8 Key recommendations: E-commerce options

In the previous sections, we have determined that business to business (B2B) represents the best opportunities for craft producers wishing to take advantage of the Internet and related technologies to develop their businesses.

Here we present key recommendations, most of which are relatively easy to implement. We do not consider that the Internet currently offers a radical new business model for craft producers: but rather enhancements to existing processes and activities. We are therefore cautious about the scale of benefits offered by ICT for craft producers in the current market.

However we believe that appropriate application of some or all of the below can bring measurable cost-benefits to producers.

In the section Future Opportunities (see 8.6) we consider a wider range of options that involve more tangential business models and opportunities for consideration by fair trade craft stakeholders.

8.1 On-line catalogues

Although sales of craft goods via on-line catalogues to individual consumers have been low to date, catalogue-based web sites can be a helpful enhancement when dealing with wholesale and retail buyers (B2B).

This is the approach taken by specialist craft sites such as OneNest and PEOPLink, as well as more generic virtual marketplaces such as Global Sources. However experience to date suggests that offering a searchable catalogue on its own will not help businesses find and win new customers. Rather this should be seen as an additional service to help known buyers find products, review new designs and samples quickly, before the buyer requests a product sample.

Producers will need to continue to develop conventional (largely off-line) marketing to find new customers, such as:

- Attendance at trade shows
- Advertising in relevant trade publications/directories
- Mailshots of catalogues/newsletters

It is instructive to note that this too is the direction taken by OneNest in their dealing with retail buyers, whom they describe as very conservative in their approach to and use of the Internet.

8.1.1 Telling stories

On-line catalogues also offer significant benefits when these are integrated with or linked to additional promotional materials such as:

- **Stories** of individual artisans (especially linked to featured products). These can include text and photos, as well as video content, where available. Such materials give buyers and (if well-presented) end-consumers a strong connection to the individual artisan and context of the craft products.

- Historical/cultural background to indigenous materials and processes

The Fair Trade Global Communication System feasibility study (Caserta 2001) noted that World Shops identified receiving information about producers, stories, images and characteristics of products as being a priority information need.

PEOPLink's CatGen software enables producers to link this type of information to particular products and producer groups: both for the benefit of buyers, and for their own administration and organisation of content.

8.2 Design

Many producers we have spoken to consider design input from professional designers from the US and Europe to be crucial to help them develop suitable export products. Organisations such as Traidcraft (www.traidcraft.co.uk) have seen this as an important way of building local capacity, to help producers win retail contracts. There have been successes to date, with some producers winning contracts to supply UK and US retail chains.

However the cost of sending a designer to work with producers for 1-2 weeks are high, and may often be disproportionate to the amount of export sales smaller groups can achieve. (For this reason, where possible, a designer may hold a workshop with a number of producer groups at the same time).

A possible application of Internet technology could allow a designer (or designers), based in Europe or the US, to offer real-time consultancy and advice to producers using on-line conference tools (such as Microsoft Netmeeting and others). Although this would currently only be possible for those producers with robust (and ideally higher bandwidth) Internet connections, the approach could be very cost-effective, and would allow a designer to have input throughout the whole design process - and not just concentrated within a brief overseas visit.

Existing conference and meeting tools allow a group of users to share photos and other files, use an interactive whiteboard, and share voice and video communications etc.

Peoplink have developed some tools to facilitate such conferencing, but have not yet tested these with producers, due to lack of funding.

While it is likely that a designer would still need to make an initial visit to a producer group, this could extend the value of such visits significantly, and allow continuing interaction.

8.3 Email

Email has been identified as being by far the most important benefit brought by the Internet for developing countries. In Bangladesh, for example, 82% of Internet traffic consists of email; whereas in the USA the web accounts for 70% and email only 5%[48]This is largely a result of the relatively high access costs in Bangladesh, as compared to the USA.

Although Internet access costs are still a major barrier for ngos and small and medium sized enterprises in developing countries, the rapidly increasing number of community telecentres and cyber cafes provides increasing access to email, especially in urban areas.

Email has brought enormous benefits to many ngos, development organisations and international businesses. For those who have affordable access, email is a cheap and effective way of communicating nationally and internationally - especially when compared to the much higher per minute costs of long-distance and international telephone/fax calls.

In a survey of fair trade organisations, email was identified as the most important communications medium, ahead of fax and telephone, by both producers and importing organisations. Of 34 fair trade producer groups who answered the questionnaire, 91% had email (62% had a web site).

Email can also bring significant benefits in-country too. In many of the less developed countries, telephone and postal communications can be unreliable or non-existent. Using email can bring considerable efficiencies in saving time and costs, and in sharing key information rapidly among groups who may be far apart geographically. Thus email has already brought many benefits to organisations in processing sales information, assisting in product development, and enhancing communications within organisations, and to those on the periphery.

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[48] *Challenges to the Network: Internet for Development*, International Telecommunications Union (ITU), Geneva 1999.

Email also enables digital images to be sent internationally quickly and at low cost. Although digital photographs by their nature are not colour accurate (many ATOs prefer producers to use Pantone charts as their reference point), they do give an idea of design and shape, and can be a valuable contribution to developing new products (especially where there may be considerable dialogue between buyer, producer network and individual artisan).

In our workshop with producers in India, we discovered that there were significant cost savings that could be made if individual producers made use of the growing number of cyber cafes, Internet restaurants or telecentres which are springing up in many urban (and some rural) areas (see sections 5.3 and 5.4). Delhi, for example, now has more than 1,000 Internet facilities offering access to the Internet and email on a pay-per-use basis.

The feasibility study for a fair trade global communications system commissioned by NEWS! (Network of European World Shops) notes that producer groups in the developing world are in some cases making more effective use of new technology than their counterparts in Europe. Thus many producers have seized the opportunities offered by email to promote their goods and supply company information to prospective buyers; but many of the specialist 'World Shops' in Europe lag behind. According to the survey, an average of only 29% of World Shops in Europe (787 of 2741 shops) have email (and only 9% a web site). Only 3% of the UK's World Shops (13 of 400 shops) have email, as compared to 43% in Germany (300 of 700) and 100% in Spain (62 of 62)[49].

The report notes that '*many producer organisations are investing in Internet technologies to promote the organisation and products, increasing the use of email for communication with buyers*'. Through organisations such as PEOPLink, many producers have received training on digital images and simple web page and catalogue creation, and have invested in simple digital cameras and computer equipment.

Barriers to the use of email by producers are identified as:

- slow or unreliable Internet connections
- small producer groups only having access to fax and telephone
- Internet connections only available to exporting organisations

In the same report, producers identified their top five most important communication needs in relation to importers as being:

- receiving feedback from importing organisations on sales and market trends

[49] *Creating a fair trade partnership through a fair trade global communication system*, Angelo Caserta, NEWS!, 2001.

