b2c e-commerce practices: a SWOT analysis
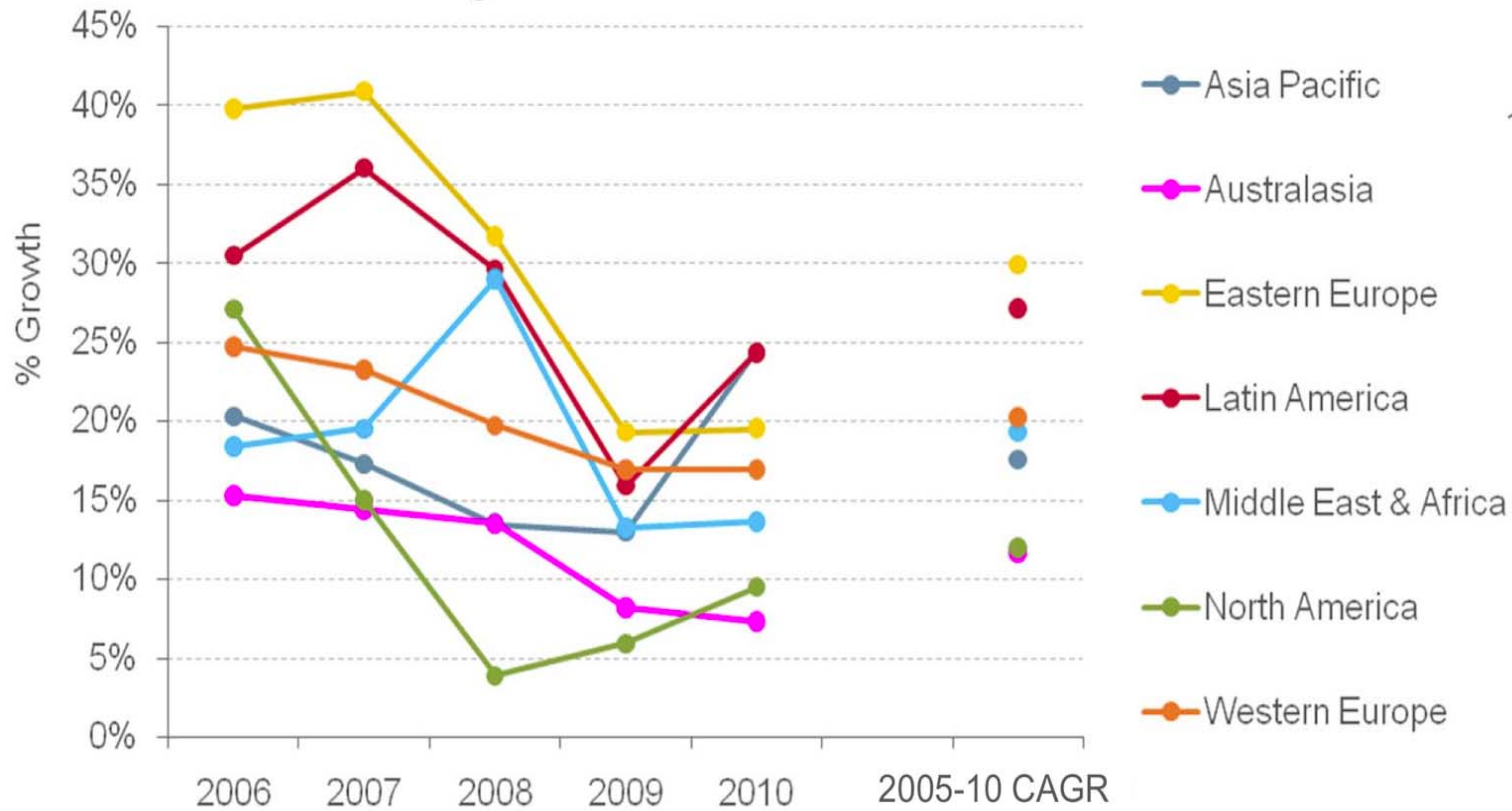
Nicola Costantino

