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## THE CHALLENGES AND OPPORTUNITIES OF DIGITAL TRANSFORMATION IN THE TOURISM SECTOR

**Abstract.** The advancement of new technology has resulted in extraordinary digital advancements in the tourist industry. Tourist locations, complexes, goods, business experiences, and ecosystems are evolving. This involves the establishment and growth of new business partnerships, business models, and competences in the tourist industry. New prospects in the main trends of digital transformation in tourism are being presented. Digital transformation and the opportunities it generates will be a driving force for the tourist industry's success in the future. Digitalization challenges and opportunities in tourism are aimed at developing new key initiatives such as digital competences and skills, changing thinking, creativity, and innovation, establishing new relationships between consumers and producers, implementing new good practices, new value chains, facilitating personalization of tourists' experiences, securing funding, contributing to new destination configurations, improving infrastructure, political support, and so on.

**Introduction.** Tourism firms, goods and experiences, business ecosystems, and destinations have all seen substantial transformations as a result of digital technology. The conventional roles of tourist producers and consumers have also been altered by digitalization, with new jobs, interactions, business models, and capabilities arising. The proliferation of digital platforms has boosted the diversity and volume of tourist products, services, and experiences, with on-demand capabilities hastening economic transactions, market awareness, and feedback. As tourist SMEs attempt to match consumer preferences and enter new markets, these transformations have produced new possibilities as well as problems.

**Research methods.** The primary goal of this research work is to determine how the implementation digital transformation in tourism sector

**Results and discussion.** Technological advancements are accelerating the tourist industry's change, progress, and globalization. Digital technologies provide a common foundation for individuals and businesses to share information, collaborate, and connect. Furthermore, since it relates to all aspects of tourism, technology has become the most important factor in corporate development.

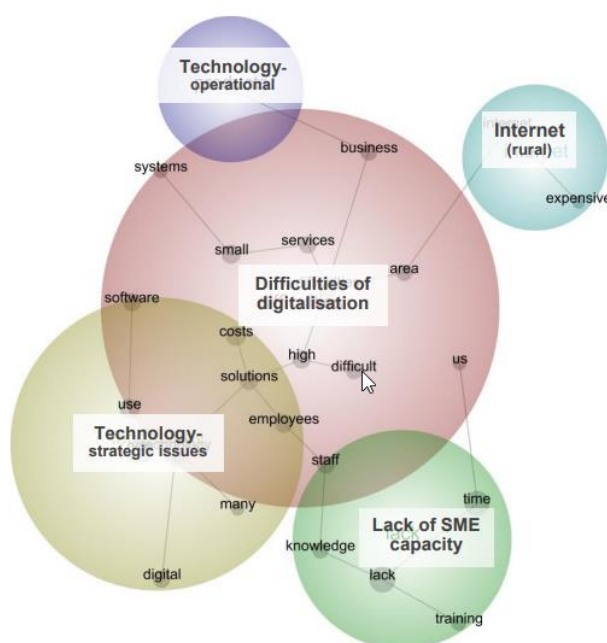
**Conclusion.** So far, the discussion on digitalization in tourism has centered on the necessity of digitizing tourist enterprises. The qualitative data gathered as background for this research reminds us that tourism is part of a broader ecosystem, and that focusing on tourism might divert attention away from the bigger ecosystems to which tourism contributes and is a part. It is critical to approach digitization from an ecosystem viewpoint, acknowledging that digitalization in other sectors may indirectly aid tourism and have significant flow-on impacts in tourism. Creating and sustaining continuing chances for hands-on learning, exchanging experiences, and cross-sectoral innovation FOR tourism is as crucial as focusing on digitalization IN tourism.

**Keywords.** SME (Small and medium-sized enterprises), Digitalization, e-business, e-commerce, technological advancements, tourism industry, digitalization in tourism industry, IT in tourism, online platforms, automation

**Introduction.** Tourism is one of the world's fastest growing industries. It is an important component of the developing economy with the potential to create many jobs, improve business relationships, encourage entrepreneurship, and implement innovations. However, the tourism business ecosystem has undergone significant changes as a result of the rise of digital technologies and innovations.