- sending to importers information on new products
- sending to importers photographs and descriptions of products
- sending to importers general information about themselves
- letting importers know the producers' vision of fair trade (criteria, goals, strategies)

We conclude therefore that investing in email is one of the most cost-effective benefits of the Internet for producers, bringing both cost savings and improvements in efficiency and speed of communications. The benefits of email are:

- significant cost savings compared to international and national telephone and fax charges (incurred by producers when dealing with importing organisations overseas, or exporting agencies in-country)
- email can still bring cost benefits for the smallest groups and businesses, who cannot afford to buy, run and maintain a PC, when accessed on a pay-per-use session or hourly basis via a local telecentre or cyber café
- can speed up product development, especially when used to send and receive digital images, allowing importers to feedback more quickly on designs, colours etc
- as a preparation for e-commerce, email allows producers to develop cheap, simple marketing tools, such as a regular email newsletter, and to build an email list of buyers and contacts

8.4 Multimedia

The Internet and related technology also present new media for promotion and marketing. While few producers would think of creating their own video programmes, rapid changes in digital video technology mean that £2000 can buy near-broadcast quality equipment (video camera; laptop or PC equipped for video editing) that would have cost five times as much two years ago, and even ten or twenty times as much five years ago. Reducing costs and increasing standards present many new opportunities for promotion both on-line and off-line.

As a demonstration of what is possible, we have created a short 10-minute video programme to show how one of HEED Handicraft's producers makes clay pots in Bangladesh. This was shot on digital8 video, edited on a laptop, and output to video cd format (which is common in Asia). Compressed formats of this programme could be streamed from a web site, or even played in-store (from a video player, or multimedia kiosk etc) to show customers the people (and their stories) behind the products.

Video and other multimedia formats (eg Flash presentations, slideshows with text/audio commentary etc) can be used to tell the stories of individual producers and groups, show a particular production process, give the community context etc. World Shops, which sell fair trade craft goods to consumers, consistently identify this kind of material as a priority need to help the promotion of craft goods (see Caserta 2001).

The sample video sequence is on the cd which accompanies this report. See 9.9.3.

8.5 Market information

While the Internet allows individual customers and retail buyers in Europe or the US to see products from a less developed country on-line, it also allows producers to see what craft goods and giftware are currently on sale in key stores in the North.

Accurate, up to date market information is a key component of successful export designs. This is currently provided by a number of organisations, who provide market intelligence as a service to producers.[50]

Often producers and designers rely on magazines or catalogues (which may be out of date) - whereas viewing products currently on sale enables producers to view the latest trend or season, see room sets and on-line displays etc.

Caserta (Caserta 2001) identified sales and market trends as being the top information need listed by both World Shops and producer organisations.

We recommend therefore that craft producers make use of the Internet to view current products, designs, trends, colours etc in key on-line US and European stores on a regular basis. As part of the workshop conducted in Bangladesh, producers were exposed to both sample colour magazines and digital images (viewed on a laptop), as part of an exercise to evaluate different ways of gathering design information. The workshop found that producers were equally happy to work from digital images as magazine pages, and that the selection of images provided by the laptop encouraged producers to have more ‘effective’ designs.

However since many producers can access the Internet only on low-bandwidth connections (and where telephone lines are often of poor quality, as in Bangladesh), ATOs and other organisations could consider enhancing their

[50] For example, Traidcraft produces a regular newsletter giving the latest reports from trade shows, key web sites etc for their own producers. SERRV International publishes a Trends report, researched by US designer Docey Lewis, with colour illustrations, to show the latest products, styles, colours etc. Market information is also provided by the Dutch Centre for the promotion of imports from developing countries (CBI). See www.cbi.nl.

market intelligence services by offering archived content on cd-rom Thus, for example, Traidcraft and others who provide a newsletter giving details of web sites and links could enhance their service by offering the actual content on cd (subject to copyright and agreement with on-line stores).[51] This could be a cost-effective means of enabling producers in remote areas to make use of the Internet in this way. Even where producers do not have their own multimedia PC, cd-roms can be accessed using the growing number of cyber/Internet cafes.

We also note the experiments of Viatru in this area. Viatru, before their collapse in April 2001, had set up a Visible Commerce Forum to share market information, give background information to producers (eg about seasons), recommend on-line shops etc. Viatru hoped that the Forum would grow into an interactive exchange for all stakeholders with an interest in fair trade products: producers, importers, buyers, retailers etc. This did not happen; though the concept is still worthy of consideration.

A range of the materials produced by Viatru for this forum, which are no longer available on-line, are included on the accompanying cd (see sections 9.1.1 and 9.9.3), along with sample archived web pages from on-line craft stores (see 9.9.3).

8.5.1 The 'e-commerce lens'

We have said that there is very little opportunity for disintermediation of the supply chain through B2C trade. Many of the barriers to e-commerce can only be solved by having a supply chain similar to the traditional one – ie a consolidation of products through a respected outlet which can hold stock and supply quickly on demand near the end market. These functions have been provided by ATOs (Alternative Trading Organisations) such as Traidcraft, 10,000 Villages etc. The model below represents this by the solid arrows flowing from one organisation to another.

However, Information Technology does offer disintermediation opportunities for information.

In the traditional fair trade business model of the 70's, the market would tend to 'see' the handicraft industry through the eyes and images of the ATO (Figure 18). ATO retail outlets would offer some explanation of who produces the goods, and marketing from the ATO would promote the cause of the poor. Similarly the producers would only have an understanding of the overseas market through the information given to them by their local ATO intermediary.

[51] This concept was piloted as part of this research at the IFAT conference in June 2001 in Tanzania. A cd of sample content was demonstrated during a workshop and distributed to over 100 participants. These materials are included on the cd, available as part of this report.

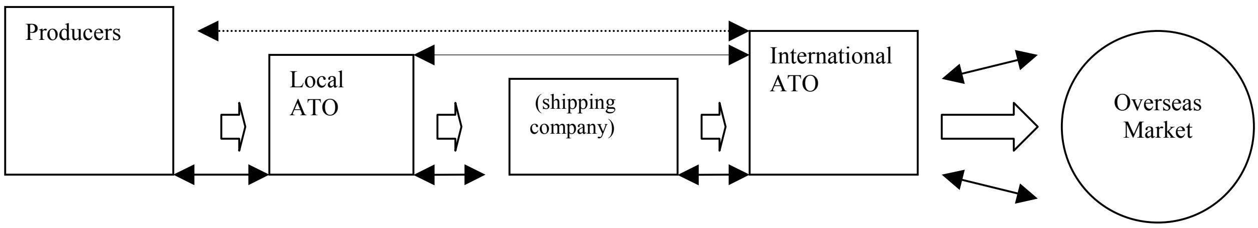


Figure 18 Pre-Internet information and supply flows for craft producers

With the advent of the Internet, producer groups have the opportunity to 'see' what the overseas market is like and to display their wares directly (even though they still need a supply chain for delivery). The Internet then acts as a 'lens' to give some information about the global market directly to producers, and for producers to undertake advertising and advocacy directly to the global market (Figure 19).