B2c: global trends

Retail Sales Growth by Channel 2005-2010
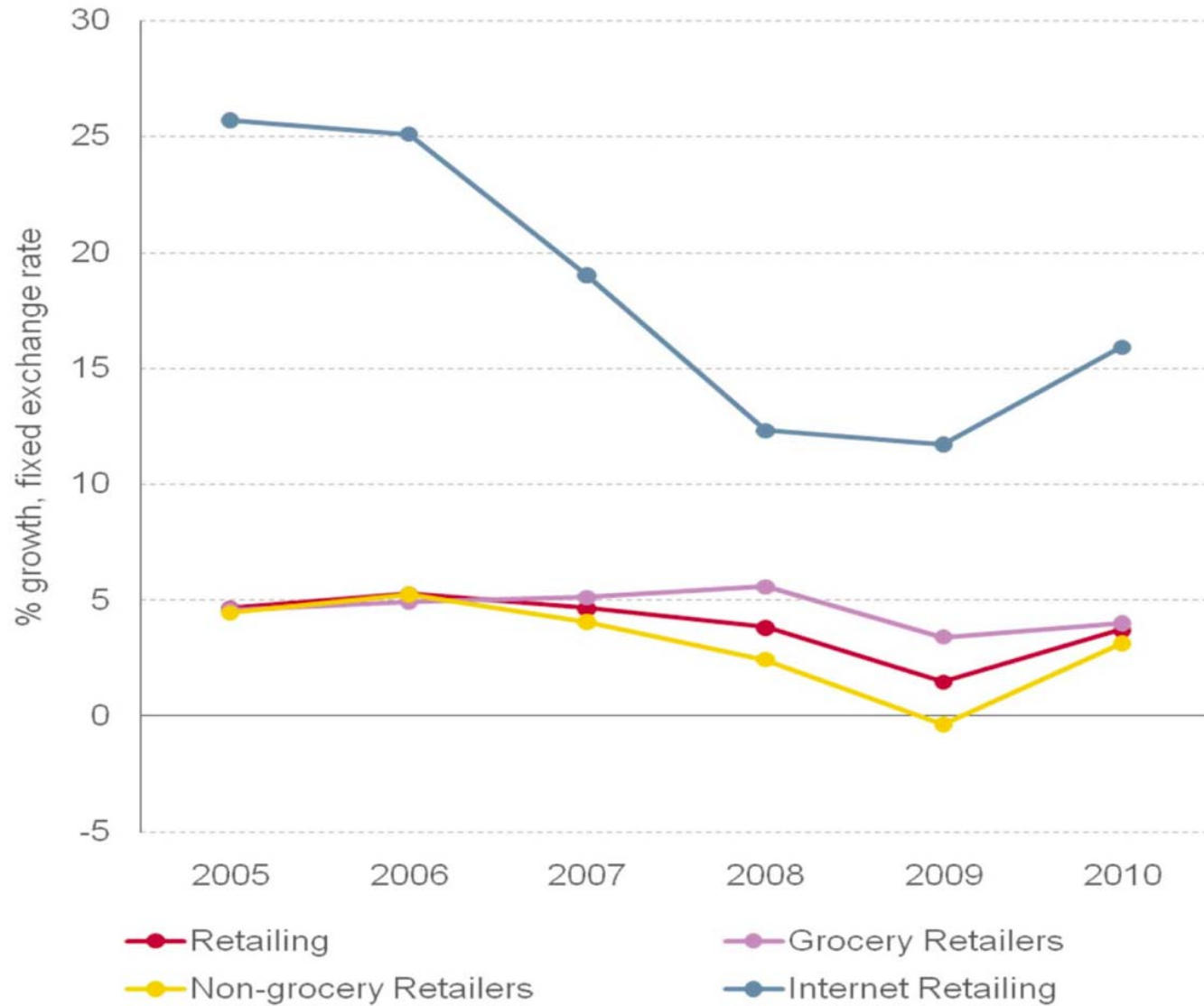
Regionalgrowth 2005-2010
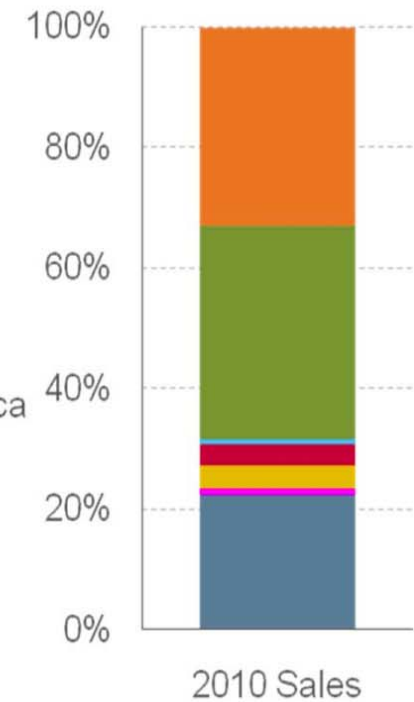

Regional Growth 2005-2010

Actual Internet Retailing Sales by Region 2010

- Asia Pacific
- Australasia
- Eastern Europe
- Latin America
- Middle East & Africa
- North America
- Western Europe