Most types of businesses are now driven by modern technology. The tourism industry is no exception. The tourism industry's entire working process has been transformed by digitalization. This revolution affects the structure of tourism enterprises, business models and operations, products, consumer roles, and destinations. The use of digital technologies opens new avenues for travel companies to enter the global market and significantly expand their prospects. Technological advancements provide modern tools for increasing the value of tourism products, services, and experiences. However, digital technologies have created new challenges for the travel industry as all operational processes, travel concepts, and trip-related needs are changing.

**Materials and methods.** As a result, understanding how to navigate in this new environment is becoming increasingly important. More and more tourism organizations are attempting to differentiate themselves from their competitors and become more successful in this changing environment by utilizing cutting-edge technologies. Digital platforms are currently having a significant impact on the travel industry. They offer customers and travelers worldwide admission as well as the most up-to-date marketing and quality control tools to travel corporations in order to boost the growth of the tourism sector. The proliferation of digital platforms has increased the variety and quantity of tourism products, services, and activities. Furthermore, digital platforms improve the experiences of customers, employees, and partners. It is critical for travel companies to have a thorough understanding of current technologies and platforms in order to make informed decisions.



The bulk of global industries have been heavily affected by digital transformation in recent years. Tourism has not been spared. Every aspect of the travel business ecosystem has been impacted by digitalization. However, tourism has always relied on automation to deliver high-quality customer service, making it one of the finest and earliest adopters of current digital advancements.

Digital transformation rethinks travel concepts and directs trip-related demands. This revolution is associated with the development of new goods and services, as well as the application of new culture, structure, techniques, innovations, and technology. Digital transformation adds value to the tourist industry by increasing profitability and shifting value from old to new players. According to the World Economic Forum's Digital Transformation Initiative, digitization of aviation, travel, and tourism can release \$1 trillion in value for the business and society over the next decade.

According to Smart Insight research, 60 percent of leisure tourists and 41 percent of business tourists made travel arrangements on the internet in 2016. Today, more advanced technologies have emerged that have the potential to revolutionize major corporate processes and the workforce.

Travel is now more economical, accessible, and convenient than ever before. Consumers gain more from digital advances in tourism, such as time savings, increased security, convenience, accessibility, sharing, and risk reduction. According to the World Economic Forum's Digital Transformation from 2016 to 2025, digitalization is predicted to provide \$700 billion in benefits for consumers and society. Furthermore, the number of clients is expanding, and their behavior has significantly changed. Tourists grew more knowledgeable and had more options for finding the greatest offers. According to the UNWTO World Tourism Barometer, international tourist arrivals climbed by 3.8 percent in 2019 to reach 1.5 billion, based on data reported by destinations worldwide. Furthermore, 2019 became the eighth year in a row of continuous growth since 2009.

