

AN OVERVIEW
OF ASPECTS
TRENDS &
CHALLENGES IN

E-commerce INDUSTRY MERCE



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EXECUTIVE SUMMARY



E-commerce is a developing sector that has generated new dimensions in economic growth and that holds the potential to add a higher value to businesses and consumers. In light of these factors, e-commerce could be said to represent one of the most important developments since the Industrial Revolution. The internet is a dynamic tool for communication and a source of information that has quickly and dramatically transformed the way we interact and connect with one another and it can be the instrument with the quickest spreading of all the times. The ongoing digital revolution facilitated the current global reach of the internet, setting the stage for the precedence of the e-commerce industry. Today, 4 billion people (53% of the world's population) are connected to the internet, and

almost all of them (92.6%) use their mobile devices to do so. Every day, 85% (3.4 billion) of users connect to the internet and spend six and a half hours online on average. Consumers spend more time on an expanded range of diverse digital activities with increasing frequency. It is undisputed that internet accessibility, mobile technology and digital innovations have redefined interactions between individuals and will continue to enable and disrupt many aspects of the lifestyles of consumers into the future. The "connected life" has become ubiquitous and the proliferation of access and usefulness continues to transform how customers integrate data, interfaces and exchanges to help simplify their increasingly challenging lives, as well as add flexibility and personalization.

Conventional connected use has multiplied across communication platforms, spaces for social engagement, information portals, financial transactions, gaming and video content to appeal to online buying behaviors. Companies recognize the influence and impact their online presence has had on in-store sales growth (via branded digital properties such as websites, advertising, and social media), and this development has encouraged other businesses to follow suit. Success and sustained growth for manufacturers and retailers will involve creating strategic advantages across converging channels, touchpoints and experiences along the path to purchase, both in developed and developing markets, as well as evolving and emerging categories. Advancement in e-commerce ultimately depends on consumers; their conduct, practices for internet use, adoption drivers, tipping points and difficulties.

* Global retail e-commerce sales are projected to reach USD 27 trillion by 2020.

* In 2017, the e-commerce industry came to the fore when it surpassed 10% of all global retail sales. Today, e-commerce is a USD 2.2 trillion market, and it is expanding at an annual growth rate of 24%, four times faster than the global retail sector as a whole. E-commerce is becoming the key growth engine for retail - its contribution has risen from 7% in 2012 to 39% in 2017, and is expected to surpass 50% by 2020.

I. The Nielsen Company, (2018). Connected commerce.

* The Asia-Pacific region is forecast to account for two-thirds of global e-commerce by 2021 when sales will total USD 28tn while North America and Western Europe's share shall decrease accordingly.

* A number of trends in e-commerce took hold in 2018 and will continue to play an important role in 2019. These include chatbots, voice assistants, and omni-channel marketing, as well as personalization and localization, video content, social and mobile commerce.

* The New, or Digital, Economy has changed the conditions in which many people live and work; it makes the leap over the existing obstacles of the traditional economic development possible. New productive sectors emerge and change the structure and organization of the old activities drastically. The history of economic growth suggests that such a process of structural change is crucial for accelerating growth.

* One of the biggest challenges for e-commerce companies is setting yourself apart from the crowd. That's where value propositions (features and services that make you more attractive to customers) come in handy. When you use effective value propositions, you help customers understand what makes you different, which can result in more conversions and revenue.

KEY FINDINGS



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SECTION1 E-COMMERCE OVERVIEW

SECTION2 E-COMMERCE LANDSCAPE

SECTION3 OPERATING ENVIRONMENT

SECTION4 COMPETITIVE LANDSCAPE

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* The largest e-markets in the world are: China: USD 672 billion, US: USD 340 billion, United Kingdom: USD 99 billion, Japan: USD 79 billion, Germany: USD 73 billion, France: USD 43 billion, South Korea: USD 37 billion, Canada: USD 30 billion, Russia: USD 20 billion and lastly Brazil: USD 19 billion.

* By 2025, online FMCG will be a USD 170 billion business, and hold a 10% total market share, up from 4.6% in 2016. South Korea and China will continue to lead the way and Asia in general remains at the cutting edge of online adoption

* In markets around the world, it is most likely that consumers will enter the online retail sphere through such categories as travel, entertainment (books, music, events) and durable goods (fashion, IT/mobile, electronics).

* Pure e-commerce will be reduced to a traditional business and replaced by the concept of New Retail - the integration of online and offline activities, logistics and data across a single value chain.

* Social commerce is an emerging category of e-commerce, which allows users to participate in buying and selling products and services through an online platform. 74% of consumers rely on their social networks to make purchasing decisions. Additionally, 56% of users that follow brands on social media do so to view products. The integration of commerce into social media depends heavily on geography.

* 63% of American consumers check the return policy before making a purchase and 48% would shop more with retailers offering hassle-free returns.