Absolutevalues

Internet Retailing Sales by Region in 2011
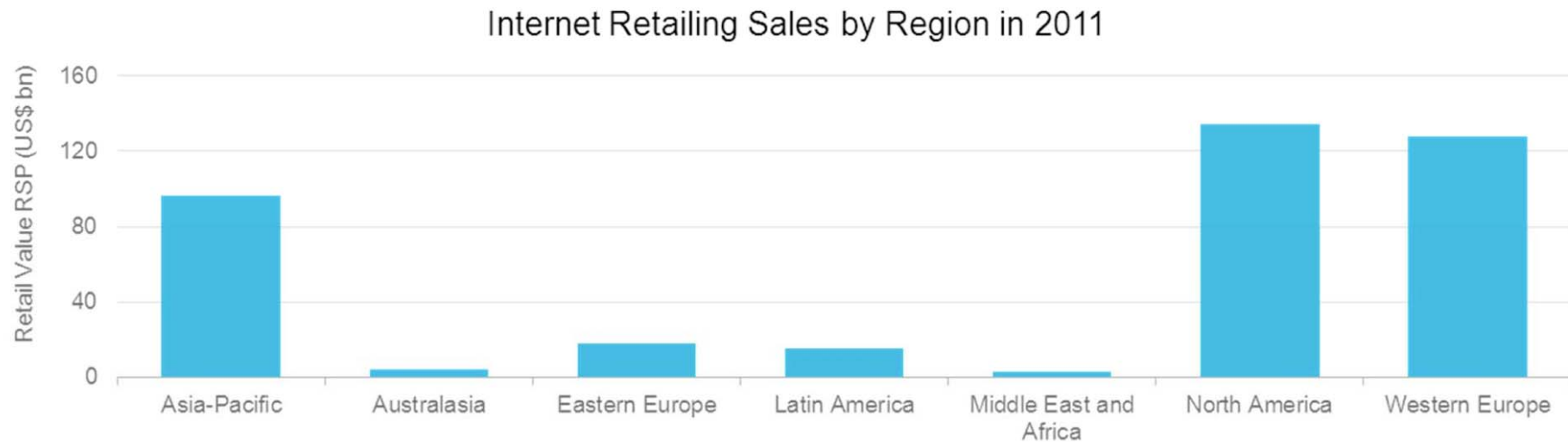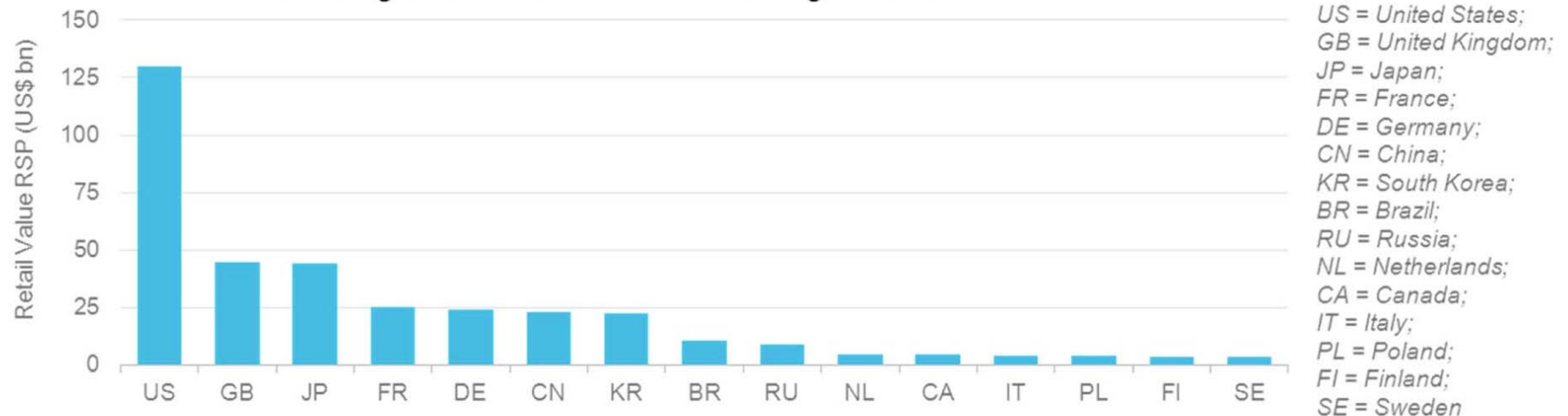

By absolute value, in 2011, the two most important markets for internet retailing were North America and Western Europe, but the context is quickly changing: according to *The Economist,* in 2012 e-commerce sales in China reached the USA's ones, and in 2015 the former will outsell the latter by 50%.

Country context

Leading Countries: Internet Retailing Sales 2011

Key:
US = United States;
GB = United Kingdom;
JP = Japan;
FR = France;
DE = Germany;
CN = China;
KR = South Korea;
BR = Brazil;
RU = Russia;
NL = Netherlands;
CA = Canada;
IT = Italy;
PL = Poland;
FI = Finland;
SE = Sweden

Looking at the single countries, in Europe the bigger internet retailing markets are United Kingdom, France and Germany, while Italy registers retail values similar to those of the smaller Netherland, Sweden, Finland and Denmark. In per capita terms, the leading European markets are United Kingdom, Finland and Denmark.

National differentation

- National differentiation seems depend both on subjective (age, income and instruction level of clients, cultural habits) and objective (internet diffusion, connection facilities, product features, and so on) parameters.