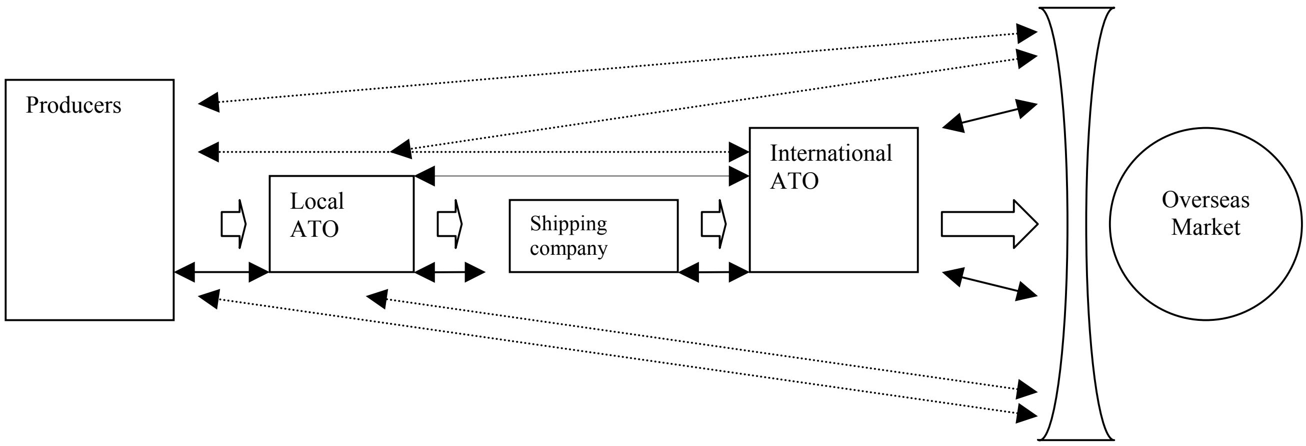


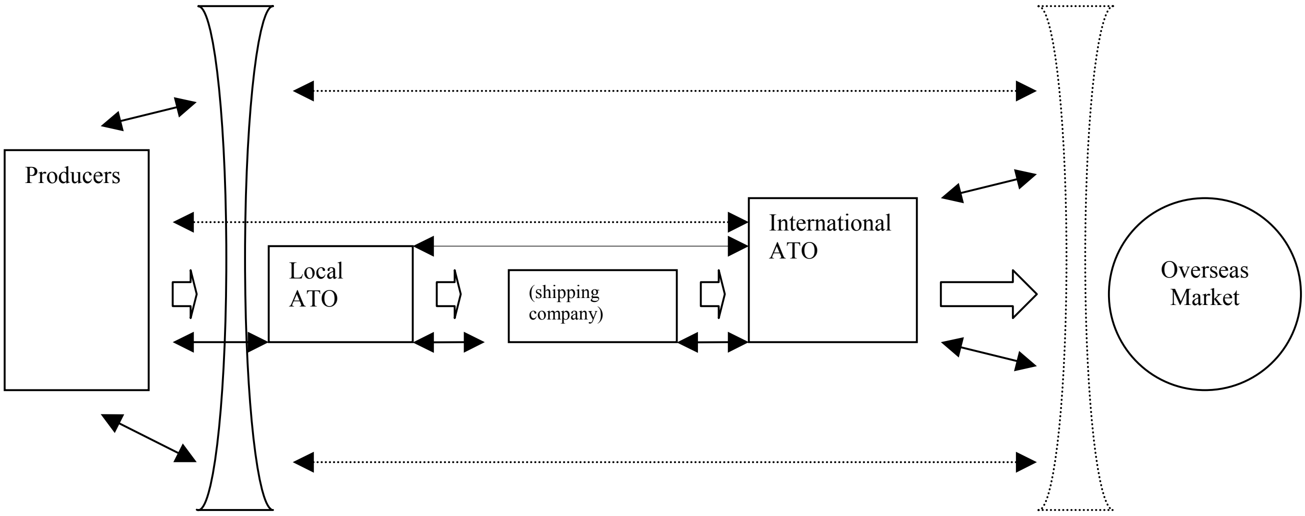
Figure 19 Information and supply flows for craft producers with the 'e-commerce lens'

The local producer or local ATO could have their own web site or be given control of its own web site as a sub site on a larger portal (eg PEOPLink).

The **strength** of this approach is that the producer group manages their site and are able (and empowered) to state clearly and accurately who they are and what they do. Story telling become simple. This is good for B2B connections.

However the **weakness** is that this does little to add to their international profile. If they have an independent web site it is unlikely that they will be able to get the search engines to rank them high enough to catch the eye of new customers. Searching customers are still more likely to reach the international sites that have put in the time and expertise in getting sufficient ranking in search engines. If the international ATO site then has linkages to the producer site, or offers a service of sub sites, the profile is still relatively low as they are one of tens or hundreds of producer groups featured on the international site (see Figure 20).

The passage of goods is still constrained by the (physical) supply chain.



Information and supply flows for craft producers with the ‘ecommerce lens’
Internet site run by producer.

8.6 *Future opportunities*

Having found that fair trade handicrafts are a weak livelihoods option, vulnerable to a shifting market (both supply and demand), the research team investigated some ideas that were connected to e-commerce and crafts, although ones that may be considered ‘parallel’ or ‘tangential’. The concept behind this section is to provide enabling ideas for handicraft producers and ATOs.

8.6.1 A Fair Trade Global Communication System

Caserta (Caserta, 2001) proposes creating an Internet-based Fair Trade Global Communication System (FairTradeForum.net) to improve information flow between the different fair trade stakeholders (producers, importers, labelling organisations and World Shops).

The current information flow is mapped below (Figure 20):

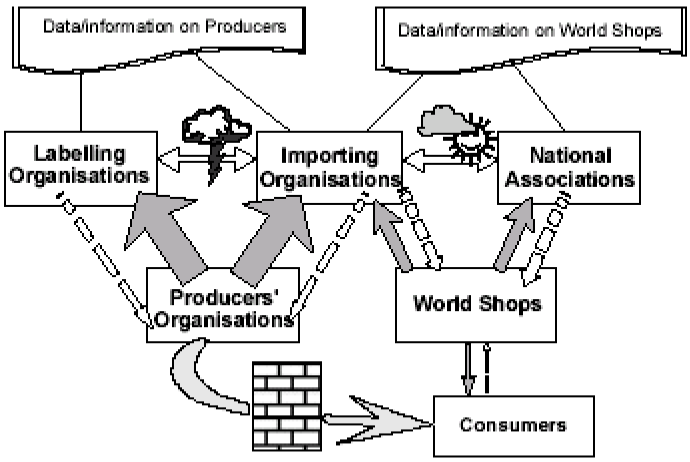


Figure 20 Existing information flow between fair trade stakeholders

Source: Caserta, 2001, p25

The new communications system has been proposed in order to meet a number of needs identified in the research, including to:

- Improve transparency between all stakeholders
- Increase information flow (eg importers often unwilling to share information with other importers/retailers)
- Enable producers to give background information, producer stories, product details and promotional materials (eg photos, videos) to World Shops and other retailers

- Allow collation of customer profiles, and feedback from stores to producers about market trends

The improved information flow offered by the proposed portal FairTradeForum.net is shown below (Figure 21). The grey arrows represent outgoing information; the white arrows incoming information.