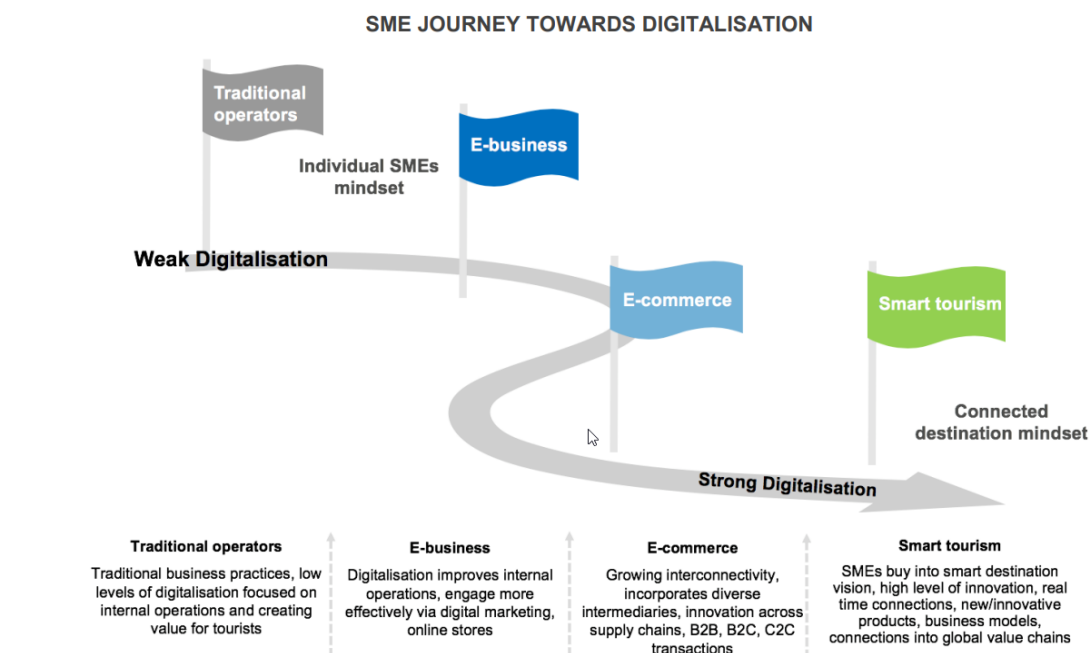
Although there are differences throughout Europe, tourist SMEs are usually distinguished by a modest level of digitization, with the majority of technology utilized focusing on simplifying internal SME e-business activities. There is some more restricted usage of technology to support ecommerce, and there is little evidence among the assessed tourist SMEs that they are advancing toward the kind of connectedness and interoperability envisioned by terms like smart tourism and e-governance.

The problems of digitalization occur along three primary transformation vectors that roughly cover the path from digitalizing internal SME activities to the growth of digital supply chains and e-commerce, to linked digital systems that underpin e-governance:

1. Digitalization and e-business practices, for example, can diversify and customize products, create marketing channels, utilize feedback mechanisms to improve market presence, increase operational efficiency, and expand SMEs' innovative ability. Digitalization can also lower transaction costs and allow SMEs to expand into the global market.

2. Digitalization has the potential to boost connection, create new business models, expand ecosystems, and lead to new product innovations in e-commerce. The growth of digital platforms utilizing a variety of business logics and in a variety of subsectors (e.g., accommodation, transportation, food, guiding, and personal services) exemplifies both the creativity and disruption induced by these models. Automated algorithms, machine learning, and artificial intelligence have increased market knowledge and enabled customized product offerings, which have improved visitor experiences. Digitalization has also connected people and things in real time at this sectoral level, which

has expedited decision-making and made transactions faster, simpler, and cheaper. The issues that SMEs encounter in their transition to e-commerce necessitate the establishment of tourist networks and business ecosystem capability before to selecting and deploying technology.



3. At the level of e-governance, digitalization provides potential for tourist organizations and public agencies to capitalize on big data, collecting and analyzing data in real time with the goal of enhancing resource efficiency and effectiveness. Strategic resource development and sharing necessitates a high degree of digitization at the operational level inside SMEs; a highly linked, networked industry; and a common vision, trust, and desire to collaborate. Cloud technology, digital platforms, and on-demand connection can help with self-governance as well as public-private governance. However, the advancement of e-governance and, ultimately, any progress toward smart tourism is dependent on the creation and maintenance of collaborative network relationships. Policy initiatives targeted at advancing e-governance and, eventually, smart tourism should prioritize network capacity construction with technology developments such as possibilities to adopt platform technologies and data collecting and analysis capabilities.

**Results.** The tourist industry has undergone a digital change. This process is ongoing and has a significant impact on the sector. To have a good impact and enhance company performance, tourism should adapt to the most major digital transformation trends and be aware of future developments.

Today's travel organizations recognize the need of having business information in addition to the correct strategy. This combination determines whether they can properly handle every distribution channel and communicate with customers. It also provides for higher profit margins, cheaper client acquisition expenses, and higher conversion rates. Conversion cost reductions for hotels, for example, can be up to 70%, and in extreme circumstances almost 200 percent. The goal of strategy in the travel industry is to become more scientific, with the goal of thoroughly quantifying and measuring everything.