* Humans are more comfortable communicating with robots and, in many cases, robots simply get the job done faster and more efficiently. By 2025, it is predicted that 5% of all US e-commerce transactions will consist of some form of auto-replenish or subscription processes.

* The raise of m-commerce: Global mobile phone market penetration is predicted to reach 67% by 2019, of which 2.7 billion will be smartphone users.

* The number of people with smart speakers enabled with voice-activated virtual assistants almost doubled over the last year from 14% in 2017 to 27% in 2018.

* In 2019, we have seen a huge surge in the development of chatbots. Chatbots will be involved in 85% of all types of business to customer interaction by 2020.

* The emergence of block chain: credit and debit cards were used in over 100 billion transactions in 2015 for a value of USD 5.72 trillion. However, 31.8 million US consumers were victims of credit card fraud in the previous year.

* Shoppers value immediacy as 88% of consumers are willing to pay extra for same-day or faster delivery.

* More than 60% of online shoppers worldwide consider e-commerce pricing as the very first criterion affecting their buying decision.

* The US remained the top deal market, contributing approximately 20% of total deal volume and 36% of total announced deal value in 2018.

* Since 2007, the e-commerce sector, encompassing fulfilment centres and other related working environments, has generated 355,000 new jobs. That growth far exceeds the 51,000 jobs lost since 2007 in the "general retail" sector.

* By 2022, digital roles are expected to grow by 22 % globally, with the internet generating an estimated 2.6 jobs for each job lost to technological advancement. In fact, some analysts believe these changes will result in a net gain of 2.1 million jobs by 2025.

* By 2023, around 700,000 additional tech specialists will be needed.

STRUCTURE & STUDY REPORT



The report is made up of six sections each focusing on different aspects of e-commerce.

The first section, "E-Commerce Overview", introduces the topics of e-commerce across the globe. The study begins with a discussion of the e-commerce structure which analyzes the basics of the e-commerce environment. It focuses on the idea of the digital transformation and the importance of this idea in the digital age while introducing the most important elements of the e-commerce sector in order to understand its relevance within this sphere. The term is further defined, as well as the differences between traditional trade and online trade and the key activities an e-business can deal with. An important part of the first section is the e-commerce snapshot. This is presented through the current situation regarding to e-commerce for each region and additionally for the most important countries/areas within it. The snapshot includes such information as demographics, payment preferences, top players, e-commerce growth, internet penetration, age range, stats and key characteristics of each area. The next part of this section, 'Adjacent Markets', indicates ways in which existing companies utilize new technologies to raise profit margins. The last part of the first section deals with key success factors in which all the important elements for a successful e-business are analyzed. Another topic the first section provide is the performance in e-commerce. How performance can be measured and all the important KPI's and all the forecasts have been provided by the preliminary research global organizations have conducted. In the end of this section, information related to the world economy and the dynamics in e-commerce is provided. A very important, for every business plan, five force analysis and also the role of e-commerce in economic growth plus the e-commerce customer life cycle.

Section 2 focuses on the e-commerce landscape. Having previously assimilated all the relevant information about each region through the snapshot, this section further analyzes major emerging markets. Markets that have accrued the biggest growth and giants in e-commerce have made their initial attempt to establish themselves within the e-commerce sphere.

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Important information regarding major markets and industries within e-commerce is also provided in addition to added value offerings a business should offer in order to be competitive and successful in this field. In this section, market trends are analyzed in relation to the drivers of change and the separate benefits of e-commerce for stakeholders (for society, the environment, consumers and businesses). Lastly, this section discusses the key issues and challenges in the e-commerce field. Barriers, challenges and opportunities are analyzed in relation to the impact of new technology on e-commerce growth.

Section 3 includes information related to the operating environment of an e-commerce business. Pricing strategies, costs, technology, processes and systems are some of the topics that have been analyzed in this section. A business model (including revenue models, delivery models and product models) represents another important determining factor in the decision-making process should make and so all the information provided at this point must be understood and read very carefully before the final decision is taken. The last part of this section covers political and regulatory issues as have a strategic impact upon both existing e-businesses which are trying to further expand or other businesses that are also planning to operate digitally.

Section 4 provides all the important information regarding the competition that a unit manager might need to know in the current competitive e-commerce landscape, including dynamic knowledge regarding key and emerging issues in relation to globalization. This information covers such aspects as top key players in each region and competitive dimensions to give a wider perspective of the competitive landscape. At the end of this section, successful cases and more details regarding the latest M&As in the e-commerce industry are provided to better understand the best practices that leaders should apply.

Section 5 deals with various evolving themes, such as changing workforce dynamics, employment trends, salaries and other future workforce projections. A look at other issues surrounding education and technology complete this section of the report.