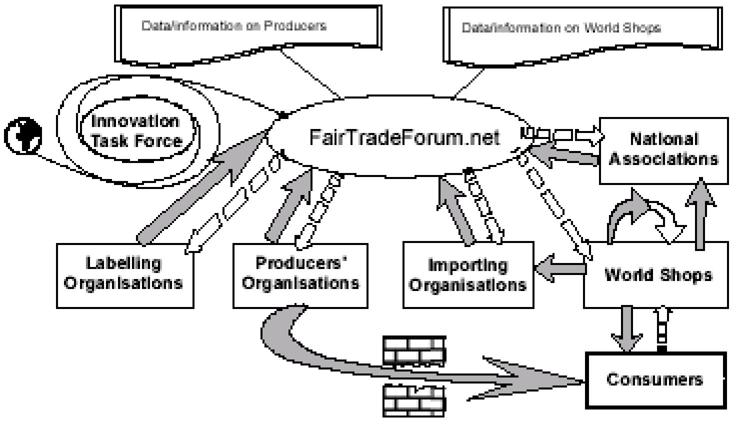


Figure 21 Improved information flow between fair trade stakeholders

Source: Caserta, 2001, p29

However the research also acknowledged that such a system itself faced a number of **obstacles** in its implementation:

- Lack of standard systems/databases between stakeholders.
- Producers often have limited (or no) access to the Internet, which can be costly.
- World Shops tend to be run as charity projects, rather than business ventures; many see ICT as a luxury (rather than a business tool).
- Need for high level of commitment and financial support from stakeholders (estimated cost of 1.4 million euros over four years). The feasibility study identified the European Commission and the Dutch ngo HIVOS (www.hivos.nl) as possible sources of funding.

NEWS! (the Network of European World Shops), working with IFAT, submitted the outlined communications system for funding in April 2002, with the hope that implementation may begin early in 2003.[52]

[52] Personal communication from Angelo Caserta, author of the feasibility study.

8.6.2 Digital Fair Trade

The advent of the Internet and related technologies has created a range of new products for mass markets. Digital formats have been widely used to distribute the following:

- Text and multimedia (web pages, and document formats)
- Books, magazines, newsletters (in text and audio formats)
- Music, spoken word recordings, photographs, video
- Software (business and domestic), games etc.

In essence the digital formats for text (eg txt, doc etc), web pages (html), audio/video (mpeg, Windows media, Real etc), photographs (jpeg), and others offer a number of significant advantages:

- They can be copied perfectly without degradation (analogue copying, such as tape to tape, always loses quality with each generation)
- They can be stored on a computer or other information appliance; and on permanent removable media, such as floppy discs, CD-ROMs, DVDs etc. Some of these formats, such as CD-ROM, are very cost-effective compared to traditional media (eg paper, audio/video tape etc).
- They can be distributed by email (as attached files) and by the Internet (as downloadable files, or as streamed media). The on-line music exchange Napster and others revolutionised the distribution of popular music through its peer-to-peer network of users.
- Digital formats can be highly compressed (at selectable rates) for low-bandwidth delivery
- Production software is commonly (and often freely) available, making use of standard formats and specifications. This also means that digital content can be easily migrated without loss of quality into future formats.

Some of these new formats and products offer new opportunities for ‘digital’ fair trade products. We identify the following as potential opportunities for craft producers, ATOs and others:

- **Music**: mp3 (mpeg3) music files have become commonplace in recent years, especially with young people who have access to a computer and the Internet. So-called ‘World’ music, from indigenous artists, is a significant market globally. Fairly traded world music could promote local/regional artistic culture (as do many existing craft products). The Internet offers the potential to disintermediate the traditional publishers/labels, allowing artists to reach consumers direct. [53] The same formats can also be used to produce and distribute spoken-world recordings: traditional stories etc.

- **Design**: many craft products draw on indigenous art and design forms (eg in textiles, ceramics, wood products etc). These designs, and contemporary variations, have commercial value: especially as global communications (satellite television, the Internet etc) make increasing use of local cultures for recreational entertainment: part of what Rifkin (Rifkin, 2000) identifies as the long-term shift from industrial production to cultural production.[54] Designs can be mediated and distributed in digital formats, both to keep the designs alive, and to generate income for artists, producers and communities.

- **Digital postcards and greeting cards**: Digital formats make it easy to send photographs, postcards and greetings cards digitally via the Internet and email. A number of web sites already promote these services[55]. Greetings cards are produced by a number of artisan groups (including those in India and Bangladesh), and marketed by ATOs in Europe and the USA. Digital formats would allow the appropriate promotion of local art forms, and give promotional opportunities to producer groups and individual artists.

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[53] The market research group Informa Media estimates that downloadable music will account for 6 per cent of global music sales by 2007. Online sales, mainly the physical sale of CDs over the Internet, will account for 25 per cent of the total $9.7 billion market. Financial Times, London, March 23 2002.

[54] ‘*More and more cutting-edge commerce in the future will involve the marketing of a vast array of cultural experiences rather than of just traditional industrial-based goods and services. Global travel and tourism, theme cities and parks, destination entertainment centres, wellness, fashion and cuisine, professional sports and games, gambling, music, film, television, the virtual worlds of cyberspace, and electronically mediated entertainment of every kind are fast becoming the centre of a new hypercapitalism that trades in access to cultural experiences*.’ The Age of Access, Jeremy Rifkin, 2000, p7.

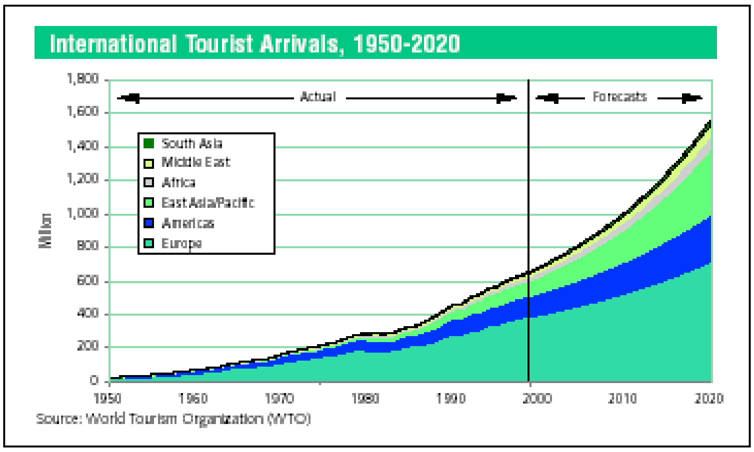
[55] See http://www.all-yours.net/, http://www.belizenet.com/postcard.html, http://www.egreetings.com/ etc

8.6.3 Ethical Tourism

Ethical or fair trade tourism is a new and growing global fair trade market. This section summarises the background and growth of so-called ethical tourism, and highlights ways in which this gives existing craft producers and stakeholders new ways to promote their goods using the Internet, as well as creating opportunities for new business models to deliver new fair trade services.

