highlights the most important conclusions drawn from the analysis.

2. Literature review

Given the appeal of the topic and the rapid changes in technology, many authors have rushed to write about the power of information technology to become a basic strategic weapon in the competitive struggle between companies. Ghafoor and Iqbal (2007) investigated in which ways the internet can foster growth strategies of SMEs [4], while Omrani et al. (2022) have shed some light on the particular contexts and drivers of the adoption of digital technologies in SMEs [5].

Peppard (1993) was one of the first supporters of the idea that by applying IT in an innovative way, it is possible to gain a competitive advantage over competitors, citing examples of US companies. He also suggested that the use of IT technologies alone is not enough for success, but their creative application offers the greatest opportunities [6].

Michael Porter (2001) pointed out that the influence of IT systems and the internet has been so profound that it has changed the very nature of the competitive environment in which companies evolve and detailed how information technology has changed each of the five forces of his competitive analysis model [7]. In addition, he believes that the internet provides better opportunities for companies to establish a distinct strategic position.

The sources of competitive advantage, as they were designated by Porter in his matrix of generic strategies, can be supported and developed through new technologies and sophisticated information systems. IT tools can lead to both cost reduction and close monitoring, as well as faster deliveries and better customer service. Versen (1999) takes the idea further and proposes the integrated development of the physical value chain created by Porter and the virtual one, in order to create a new business model, with definite advantages in the direction of customer orientation [8].

A plethora of empirical studies were developed to this day, investigating in which ways the internet can help SMEs fare better on the market. A state-of-the-art, comprehensive literature review on the topic of digital transformation of SMEs was developed by Philbin, Viswanathan and Telukdarie in 2022, after screening around 1,300 articles in an initial dataset [9].

One clear path is that of going international by seeking and supplying customers abroad, a process heavily enabled and influenced by the usage of internet, as shown in papers by Akhtar, Azeem and Mir (2014) [10] and Reim et al. (2022) [11].

In a recent study, Jean and Kim (2020) document by means of a sample of Chinese SMEs that internet and platform capabilities stand in a positive relationship with export performance and internationalization capabilities [12]. By lowering the costs of going abroad and providing the possibility of skipping export intermediaries for logistic, marketing and financial activities, the internet proves appealing to SMEs willing to internationalize.

However, even if digitalization is a good means to foster internationalization of SMEs, the adoption of IT technology implies changes in the internal operational procedures of the companies as well as the deployment of financial, material and human resources, and these carry significant costs and efforts, as shown in a study by Dethine, Enjolras and Monticolo (2020) [13].

The research in the present paper develops the debate on the strategic role of IT technology and the internet through a customized approach on SMEs active in trade and tourism. This is because SMEs represent more than 99% of the total number of companies in Romania (practically forming the backbone of the economy) and SMEs in trade and tourism together hold the majority share in the total number of Romanian SMEs (CNIPMMR, 2022) [14]. Also, the technological gap of Romanian companies compared to their Western counterparts, due to fewer spending on IT systems and a lower degree of computer usage, propel IT technology and the internet to a top position among the strategic tools that SMEs can use.

3. Assessing the opportunities provided by the internet for trade and tourism SMEs

Considering the need to adapt to an environment characterized by the faster flow of information and its transformation into a major resource of competitiveness, SMEs must move to the widespread use of the computer and the connection to the internet.

Among the benefits of implementing information technology and adoption of the internet within an SME one can mention:

- superior computing speed and higher information accuracy;
- efficiency and flexibility in handling information;
- the possibility of storing and retrieving data quickly;

- consulting stocks and executing orders;
- execution of graphs and elaboration of scenarios regarding sales;
- reduction of labor costs.

Overall, using a computer in the business activity of the particular SME will increase its productivity. However, information technology is expensive for many SMEs. Opposition also arises if there is no adequate training, as SME managers are not well informed about the technical options available and the benefits associated with them. The owner's commitment to the use of computers and the internet within operations is essential. Large companies as well as banks will also press for the adoption of the internet by SMEs, in order to save money by managing small customers and communicating. This will result in an increased need of expenditure on part of the SME for equipment and training.

With the involvement of e-commerce, SMEs in trade and tourism are better able to compete with large companies and will weaken captive contractual relations with suppliers. There is significant potential for using the internet for business purposes, especially due to the limited resources available to SMEs.

The internet provides SMEs in trade and tourism a number of benefits in business, which could not be achieved otherwise, or they could not be achieved in an equally effective way:

- means of communication and presentation of the company's offer to customers (very wide or geographically dispersed audience, at a very low cost);
- method of attracting new customers or quick access to new markets;
- means of maintaining business relations (transmission of files and documents to suppliers, partners, distributors, customers);
- access to valuable information (market research) at a low cost;
- tool for maintaining mobility within the company (cheap and fast communication by e-mail, between branch managers, with remote employees, etc.).

By means of the internet, SMEs in trade and tourism have the opportunity to better understand customer needs, as databases rich in customer information can be created and maintained. Companies can thus focus on selling the products and services desired by the customer and can constantly improve them, because web pages allow interaction with customers, so that they can track their orders directly. This increased flexibility to market requirements is a condition for success in areas marked by considerable seasonality, such as trade and tourism.

As far as the trade sector is concerned, SMEs were typically disadvantaged in traditional retail by the reduced transparency of the market for buyers, which allowed large companies to obtain higher profits through clever price discrimination between different consumer groups. The internet reverses this trend, equipping consumers with much more information, overview of the market and the possibility of direct contact with bidders. In turn, this provides opportunities for SMEs to contact potential customers with a tailored approach.