- According to studies, *GDP, mobile penetration, Internet user penetration* and *credit card penetration* are enabling factors of b2c e-commerce value across countries, whereas *unequal distribution of income* and *development of traditional retailing network* act as inhibiting factors.

Italianretailingcontext in 2010

- internet retailing in goods amounted to 3,019 million € (1.0% of total retailing in goods).

- 59% of Italian households had internet access at home, and 49% used a broadband connection to access the internet (compared to 70% and 61% of EU households on average, respectively).

- 43% of Italians who had internet access at home shopped online at least once a month (compared to 48% of EU consumers on average).
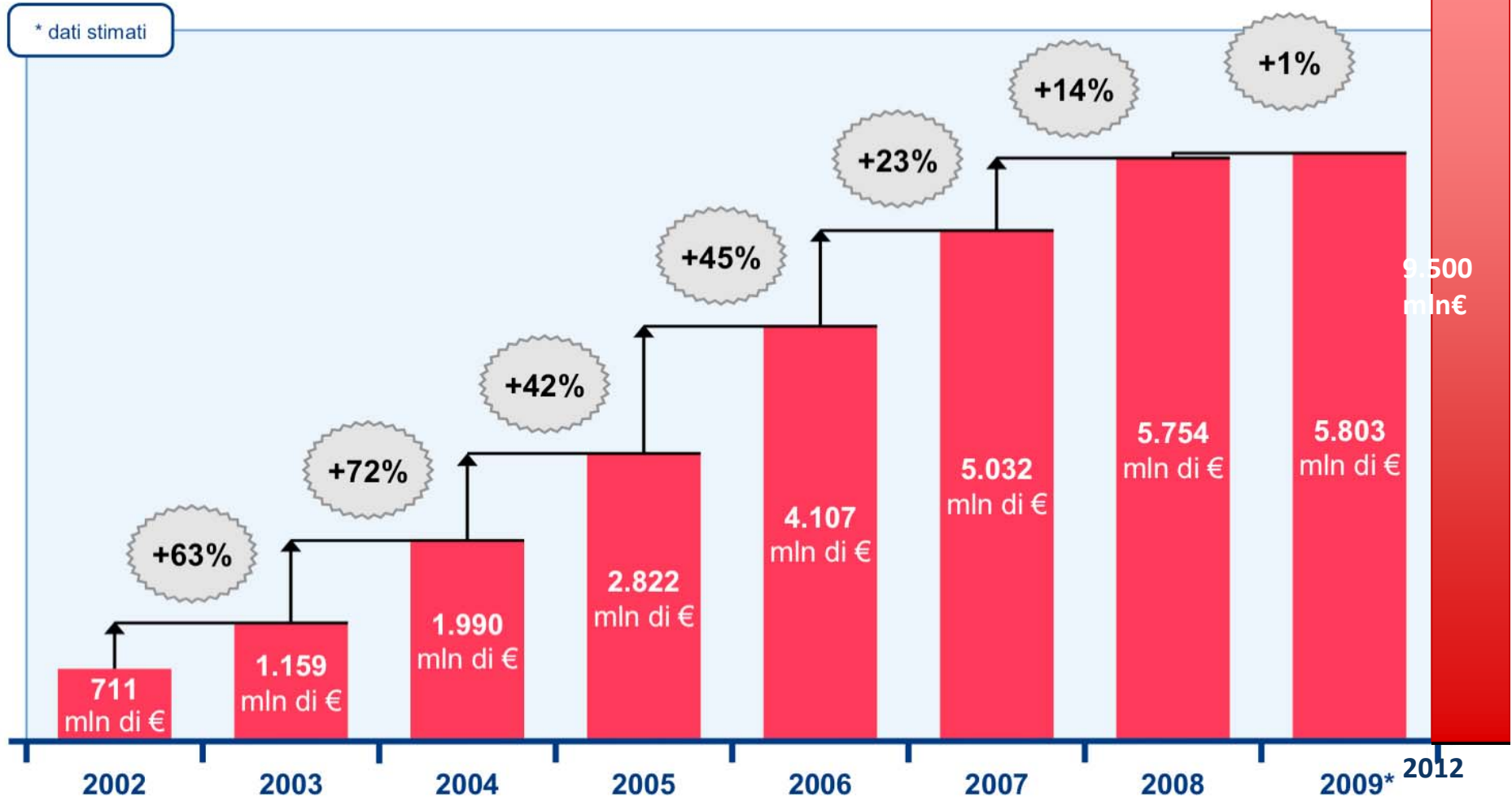
Italian e-b2c: supply side (1)

- The value of b2c products sold by Italian firms online registered a very strong growth from the beginning to 2008.

- 2009 registered a slowing down that was overcame in the further three years.

- In 2012 the value of b2c sold by Italian firms was about 9,500 million €: 64% more than 2009 and 19% more than 2011.