Section 6 is entitled 'Shaping the Future'. This is the last section of the report and covers a glimpse at the future in relation to the report's findings. The purpose of the overall report is to help develop a wider picture of the current e-commerce sector; proposing recommendations for future developments and the best business practices in relation to this field. This section also includes some suggestions for adapting to the ongoing wave of sustainable growth and presents a conclusion to the overall findings.

OBJECTIVES & SCOPE OF STUDY

The role of the study is to provide useful insights regarding the e-commerce industry. An Industry Snapshot, developing trends, business growth, opportunities and threats are all addressed through the research study. The research provided is targeted towards anybody interested in further extending their business within the e-commerce sector. The report in its entirety provides a comprehensive overview of the current global condition in relation to the e-commerce sector and so is able to provide a concise and up-to-date analysis that will facilitate informed and effective decision-making.

The scope of the research study is to:

Provide an industry overview. In order to succeed in the rapidly-evolving working environment, businesses need to have a clear understanding of the position they want to take, whether they want to shape the sector, follow market leaders quickly, foster conditions for future changes or adapt to the changing sector. They also need a clear strategy to address these challenges and priorities, including a consideration of third-party partnerships and the lessons learned from them. Information regarding the competition, future projections and the current situation is very useful for decision makers, as this enables them to understand the landscape and the dynamics of their field.

Understand the market trends. The wider sphere of e-commerce activity is based on the evolution of technology, and so technical innovations play a major role in the sustainability and the profitability of e-businesses. Trends like Artificial Intelligence (AI), Augmented Reality (AR), Voice search, Voice Assistants, Chatbots, M-Commerce and Social Commerce should be adopted by companies in order to provide a more personalized

and customer-oriented experience and keep existing customers satisfied. **Customer satisfaction affects customer retention, and both these factors affect overall business profitability and sustainability.** Cover the whole operations around the core business and key elements to guarantee success. Various business costs, workforce and employment issues, education and training staff are some of the factors affecting business success and these aspects should be taken

into careful consideration. Technology, processes and systems are also important elements for the success and companies should spend time and effort to make sure that the best decision has been taken with regards to these areas.



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NOTE ON RESEARCH PROCESS & METHODOLOGY

Our study collection provides a distinctive, qualitative and quantitative view on the e-commerce sector. A qualitative evaluation, based on a literature review, reinforces the quantitative analysis as a means of exploring and illustrating the current scenario and the e-commerce growth prospects.

For this research study, confidential and proprietary sources, professional networks, annual reports, investor relationship presentations and expert interviews have used to compete a valid information report and produce useful knowledge for our clients. Additional information has been obtained from articles written by leading e-commerce mentors and business analysts among other established authors with applied experience in the e-commerce sector and other researchers and e-commerce influencers. Various books, industry reports and other studies and papers provided the rest of the information included in this report.

Statista, eMarketer and other valid organizations provided us with all the data and numbers we needed in order to analyze this sector and provide our clients with useful industry insights.

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SECTION I E-Commerce Overview



Commerce is a company component including all those operations that promote exchange. There are two types of operations included in trade, namely trade and auxiliaries to trade. The term trade refers to the buying and selling of goods and services in exchange for cash or payment-in-kind whereas auxiliaries to trade implies all those activities, including banking, insurance, transportation, advertisement, insurance, packaging and so on, which help in the successful completion of exchange between parties.

Trade ultimately includes all those operations that simplify the exchange of products and services, from the supplier to the end consumer. When the goods are produced, they do not reach the customer directly, but has to pass from multiple operations which are included under commerce. Its primary role is to fulfill the wishes of consumers by making products easily available to them, at the right time and place.²

E-commerce retail has become the fastest growing trade area and has outpaced every other trade and manufacturing sector. Global retail e-commerce sales are projected to reach **USD 27 trillion by 2020.**

I.I. E-COMMERCE STRUCTURE

I.I.I. Digital Transformation:

INTRODUCTION

As digital technology becomes more advanced and plays an ever-bigger role in our daily lives, businesses will have to keep up with the times. Technological innovations are able to transform the overall means of production, distribution and customer service operations regardless of industry and trading goods.

Digital transformation impacts every industry. While digital transformation is predominantly used in a business context, it also affects other organizations such as governments, government sector agencies and organizations engaged in addressing environmental and societal problems such as pollution and aging populations by leveraging one or more of these current and emerging techniques.³

Digital transformation is the profound modification of business and organizational activities, processes, competencies and models to fully utilize the changes and opportunities of a mix of digital technologies and their accelerating impact across society in a strategic and prioritized way, with present and future shifts in mind.²

Digital transformation is a business transformation. It is a transformation that is driven by the basic desire to make work better for everyone, from employees to customers.⁴