8.6.3.1 Traditional tourism in developing countries

- International tourism is one of the world's biggest markets, with receipts worth $476 billion in 2000. The World Tourism Organisation estimates that tourism grew by 4.6 per cent between 1999 and 2000. [56] Although international tourist arrivals fell by 1.3 per cent in 2001 (due to world recession, and the September 11 attacks in the USA), the WTO estimates that global tourism will grow at an average rate of 4.1 per cent per year until 2020.[57]



[56] Tourism Highlights 2001, World Tourism Organisation.
See: http://www.world-tourism.org/market_research/data/pdf/highlightsupdatedengl.pdf.
[57] '*The total tourist arrivals by region shows that by 2020 the top three receiving regions will be Europe (717 million tourists), East Asia and the Pacific (397 million) and Americas (282 million), followed by Africa, the Middle East and South Asia. East Asia and the Pacific, South Asia, the Middle East and Africa are forecasted to record growth at rates of over 5 percent per year, compared to the world average of 4.1 per cent. The more mature regions Europe and Americas are anticipated to show lower than average growth rates.*'
Tourism Highlights 2001, World Tourism Organisation.
See: http://www.world-tourism.org/market_research/data/pdf/highlightsupdatedengl.pdf

- There is a shift in tourism towards developing countries. International tourism arrivals in developing countries have grown by an average of 9.5% per year since 1990, compared to 4.6% worldwide.[58]

- Developing countries hold about 30% of the international tourism market. China, Thailand and Indonesia account for a large percentage of this. The participation of less developed countries in the global tourism market is often small and uneven.

Developing countries have often used their natural and geographical endowments to achieve remarkable growth in their tourism sector. However, a number of circumstances common, but not exclusive, to developing countries militate against their efforts to develop a strong tourism export sector:

- A generally weaker bargaining position towards international tour operators

- An increasingly competitive global tourism sector where natural competitive advantages are becoming less significant

- Long distances and little or no competition result in high air fares

8.6.3.2 Ethical/fair trade tourism in developing countries

'Fair trade in tourism is a key aspect of sustainable tourism. It aims to maximise the benefits from tourism for local destination stakeholders through mutually beneficial and equitable partnerships between national and international tourism stakeholders in the destination. It also supports the right of indigenous host communities, whether involved in tourism or not, to participate as equal stakeholders and beneficiaries in the tourism development process.'[59]

In this rapidly emerging new market, a number of overlapping terms are used to describe approaches to tourism which promote ethical, fair trade, sustainable and pro-poor values. Thus different organisations promote distinctive forms of tourism labelled as 'ethical', 'fair trade', 'sustainable', 'community-based', 'responsible', 'pro-poor' etc. This is in addition to the more established identity of so-called green and eco-tourism which emphasise the impact of tourism on the environment.

[58] *Pro-poor tourism: harnessing the world's largest industry for the world's poor*, Dilys Roe and Penny Urquhart, International Institute for Environment and Development, May 2001. See: http://www.poptel.org.uk/iied/pdf/tourism11.pdf.
[59] As defined by the Fair Trade in Tourism Network. See: http://www.tourismconcern.org.uk/main_page.htm.

A number of researchers and academics use 'new tourism' to describe the whole range of new tourist markets, encompassing the following descriptors:

academic	adventure	alternative	appropriate
archaeo	cottage	culture	eco
ecological	environmentally-friendly		ethnic
green	nature	safari	scientific
sustainable	trekking	truck	wilderness
wildlife			

Source: *Tourism and Sustainability: new tourism in the Third World*, Martin Mowforth and Ian Munt, Routledge, 1998.

Figure 22 New tourism descriptors

This list does not include community, fairly-traded or ethical – which shows what a recent phenomenon this is.

According to a 2001 WTO study, ecotourism may represent between 2 and 4 per cent of global tourism. WTO notes:

'The global significance of ecotourism does not come from its revenue volume, but rather because it strives to:

- *Protect the rapidly disappearing ecosystems that house most of the remaining biodiversity on Earth, and it is one of the few feasible economic tools to finance conservation of sensitive ecosystems; and*

- *Ensure that local communities have a voice in sustainable development, that they benefit positively from revenue flows, since ecotourism operations and infrastructure are generally small-size and are run directly by them, and that less impacting alternative livelihoods are available'*[60]

A Tearfund survey in 1999 in the UK reported that a majority of consumers would be prepared to pay a premium of 5 per cent for an 'ethical' holiday.[61]

For the purposes of this overview we have adopted the generic use of ethical or fair trade tourism.

[60] WTO news release January 28 2002. See: http://www.world-tourism.org/newsroom/Releases/more_releases/january2002/launch_ecotourism.htm.

[61] In the more established eco-tourism market, a significant number of consumers are prepared to pay premium prices for their holidays. A US survey in 1992 indicated that 7% of US travellers (8 million) had taken at least one ecotourism trip, and that 30% (35 million) claimed they would take one in the next three years. The Panos Institute reports that 7 million tourists in the US are willing to pay $2,000-3,000 for an ecotour.

Tearfund has described ethical tourism as follows:

'It offers tour operators a competitive advantage and safeguards the future of the industry by ensuring the long-term sustainability of a destination. It offers the tourists a richer experience, as holidays will draw on the interests of those living there and those working for development, as it can help combat poverty and contribute to sustainable development.'[62]

The WTO (World Tourism Organisation) has drawn up a global code of ethics, approved by the UN, which spells out the respective rights and obligations of all those who are stakeholders in the tourism industry. It aims to minimize the negative impact of tourism on the environment, on host communities and on cultural heritage. At the same time, it sets out to maximize the potential benefits for residents of the areas visited as well as for the private sector of both tourist-receiving and generating countries.[63]

8.6.3.3 Ethical tourism as an ecosystem (extract)

Anna Pollock & Leon Benjamin[64] have examined the tourism industry as an ecosystem in transition – triggered by the emergence of e-commerce. Figure 23 depicts a more or less typical business ecosystem or business web.