Furthermore, one of the primary goals is usually reputation. Companies in the travel industry strive to raise brand recognition, establish defined brand values, and be identifiable and trustworthy. These factors are critical for achieving the finest financial results.

Touristic businesses must understand the finest ways to communicate with their current and future consumers. For example, social media and content marketing today have a greater influence on traveler decisions than ever before. These digital tools may readily assist in keeping clients updated, sharing corporate news, promoting special deals, and therefore improving brand awareness and becoming trustworthy.

Personalization is the most important component of the travel industry's change. It is no longer anything out of the usual. Personalization is becoming a real expectation. Almost 90% of passengers globally believe that the traditional travel method is no longer adequate. People begin to value the opportunity to have a one-of-a-kind experience. Today, personalized offerings based on specific preferences are a sign of success. According to a 2015 American Express survey, 85 percent of respondents of all ages chose bespoke tour packages over general ones. Personalization entails finesse, interest, and technology answers. The difficulty here is to get the necessary data while without violating the ethics of personal privacy.

Furthermore, data is a strong booster of digital transformation. Nowadays, tourism companies collect and keep massive amounts of data. They collect data at each point of the trip journey. As a result of this data utilization, travel businesses will be able to make more informed decisions, learn more about their consumers and rivals, improve customer experience, and increase revenue. Internal data (for example, prior occupancy rates, room income, and current reservations) can also be integrated with external data (for example, dates of local events, flights, national and school holidays) to more precisely estimate and anticipate demand.

Digital platforms are major digital transformation drivers in the tourist business. They are causing havoc in the travel industry. Digital platforms offer tourists with global access to customers as well as the most recent advertising and quality control tools. They are increasingly being utilized in tourism, both by travelers and by companies. As a result, digital platforms are becoming key growth drivers in the tourism industry.

**Discussions.** A digital platform is an internet technology that combines and modernizes corporate activities and IT systems. They are utilized to enter new markets and improve the user, employee, and partner experience. In order to support current operating models, digital platforms challenge traditional corporate structures, rules, and technology utilization. Nowadays, digital platforms serve as go-betweens for providers and users. They enable the promotion and marketing of services or products at the lowest possible cost around the world. Digital platforms assist in gathering various offers, simplifying transactions, resolving disputes, and sharing evaluations and comments. They also hope to foster confident and trusting connections between customers and providers.

Information technology is currently one of the most valued corporate assets. However, adopting technology is a difficult undertaking. When technology is received from outside sources, it normally goes through three stages: acquisition, development, and deployment. The first phrase is acquisition, which is discussed in this section.

The purchase of technology from outside sources is becoming more common. Investing in appropriate technology may help to enhance business and boost firm competitiveness. Understanding business requirements and the strategic role of technology is critical to the success of this approach. In terms of digital platform acquisition, this procedure necessitates prudence and ongoing scrutiny.

In general, the acquisition of a digital tourist platform begins with extensive research and analysis. To begin, the organization must establish objectives and fully grasp its motivations for purchase as well as the expected outcomes. In addition, the firm should

elicit, categorize, and assess platform needs, as well as outline difficulties and obstacles that the platform should assist in overcoming.

Then, viable digital platform versions should be discovered and qualified. The firm estimates if a potential purchase will fulfill all requirements. It assesses the compatibility of technical talents with commercial possibilities. The organization should determine if it is capable of properly implementing and utilizing offered digital technology.

Development is the second phase in the construction of a digital tourist platform. It is a process of platform enhancement, modification, and advancement. In order to get the desired outcomes, the organization should adapt, and tailor acquired technology to its business objectives, goals, and procedures. Already soon, a correctly created digital platform may attract more clients, enhance profitable growth, and raise the business's reputation.

First, the organization should determine the size and coverage of the digital user market. It is critical to be prepared to win market share and penetrate far larger markets than are currently available. The company must demonstrate its competitiveness and distinguish itself from other businesses that use the same platform. A redesigned digital tourism platform should make and arrange internet travel easier.