Moreover, information technology enables full integration, doubled by the visibility of the supply chain, so that access to information about stock in transit or warehouses, product availability or order status allows chain members to act as if it were a single "virtual" entity, leading to an increase in administrative efficiency.

Specific for trade SMEs, IT technology and the internet provide opportunities such as:

- reduce supply and storage costs;
- offer a means of tracking stocks in a flexible, interactive way;
- decrease logistics costs (for products or services that can be delivered online);
- reduce the costs for making payments;
- maintain relations with suppliers and customers, especially if they are spread territorially;
- offer consumers the opportunity to place orders from home.

At the same time, IT and the internet subject trade SMEs to various challenges, as they weaken the traditional channels, by transferring the bargaining power in favor of the final consumer

and reduce the costs of switching from one supplier to another. Traders' traditional functions may be blurred by the rapid emergence and spread of e-commerce. The collection and processing of information about suppliers becomes very flexible, it can be taken over by third parties. There are already search engines that are able to automatically compile a list of offers from various suppliers, sorted by price or various other criteria. Physical distribution can be taken over by home delivery companies, and financial transactions by card or telecommunications companies.

When compiling the assortment, a defining activity for the wholesale trade for obtaining added value, there is now the possibility for each customer to have an overview of the products they want to purchase through the internet and thus select their assortment and supplier according to their desires. The internet reduces trading costs (delivery times, costs) and threatens the position of the wholesaler (the exception is for products of strict necessity and those that involve direct contact with the consumer). However, for the provision of after-sales services, the internet can become important by the fact that some of the manufacturers directly advertise their installation, use, and maintenance instructions online.

With the spread of the internet, the possibilities of informing customers, comparing prices and contacting potential partners increase. Thus, wholesalers lose part of their traditional role in making assortment and prices, which weakens their competitive position.

However, IT technology and the internet generate opportunities for wholesale SMEs such as:

- for supply: decrease of costs, flexibility, speed of the procurement process;
- for storage: stock optimization programs updated and correlated with the supply catalogue and the sale process;
- for sale: finding new customers, adapting the assortment to the customer (order forms in continuous availability), operative services for resolving complaints, online payments.

Also, wholesalers can focus on specialized portals, hereby offering certain categories of products while their presence needs not be physically ensured, but the quality of the product pre-selection should be decisive. Thus, they can also build an appropriate reputation.

In the tourism sector, IT technology and the internet have found a very wide application, growing dramatically in recent years. The proportion of holidays booked online has increased considerably and travel already makes up an important part of e-commerce, along with online purchases of books, music, and software.

For tourism SMEs, IT and the internet bring consistent opportunities such as:

- reduce barriers to entry (for example, a travel agency can only operate purely virtual, with a catalogue-based offer);
- offer the possibility of establishing an electronic procurement alliance;
- give the opportunity to sell and create new services, depending on customer requests;
- bring cost savings to long distance communication with customers and employees;
- facilitate real-time interaction when working on a project.

In the tourism sector, computerized reservation systems initially introduced by airlines and then used by travel agencies, have been rapidly taken over by hotels and tourist attractions, evolving into global distribution systems. The use of these systems allows bidders, intermediaries and customers around the world to exchange information on a wide variety of tourism products, including rates for transport, accommodation and information on tourist destinations.

For travel agencies, online booking systems offer distinct facilities:

- they allow customers access 24 hours a day, to a very wide range of objectives;
- reduce administrative costs, especially for ticketing and accommodation;
- facilitate administrative activities, allowing the efficient preparation of invoices and accounting documents;
- provide updated information on the company's performance, assisting the manager in the planning, organizing and control activity.

Traditional travel agencies, however, are going through hard times, due to the increase in online bookings and new competition from electronic agencies. As such, SMEs who act as service providers in tourism try to sell directly to consumers through their own websites. The internet is indeed one of the means that triggers and at the same time facilitates the process of restructuring the operations of tourism SMEs. It is a tool that folds well on the tourism industry as it provides an information-based service.

Finally, one area that clearly stands out when assessing the benefits of the online world for SMEs operating in trade and tourism is the approach of going international. Even if SMEs encounter several internationalization barriers, once they identify the activities that can be spread over the internet, information technology becomes a major enabler of entering and developing new markets abroad.

4. Conclusions

To summarize, the opportunities provided by IT technology and the internet for SMEs are within reach and they provide a variety of possibilities for improving business operation. Subsequently, the investments and efforts of SMEs in trade and tourism in the future will have to move towards differentiation by quality, consumer knowledge, professional training of managers and employees, and obviously, a consistent toolkit of modern information technologies.

This holds especially true in the context of the competitive environment in Romania, in which information technology and the use of the internet are not yet widely adopted by SMEs. Thus, such IT systems may become a formidable strategic tool, which can serve to obtain a competitive advantage.

Consequently, Romanian SMEs in trade and tourism need to create an online presence, given that online purchases and bookings have soared recently as an aftermath of the pandemic. Obviously, there are some limitations to the explosive development of online commerce, such as the relatively high investment in the purchase of IT technology, the ability to use software and hardware, the fear of insecure payment methods and dissemination of personal data, as well as the need for training.

However, mobile commerce (m-commerce) is about to change these shortcomings. Among the arguments of mobile e-commerce are low costs, comfort, easy handling, immediate connection, security, mobility, personalization, and easy location that allows frequent updating of information depending on the position of customers.

Especially for SMEs, the adoption of IT and engaging in e-commerce is a chance to withstand successfully in the competitive battle against large companies. This is because the virtual space lowers many of the traditional barriers that large companies can impose on SMEs and it levels the competitive playing field in which businesses operate.

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