> *'A most important feature that must be recognised is that this concept is fully scaleable. A business web could comprise a small hotel that will become both entwined with nearby institutions and populations – the local Rotarians that meet on Fridays, the insurance company with its corporate account, the American specialty in-bound tour operator catering to antique buffs, the local supplier of fresh organic produce for the three star restaurant, the ASP providing payroll services online. Those are the sort of reciprocal, mutually beneficial relationships that can define a business ecosystem. Alternatively, the same concept can be scaled up to include a whole destination such as a city like Vancouver or destination like the Cotswolds or a global intermediary such as Travelocity.'*

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[62] *Tourism: Putting Ethics into Practice*, January 2001, G. Gordon and C. Townsend. See: http://www.tearfund.org/acting/tourism.pdf

[63] See http://www.world-tourism.org/projects/ethics/principles.html.

[64] *Shifting Sands: The Tourism Ecosystem in Transformation*, Pollock, Anna; Benjamin, Leon, May 2001. See: http://www.eyefortravel.com/papers/The_Tourism_Ecosystem_for_Eye_for_Travel.doc

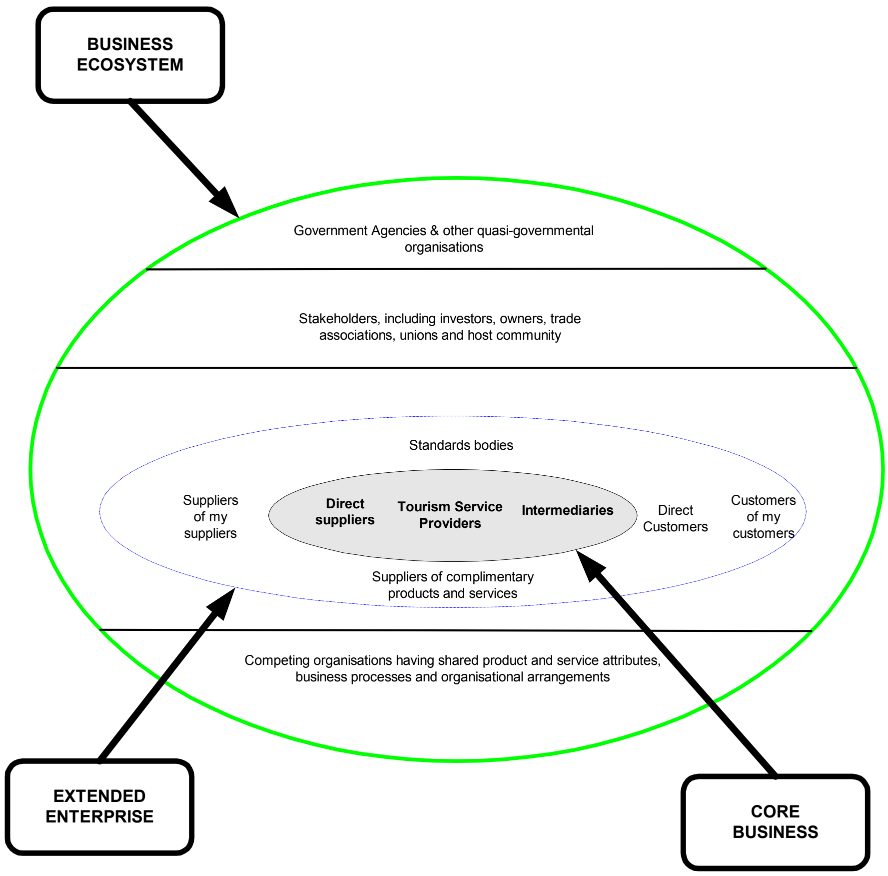

Figure 23 Tourism business ecosystem

Key to Figure 23: Moore's Business Ecosystem Applied to Tourism

Tourism Service Providers: enterprises that offer a product or service that forms part of the consumer's travel experience. These providers also show enormous heterogeneity and diversity in terms of type, size, sophistication and market focus. They can be further classified into core providers (lodging, transport, dining. entertainment etc.) and ancillary (insurance, currency, financial services, retail, interpretive etc).
Intermediaries: enterprises (tour operators, travel agents, destinations) that exist to assemble the elements of a trip experience into a complete package that could be sold via retail channels to consumers. They have done what it was virtually impossible for either an individual supplier or purchaser to do alone. Until a few years ago, the vast majority of these intermediaries were 'bricks and mortar' businesses whose value was based on their brand and customer base. In recent years they have faced stiff competition from a new breed of 'e-mediaries' such as Expedia, Travelocity and LastMinute.com that have used technology to aggregate and personalise electronic content and enable online transactions.

Direct Customers: these might be guests, whose personal and trip characteristics show enormous variability by purpose, length, trip type etc or agents for those guests.
Direct Suppliers of direct and indirect goods and services that form the input into the travel product (eg furniture, bed linen, tableware, accountancy, printing, equipment etc.) or can be sold as ancillary services (insurance, currency, traveller's cheques, finance). A business ecosystem also includes the owners and other stakeholders of these primary species including government agencies, regulators, associations, standards bodies, and representatives of the host community. To one extent or another, an ecosystem also includes direct and indirect competitors that, as circumstances shift, may also be collaborators.
Host Communities (residents and their governments at local, regional and national levels) that can both benefit and suffer from the tourism sector according to how well it is managed at the destination.

'We foresee that companies and individuals will disaggregate their functions and services and convert them into web services that form the equivalent of the cell. Cells will specialise and cluster together to form tissues and organs. Providers will be aggregated into clusters of content and functionality around a specific market requirement or opportunity. More complex clusters of clusters will be created (the new e-mediaries) to provide a comprehensive range of services. ***Note: in this new, organic, fluid world, any provider, group of providers or any customer or third-party could become an e-mediary or synonymously a content and service aggregator.*** *In a world of electronically available and purchasable web services, virtually all barriers to becoming intermediaries disappear – a process of natural selection will take place around profit to companies and value to customers.'*

Figure 24 provides our modified version of the tourism business web to reflect the fluidity of the digital world. Note: there won't be one business web but several hundreds of thousand co-existing b-webs each organised ***not*** *around products but* ***customers and groups of customers****. Our guests (consumers) will provide the rationale and focus for service providers and their suppliers to collaborate – in other words, these b-webs are intrinsically customer-centric and opportunistic! Intermediaries will be formed around customers and market opportunities NOT product ownership.*

It is also important to perceive the categories of service provider not as static, fixed structures but as comprising "pools" of web services (offering content and functionality) that can be aggregated in a multiplicity of permutations to meet a customer need or exploit a market opportunity. Some b-webs might appear permanent (ie, their members might collaborate with the same partners for years); others might form and disband for a few days, weeks or months to exploit an event, respond to a crisis etc.