Italian e-b2c: supply side (2)

* dati stimati

Year	Value	Growth
2002	711 mln di €	
2003	1.159 mln di €	+63%
2004	1.990 mln di €	+72%
2005	2.822 mln di €	+42%
2006	4.107 mln di €	+45%
2007	5.032 mln di €	+23%
2008	5.754 mln di €	+14%
2009*	5.803 mln di €	+1%

Italian e-b2c: supply side (2)

* dati stimati

+63%
+72%
+42%
+45%
+23%
+14%
+1%

711 mln di €
1.159 mln di €
1.990 mln di €
2.822 mln di €
4.107 mln di €
5.032 mln di €
5.754 mln di €
5.803 mln di €
9.500 mln€
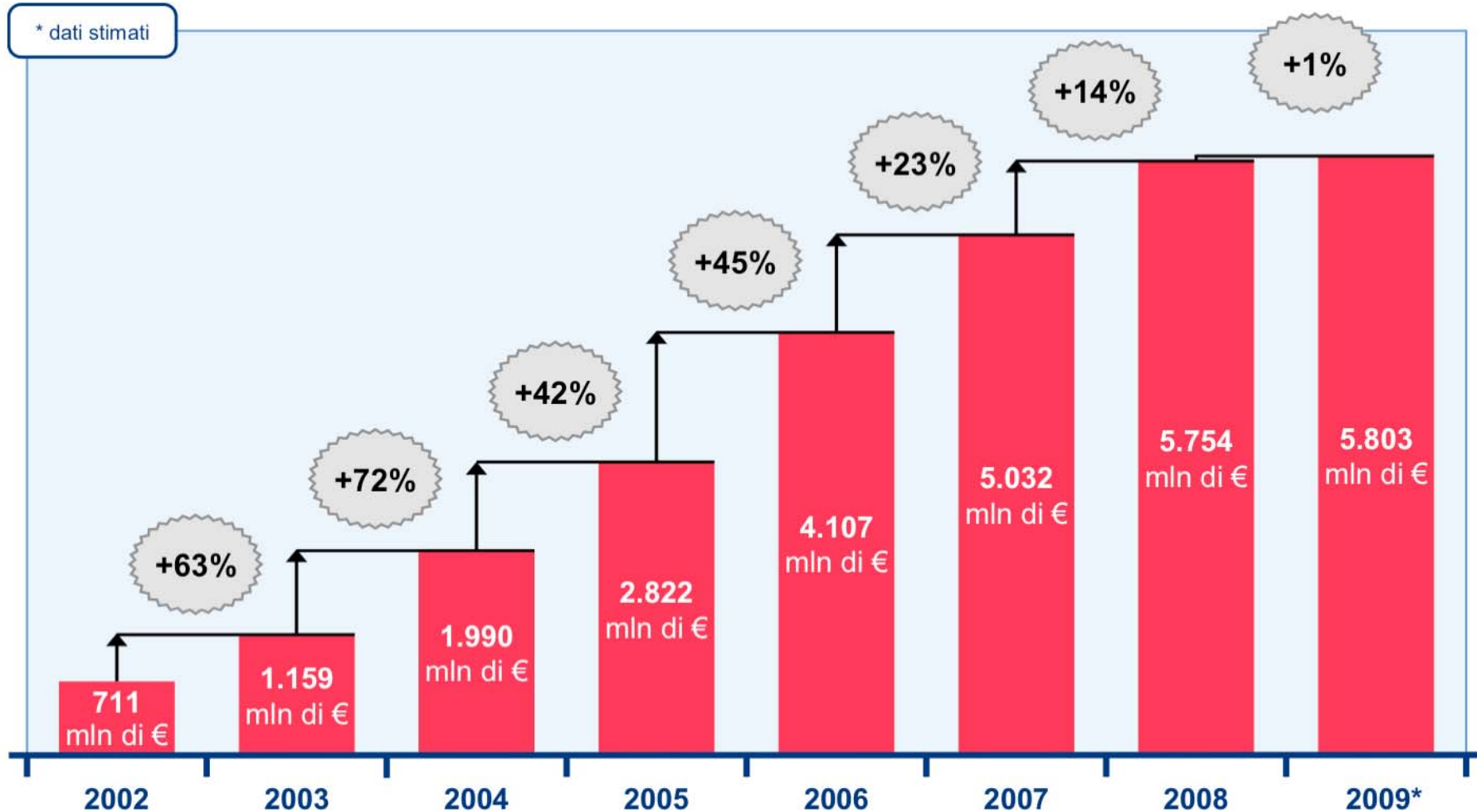
