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Digital economy and tourism impacts, influences and challenges

Samira Borouji Hojehghan* & Alireza Nazari Esfangareh

Islamic Azad University, Central Tehran Branch, Iran

Abstract

Digital economy is based on electronic goods and services produced by an electronic business and traded through electronic commerce, a business with electronic production and management processes and that interacts with its partners and customers and conducts transactions through Internet and Web technologies. With growing population and resource mobilization, digital economy is not limited to business trading and services effecting on every aspect of life from health to education and from business to banking. Many observers have noted the rapid growth of the broadly defined digital economy. Much attention is being paid to the ongoing and dramatic growth in electronic or e-commerce. In spite of its rapid growth in recent years, we view the emergence of e-commerce as an important trend that is only part of the more general changing structure of the economy brought on by the dramatic changes in information technology (IT). The main purpose of this paper is to show the digital economy effects on tourism industry through Internet and Web technologies.

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1. Introduction

The definitions of tourism innovation (such as 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.

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.

E-commerce is defined as the process of buying and selling or exchanging products, services and information via computer networks including the Internet (Turban, Lee King & Chung, 2000). However, adoption of Information and Communication Technologies (ICT) is only part of the story. In particular, network access costs, dissemination of information on electronic commerce, training, skill development and human resources provide big challenges for smaller companies.

Most research suggested that governments play an important role in facilitating the use of electronic commerce for the tourism industry and in increasing their ability to reap the benefits. 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. In spite of its rapid growth in recent years, we view the emergence of e-commerce as an important trend that is only part of the more general changing structure of the economy brought on by the dramatic changes in information technology.

The terms "digital economy," "information technology," and "electronic commerce" do not have standard definitions. When referring to information technology, we will be referring to information processing and related

* Corresponding author. Tel: +98-261-2223044; fax: +98-261-22249313.
E-mail address: sbrooji@yahoo.com

equipment, software, semiconductors, and telecommunications equipment. References to electronic commerce will mean the use of the Internet to sell goods and services. We interpret digital economy as including both information technology and electronic commerce.

The digital economy is not a standard classification for economic data, so there may be some disagreement on what it entails.

A digital economy is an economy that is based on electronic goods and services produced by an electronic business and traded through electronic commerce. That is, a business with electronic production and management processes and that interacts with its partners and customers and conducts transactions through Internet and Web technologies. The concept of a digital economy emerged in the last decade of the 20th century. Nicholas Negroponte (1995) used a metaphor of shifting from processing atoms to processing bits.

E-Government is already playing its part in this digital economy by providing e-services through various ministry/department to its e-Citizen.

Electronic commerce has contributed to changes in transportation and distribution services, by relying on the increased availability of air and courier services and local trucking to get its product to consumers. The growth of the digital economy¹ is unprecedented and has been a major contributor to recent economic growth, the booming stock market, and the revival of productivity.

1.1. Internet technology

When the Internet first commercialized it was relatively mature in some applications, such as commercial infrastructure and software applications for business use. This was due to the fact that complementary Internet technology markets developed among technically sophisticated users before migrating to a broad commercial user base.

The invention of the web in the early 1990s further stretched the possibilities for potential applications, exacerbating the gap between the technical frontier and the potential needs of the commercial user.

The technical frontier changes frequently, both in terms of maximum achievable engineering goals and in terms of viable commercial activities that generate revenue in excess of resources.

When the technology migrated away from these users and into wider use, some capabilities were obviously valuable, such as e-mail.

Worldwide, approximately 304 million people had Internet access by 2000, a nearly 80-percent increase from the previous year. In contrast, only 3 million people around the globe had similar access in 1994. Most of the growth occurred outside of the United States and Canada, which for the first time totaled less than half of those with online access. However, the number of American Web users still rose by 40 percent. In most other areas of the world, Internet access at least doubled. Access in Africa showed a 136-percent increase; Asia and the Pacific, 155 percent; Europe, 108 percent; the Middle East, 111 percent; and South America, 102 percent.

The Net is now the iconic technology of our age. Everyone is able to buy and sell in cyberspace. States will no longer be able to control electronic commerce which can cross national borders. Dramatic decreases in the price of IT-related technology fueled phenomenal growth in Internet expansion and use. From 1995 to 1999, computer prices declined at a rate of 26 percent annually, rapidly making computer technology available to a widening percentage of the population.

1.2. Development of Electronic Commerce

In these ways, electronic commerce has the potential of greatly changing the ideal situation of economy. However, efforts are beginning to be made to prepare for the age of electronic commerce, including recent positive signs in investment in information technology among companies, as well as the precursory introduction of electronic commerce in some sectors.

Information technology, which is the foundation of the "digital economy," will continue to develop at a rapid pace, and for this reason there will be considerable changes in the ideal situation of economic activities. There will be widespread dissemination of electronic commerce, and digital information will pervade into all aspects of the lives of the people.

The rules which applied to the economy of the past (the legal system, commercial practices, etc.) would no longer apply in the age of the digital economy as they are. For this reason, it is necessary to consider the establishment of new rules to deal with this situation.

1.3. Resolution of Problems through Technology and the Marketplace

If new problems should arise from the introduction of information technology for the digital economy, rather than immediately adopting regulations to deal with these problems, these matters should basically be solved by technological means, as well as competition in the marketplace or through the creation of new independent business practices in the private sector. Even if considering regulations should become unavoidable, they should be kept at a minimum taking

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