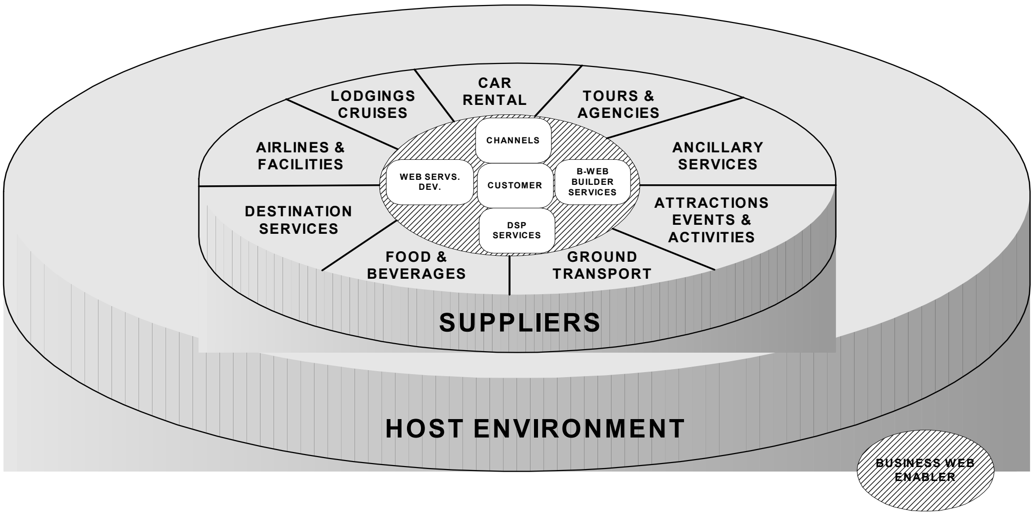

Figure 24 Tourism business web

What has been added to this model compared to Figure 23 is some form of organising principle based on the concept of a "business-web enabler"(BWE) whose members develop and manage the infrastructure necessary to enable providers to find each other, select partners, aggregate and customise services. Typically, BWEs will include Internet Service Providers, hosting companies, application service providers, systems integrators, software vendors – notably middleware vendors – consultants etc.

Figure 24 highlights three core functional activities undertaken by BWEs: web services development (the process whereby content and functionality are converted into XML wrapped services); DSP services: a directory of web services (the place where web services are published, classified, made accessible for re-use, quality is assured, security issues are attended to) and business-web builder services (the process whereby more complex applications and services can be assembled by any party to meet customer demand).

Winners will be obsessed with customers as unique individuals whose needs vary with each trip. They will have moved beyond the provision of ideas and alternatives based on past behaviour. They will treat the individual as a whole person and, while perhaps internally focusing on their core competencies, they will have levered a complex array of partnerships with a multiplicity of suppliers whose mix of aggregated services can be assembled in real-time at the point of demand and consumption.

The material above extracted from: *Shifting Sands: The Tourism Ecosystem in Transformation*, Pollock, Anna; Benjamin, Leon, May 2001.[65]

The challenge for the development community is to rework these assumptions into a pro-poor and sustainable livelihoods approach based on local values and culture. Then e-commerce may become the tool to differentiate such offers (based on a host approach) from the emerging global (operator driven) offers.

Rifkin (Rifkin, 2000) observes that global tourism is at the centre of the new 'cultural commerce' increasingly mediated by the Internet and other channels.

'*The most visible and powerful expression of the new experience economy is global tourism – a form of cultural production that emerged from the margins of economic life just half a century ago to become one of the largest industries in the world. Tourism is nothing more than the commodification of cultural experience*.'[66]

He and others note that one of the drivers behind ethical tourism is the high level of so-called 'leakage' of tourism spending in developing countries. It is estimated that 50-80% of tourism revenues 'leak' back to the First World – rather than benefiting local people. Those who do benefit tend to be the richer and more powerful. Thus one argument for ethical tourism ventures is to ensure that more income is retained by local people and communities.

'Leakage notwithstanding, world travel and tourism is likely to gain momentum in the twenty-first century as the top 20 per cent of the world's population spend an increasing amount of their income on cultural consumption and lived experiences.'[67]

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[65] See: http://www.eyefortravel.com/papers/The_Tourism_Ecosystem_for_Eye_for_Travel.doc
[66] Rifkin, 2000, p
[67] Rifkin, 2001, p151.

8.6.3.4 Ethical tourism and craft producers

We have seen that the take up of e-commerce by craft producers and ngos in developing countries has been spasmodic. There are few examples that are clearly viable either in financial terms or in developmental terms (eg sustainable livelihoods).

- Many of the examples identified depend on first world 'champions' wishing to introduce the technologies to their local partners (eg PEOPLink).

- Many of the e-commerce examples are based on producers 'pushing' their offers at potential purchasers in unfamiliar markets with little understanding of what is wanted (this is particularly true of individual producer web sites, where the target audience is often unclear)

- The mismatch between craft producers in developing countries and professional buyers is not by-passed just by appealing via the Internet direct to the end purchaser.

Yet the economic imperative to disintermediate in order to reduce the cost of marketing and fulfilment is strong. However selling craft products via straight e-commerce is still working at the lowest ends of the added value chain. Because the producer/purchaser relationship based on a single purchase is relatively fickle, modern e-commerce propositions seek to be much involving, more personal, collaborative and long-term. The seller's ambition is to move up the added value chain - away from goods towards services.

Most craft producers and ngos would not immediately identify themselves as part of the global service industry of tourism. But many have traditionally provided tourism services (if only on a small scale) to a steady stream of volunteers, donors, partners, supporters, well-wishers, members of a Diaspora, project managers, impact assessors and evaluators - mainly from overseas. These tourism services may include:

- **Placement and skill exchanges** (eg induction, orientation, mentoring, training)

- **Travel agency services** (eg 'meet and greet', interpreters, money-changing, car hire, accommodation booking)

- **Cross-cultural activities** (eg local guided tours, pilgrimages, family hosting, seminars, workshops, best practice conferences)

Many a volunteer returns from the trip of a lifetime with not only the photographs to prove it, but also souvenirs such as indigenous crafts and clothing. Volunteers may stay in touch with their host communities for years after returning – and even encourage others to follow in their footsteps. A number of fair trade importers and basic e-commerce sites have been set up in this way by former volunteers.

At present the First World partner hosts most Internet-based volunteer schemes. But, there is a prima facie case for an indigenous ngo setting up a local ethical tourism initiative because:

- tourism is higher up the added value chain than selling crafts
- technology costs are lower in developing countries

But an indigenous craft producer or ngo is unlikely to be interested in mass inward and physical tourism. So, from day one, the emphasis should be on building a strong digital community of selected stakeholders who will produce significant revenue for the project over a number of years. Internet economists measure this as the Average Revenue Per User (ARPU) recorded over the life cycle of that relationship/service.

In the following sections we outline a number of Internet-mediated business models for community-based ethical tourism initiatives.

8.6.3.5 Standalone business models

1] Migrate traditional service to the Internet

Variation 1 - The ngo acts as a in-country facilitator for the visitor, liaising via email. According to the wishes of customers, the ngo talks to potential suppliers and brings together the services required for the trip. The visitor pays each supplier direct and the ngo charges an arrangement fee.