2002   2003   2004   2005   2006   2007   2008   2009*   2012
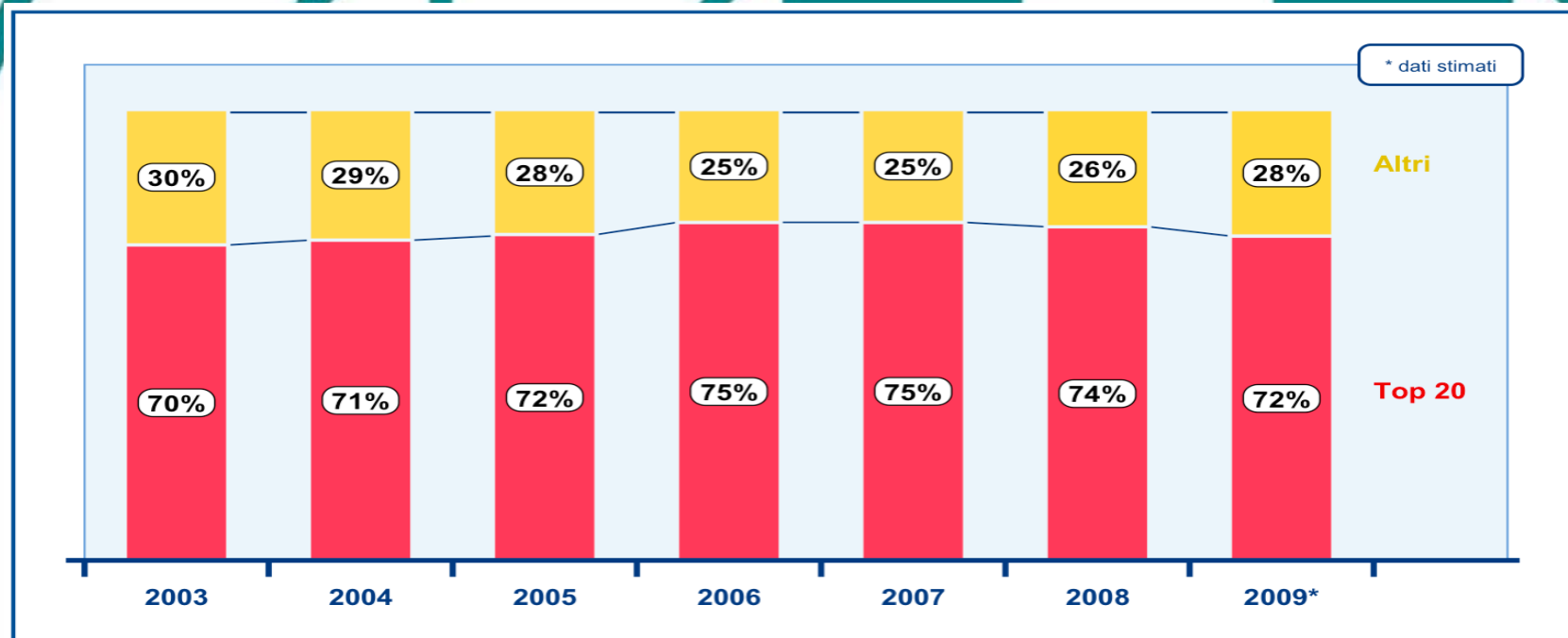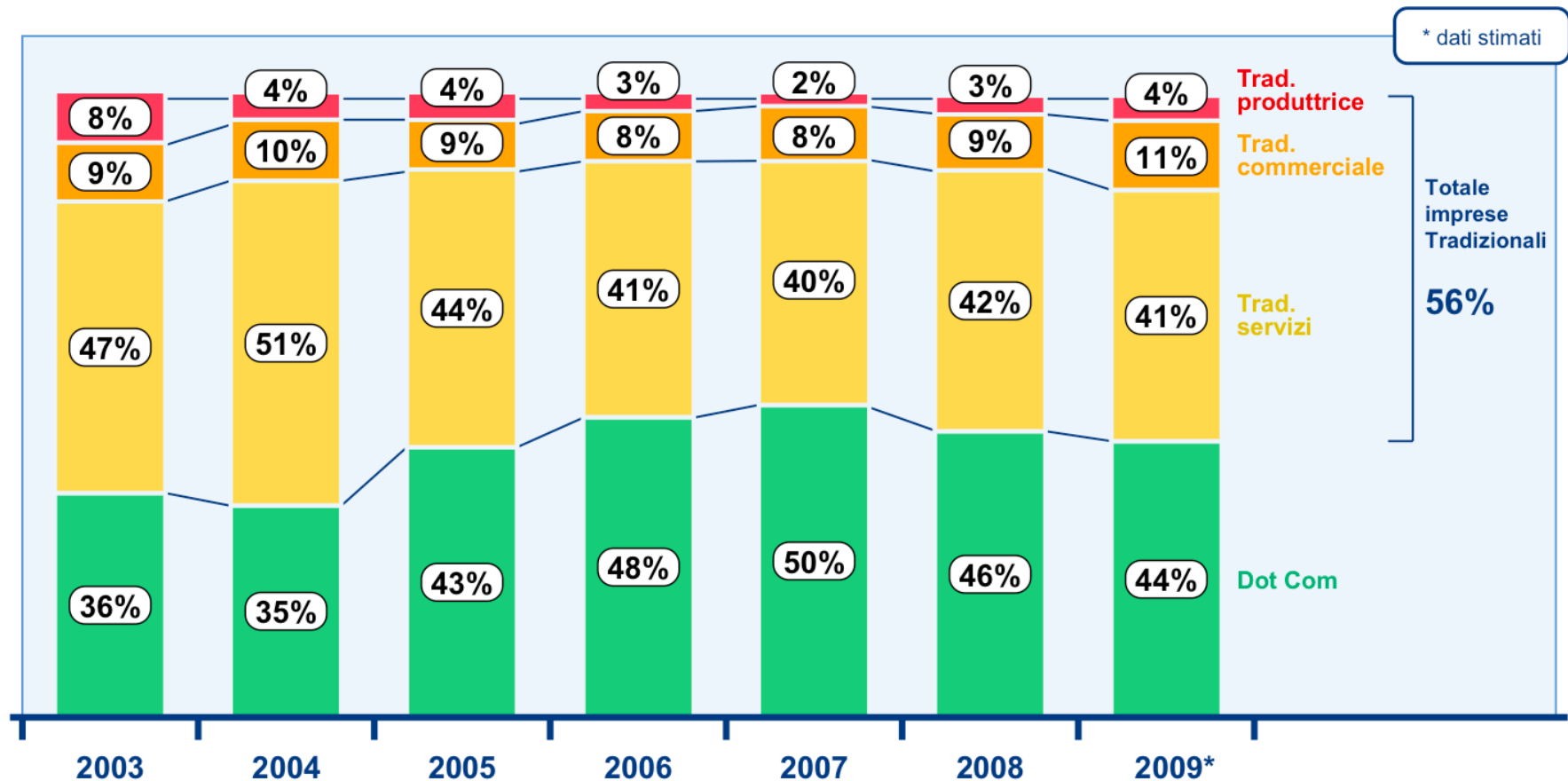
Italian single markets
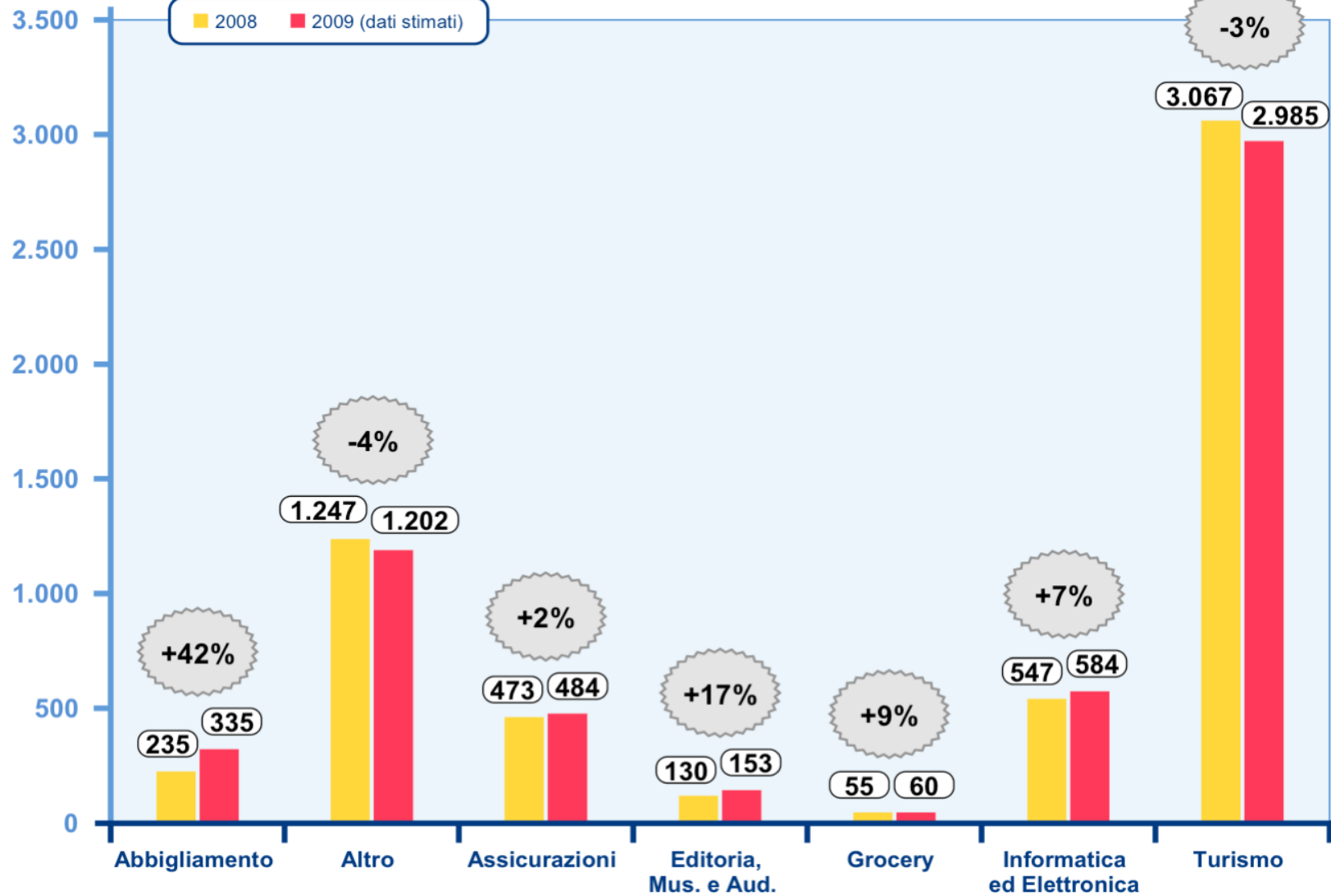
Concentration index