Second, relevant platform content should be carefully generated, integrated, and checked. It is critical to invest time and effort into creating excellent promotional content. Good material is unique and can pique people's curiosity. It encourages and motivates the behavior of internet users. As a result, content helps to surpass potential clients' expectations and attract more of them. It is especially important in markets with a low degree of online participation.

The deployment step is the last stage of digital tourism platform installation. Technology deployment is a massive undertaking that incorporates the bulk of the company's functional components. The effective implementation of new technology is crucial since it benefits the organization, its operations, and its consumers.

First and foremost, a customized platform should be completely ready for deployment. Only until the digital tourist platform has finished all development and verification efforts will it be able to go online and be operational. For the digital platform to be usable, the corporation must build and distribute it. As a result, a new platform should be spread throughout the firm and made available to consumers.

Furthermore, the deployment process must be coordinated across the organization. Employees of impacted or potentially affected companies should be well-informed and given broad information about the new platform. They must fully comprehend how new technology affects current business operations and how it helps the organization. If necessary, special training or consultations should be offered.

**Conclusion.** Finally, digital channels are driving the growth of the tourist industry today. They provide worldwide market entry prospects, cutting-edge marketing and quality control tools, and help to increase the range and quantity of tourism products and services.

The study's goal was to identify how the case platform's implementation process may be enhanced in order to better suit existing clients' expectations in a B2B context in the Finnish market. In order to attain this goal, solutions to the research questions posed in Chapter 1 are supplied below.

The research's sub-questions and responses are provided first.

The tourist sector is being scientifically transformed by digitalization. It rethinks travel concepts, drives trip-related demands, and forces the development of new tourism

products and services. Furthermore, digitization alters the culture, structure, working methods, and objectives of travel companies, as well as shifting workforces in the business.

Consumers gain more from digital advancements in the travel industry, such as time savings, improved security, ease, accessibility, sharing, and risk reduction.

Furthermore, the incorporation of innovations and current technology in tourism is given top attention and becomes unavoidable since it provides a global infrastructure for the industry.

When a digital platform is acquired from the outside, its implementation process contains three typical stages: acquisition, development, and deployment.

The acquisition process comprises identifying possible technologies and providers, evaluating prospects, selecting the best fit, negotiating terms, and transferring technology. Development is the process of improving, altering, and customizing a platform to meet the demands of the firm. During deployment, the organization builds and distributes digital platforms to make them usable.

Within the travel industry digital platforms have got great popularity, wide usage and have started to play an essential role.

Digital tourism platform creates, enables and facilitates innovative methods of interaction between users and service providers as well as makes confident and trustful relationships between them. Digital tourism platform generates, collects and delivers big valuable data. It gathers different offers, simplifies transactions, resolves disputes, shares reviews and feedbacks. Digital tourism platform brings together minor and world-famous market players. It forces the creation of new travel products and services.

Travel firms may use digital platforms to secure global consumer access, penetrate new markets, decrease advertising expenses, and obtain more efficient opportunities to engage and understand their target group. Customers may enjoy a better user experience, locate a large number of variants in one area, and make smarter decisions as a consequence. Furthermore, internet tourism platforms aid to popularize unfamiliar areas while also assisting historical, cultural, and natural treasures in remaining conserved, refurbished, and marketed.

Secondary and primary data sources were employed in the thesis. Secondary sources included academic books, research articles, reports, journals, and current electronic publications from industry specialists. The online survey was used to obtain primary data. The poll was carried out among case firm clients who are corporate users of the case platform. In addition, the major and subordinate research questions were answered, and the study's objectives were met based on the literature review, case platform study, and primary data analysis. As a result, the study can be regarded legitimate.

The general findings and conclusions of the study are sufficiently reliable. However, the study was done at a time when the tourism business was severely impacted by the COVID-19 pandemic. Most travel agencies do not operate in the prior way. As a result, it was difficult to engage them in the research, and the number of survey respondents was lower than predicted.

Furthermore, because of digitization, the tourist business is rapidly changing, and conclusions may alter if the study is conducted later. The study and data analysis results are reliable for the case platform. The research, however, was limited to the B2B environment and the Finnish market. As a result, the results may not be applicable to different platforms, regions, or company strategies.

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