Variation 2 – The ngo acts as agent for the visitor, again liaising via email. This time the ngo charges the visitor nothing but looks to partners amongst the local service providers for a selling commission to cover the costs. For example, Osh Bazaar (www.oshbazaar.com), based in Kyrgyzstan, combines tourist services and selling handicrafts over the Internet. Osh Bazaar is not a tour company, but acts as an advertising platform and a third party to collect and post references and assist in hiring. It offers its services as an on-line dispatcher or receptionist where organisations, travel agents etc can find and hire guides, drivers, translators and more.

Variation 3 – Combining a craft orientated e-commerce offer with a before and after sales service. Buy the (one-off, individually designed) craft product for $1,000 (and get the visit free). This could offer the buyer the chance to choose/influence the design, participate in the build and take it home at the end of the trip.

2] Join a First World ethical tourism portal

www.responsibletravel.com is a portal for responsible/ethical tour operators and tourism providers in destinations to market themselves. The subscriptions from UK based operators fund the scheme - so that community-based initiatives have a marketing portal for free. However the tone, approach and codes of practice may be set up the senior partner. This is a low-entry cost approach to testing the opportunity.

3] Build a visitor community, sharing revenue with a local digital partner

Alternatively an ngo might prefer to form a relationship with a local service provider who supplies an on-line community service. In return the ngo uses the service to build a set of digital relationships with its existing national and overseas stakeholders. The ngo has more control of the direction in which the community develops and the pace at which it can grow. Revenues from subscriptions, bookings, craft sales, etc are split with the commercial partner.

Similar in some ways to a college community, such a service could cover a lifetime of relationships between the ngo and its supporters - from initial recruitment of the first time visitor; followed by updates and incentives to encourage repeat business, through to an alumni association of past visitors who wish to continue financially supporting the cause.

Such a community could offer users a special interest group of their choice (based on geography, shared values, favorite craft technology, hobby etc), perhaps in return for an annual membership subscription.

The entry-level costs can be reduced if the solution adopted is based on open source software such as www.zope.org and www.openacs.org/. Care should be taken to ensure that the costs of on-going development and routine maintenance are not forgotten.

8.6.3.6 Multi-stakeholder business models

The economics of making any shared network viable and self-sustaining, including an ethical tourism network for indigenous ngos, conform to the same guiding principals:

- **High sunk costs**: it costs a lot of money upfront to set up a network – long before any sign of revenue (may require initial external/donor funding)

- **High fixed costs**: once operational, a network costs a lot to keep going – even if very few people are using it (so, joining but not using, does not help)

- **Vulnerable to free loaders**: especially in a collaborative endeavour, some organizations might sit back and let others put up the cash, spend the time and put the resources into developing it. And then, expect to join in without having to recognize or contribute towards the investment to date.

- **Attractive to cherry-pickers**: a network is a package – where the costs and revenues are balanced in order to service the poor, the weak and the marginalised. Some of the services will therefore be priced very competitively compared with other suppliers in order to reach those users. Some organizations might be tempted to pick out just those offerings (such as data content) and decline the rest. Any scheme should resist such approaches.

Anyone considering planning such an endeavor should be looking for:

- **The early advent of network externalities**: this is a technical term used by network economists to define the moment when the margin cost of adding a new user is as low as practical – and therefore the revenue margins per user increase. This is the moment when the scheme will be assured of its sustainability.

- **Opportunities to cross-subsidise service delivery**: some areas that ngos would wish to see developed and sustained may never be able to recover costs on their own or may not be currently chargeable. So it is important to make a surplus in some areas to cover others.

1] Digital co-operative

Many ngos would find the prospect of going it alone too daunting. So any approach that shares the costs, pools the risks and shares the profits might be worth considering. A co-operative is a well-understood mechanism for doing this. This approach could work if ngos already have a list of names and addresses of supporters and well-wishers. Otherwise the lack of a captive audience and a global brand may delay critical mass to the point that the project fails.

2] Umbrella Alliance

Economies of scale and scope work in network economics. So a better approach could be to establish a global network of digital ethical tourism communities. This would require ngos agreeing a number of strategic design decisions: combining appropriate knowledge networks, organisational networks and technical networks. Use of open source technologies throughout could reduce the cost base in the medium/long term.

Wherever possible technical activities should be moved to the edges of the network. This will enable local partners to raise awareness in their communities, build local capacity and stimulate local autonomy.

In the early stage it will be necessary to ensure that local technical difficulties do not prejudice the viability of the scheme. Offering a default technical approach may be the best way to do this. So, as partners become more comfortable they can make changes in a way that ensures that local diversity does not come at the price of global coherence.

A digital support service delivered on and off-line is the risk adverse way to achieve the scheme's overall objectives. A phased approach would use individual ngos as beta-test sites for a range of approaches. These would then be documented and built in partnership with local technology partners.

8.6.3.7 Conclusion

- Ethical tourism offers existing craft producers and other stakeholders new ways of promoting their goods, and, more broadly, of developing new lifetime customer relationships.

- In addition, ethical tourism, by applying the principles of fair trade and sustainable development to tourism (both North-South and South-South), offers a significant new global market for organisations concerned to promote fair trade.

- Basic approaches to selling craft products to consumers via e-commerce business models have not had much success. One future option is to adopt an alternative approach based on multi-stakeholder on-line communities creating and exchanging combinations of physical and/or digital goods within a service environment. There buyers and sellers become collaborators who are able to meet each other repeatedly on-line, and, from time to time, in person.

- Positioned at the developing nexus of the local craft, local ICT and local tourism sectors, such interactive and focused communities might give an new economic incentive for network-based trading partnerships.

- **The goal is to move away from transactions based on impulse buys for the 'here and now' towards a future set of sustainable high quality, high added value long-term digital and personal relationships.**

This section 8.6.3 on Ethical Tourism has been researched by Michael Jenkins and Sarah Andrews at MJ Associates (see section 9.9.4).

8.7 Conclusions of research

- We have seen how the giftware and handicraft market overall is growing, but that ATOs and the fair trade supply of craft products is losing ground to commercial interests. E-commerce, which herald a number of opportunities, is also constrained by barriers, and these factors favour the existing major players in the market rather than SMEs.

- Interviews with producers in India and Bangladesh showed that even they were aware of the significant barriers. The recommendations therefore have made a few practical suggestions concerning entry into e-commerce, but have advised caution and discouraged over-optimism. Any intervention seeking to encourage fair trade production of handicrafts must consider the overall business and livelihood system, in which the introduction of ICT and e-commerce is just one small element.

- In order to redress this perhaps disappointing and negative picture, the report has suggested a few future opportunities that build on the strengths and distinctives of the existing fair trade handicraft sector.

E-commerce options for Third World craft producers

Appendices to final technical report

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