In 2003-2009, the top 20 retailers sold 75% of the total. 12 of the 20 are tourist operators, 4 assurance companies, 2 mobile telephone operators, and only 2 sell physical products.

Traditional and dot.comfirms

- Around 44% of Italian b2c retailing is developed by dot.com

* dati stimati

	2003	2004	2005	2006	2007	2008	2009*	
Trad. produttrice	8%	4%	4%	3%	2%	3%	4%	
Trad. commerciale	9%	10%	9%	8%	8%	9%	11%	
Trad. servizi	47%	51%	44%	41%	40%	42%	41%	Totale imprese Tradizionali 56%
Dot Com	36%	35%	43%	48%	50%	46%	44%	

A SWOT analysis

- Also in a country not particularly digitalized, ad Italy,e-commerce is going to dramatically change commerce practices in almost all market sectors: sometime, replacing "traditional" physical market models with (often totally different) virtual ones; in other cases supporting "as usual" business approaches with I.C.T. virtual tools.

- So, we propose a synthetic S.W.O.T. analysis of e-b2c current practices.

Strengthfactors (1)

- Strength factors of b2c e-commerce are principally connected with its dramatic scale effects and with the impressive reduction of transaction costs.

- In a virtual store it is possible to extend the "shelves" of offered products with no space limits, and catch up with people everywhere in the world at a very low cost.

- So also not very requested goods can be hosted in the virtual stores at almost no cost.

Strengthfactors (2)

- Furthermore, it's possible to develop profitable business also by offering virtual products for free to most "clients", as long as some client is willing to pay for an "improved" (or "professional") version of the same products, or for the possibility to propose their advertising to the "for free" clients.

- For "traditional" goods, the direct contact between e-seller an e-buyer allows to dramatically shorten the supply chain.

- The most important advantages of such strength factors are connected with the dematerialized "goods" (so becoming services): music, video, and so on.

Weakness factors

- The weaknesses of b2c e-commerce for all "physical" products depend on the absence of a direct, material contact between the potential client and the offered goods.

- The delivering process can be another important limit of b2c e-commerce of physical products.

- Such a limit becomes particularly relevant when expensive are sold by distant, foreign producers: it can be very difficult (and expensive) to enforce a foreign seller for a defective good or for an "unfaithful" touristic service.

Opportunities

- The more important opportunities of b2c e-commerce are connected with the impressive global diffusion of internet connections and with the further possible passing of physical limits.

- New leading-edge technologies will soon allow to enlarge the range of dematerialized products. In a few years, with the diffusion and the improvement of 3D "printers" it will became possible to "print" in our homes physical good delivered online.

Threats

- The principal threats are the difficulties to solve the weaknesses (particularly for goods), and the vulnerability of the web to unfair, or criminal behaviours.

- In the early stages of e-commerce the reputational features of the commercial relationships were the most important obstacle to the large diffusion of some e-business activity.

- Nowadays the massive use of reputational tools seems to be able to constitute a good virtual substitute of the traditional "word of mouth" development of the commercial reputation of a supplier.

Conclusions (1)

- b2c e-commerce will probably meet – in next years – a broader diffusion both by a geographical and a typological point of view.

- Last years experiences showed the most relevant changes in **product innovation**, particularly in the dematerialization process of media back-up. The transmission simplicity of such "products" is also increasingly modifying the nature of the related markets: from buying (to hold) to pay per view (or listening, or – perhaps – reading).

Conclusions (2)

- But the (potential) more impressive changes could come from **process innovations** such as the "brick and click" approach, or the diffusion of "3 D printers" able to produce physical objects directly in our homes, after the online delivering of only their "designs", with the "additive manufacturing" process.

- When, how, in which way, and at what extent are such phenomena going to happen?

- Nobody can answer for sure: as Yogi Berra once said: *"It'stoughtomakepredictions, especially about the future"*.