Digital transformation adds value to every customer interaction. It is changing the way business gets done and, in some cases, creating entirely new classes of businesses. With digital transformation, companies are taking a step back and revisiting everything they do, from inner systems to online and in-person client interactions. Thinking,

planning and building digitally set you up to be agile, flexible and ready to grow. CapGemini Consulting was one of the first corporations to engage with the concept of digital transformation and formulate a digital transformation framework as it is shown in the Figure 1 below. The company did so in collaboration with the 'MIT Center for Digital Business' defining an effective digital transformation program as one that looked at the what and the how across a three-year study.³

“Every digital transformation is going to begin and end with the customer, and I can see that in the minds of every CEO I talk to”

As digital technologies dramatically reshape existing industries, many companies are pursuing large-scale efforts to change and to capture the advantages of these developments or merely to keep up with rivals. In the following passage, we will examine the effective case of digital transformation of **Netflix.**



2. Surbhi S. (2018). Difference Between Traditional Commerce and e-Commerce.
3. I-scoop. (2018). Digital transformation: online guide to digital transformation.
4. Salesforce. Common Reasons Why Businesses Go Through Digital Transformations.

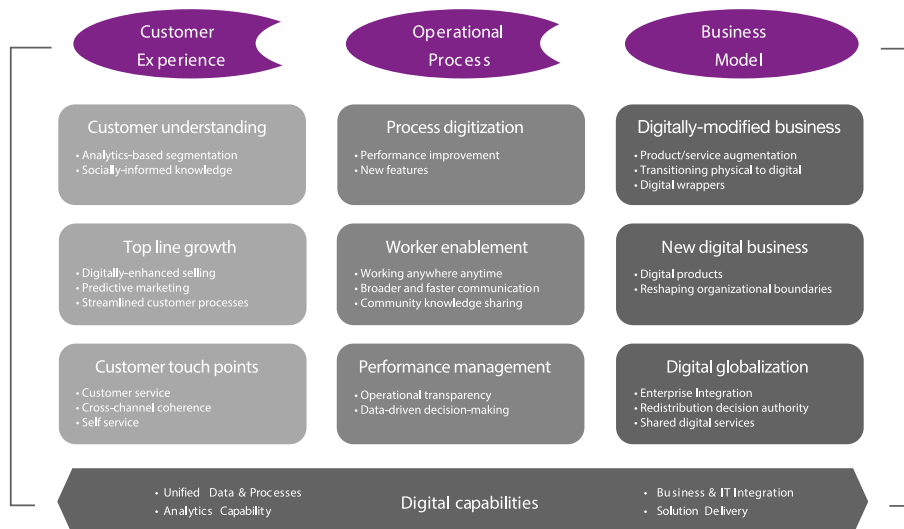
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Figure 1:

Digital Transformation Framework by Capgemini Consulting and the MIT Center for Digital Business. Retrieved from: ³

~ Marc Benioff, Chairman & CO-CEO, Salesforce ⁵ ~

an obvious disruption to the brick-and-mortar video rental business. Embracing streaming also led to Netflix looking at what else it could do with the available technology. That led to innovations such as an artificial intelligence-driven content recommendation system. ⁵ Technology innovation and digital transformation are not only vital in the retail industry but also to products-manufacturing businesses. The ever-present technology behind omni-channel strategies and big data enable middle-market consumer product companies to better understand their consumers - what, why and when they go about buying products or services. To stay competitive, companies need to transform their technology strategies. This means not only leveraging emerging mobile and social platforms to connect with consumers on the front-end, but also optimizing back-end technology to allow quicker, more precise reporting of management and supply chain metrics. ⁶



Netflix began as a mail order service and soon began to overtake the traditional video-rental business. Digital innovations then made it possible to stream video on a wide scale. Today, by providing an increasing on-demand content library at ultra-competitive rates, Netflix has taken on traditional broadcast and cable television networks, video-rental services and manufacturing studios in one go.

Digitization enabled **Netflix** not only to stream video content to customers directly, but also to gain unprecedented insight into viewing habits and preferences. It uses that data to inform everything from the design of its user experience to the development of first-run shows and movies at in-house studios, representing the power of digital transformation in action: taking advantage of available technologies to inform how a business is run.

Before Netflix, people chose to rent movies by going to stores and perusing available physical media such as tapes and DVDs. Digital content libraries are now served on personal devices, complete with customized user preferential options and reviews.

Streaming subscription-based content directly to people's TVs, computers, and mobile devices was

1.1.2.

Traditional Commerce vs Electronic Commerce

E-COMMERCE DEFINITION:

E-Commerce, also known as electronic commerce or internet commerce, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions. E-Commerce is often used to refer to the sale of physical products online, but it can also describe any kind of commercial transaction that is facilitated through the internet. An American retail platform, NetMarket, hosted the website from which the first ever online sale was made, on August 11, 1994. The first item sold online was a CD by the musician Sting, kickstarting the e-commerce boom and providing the first ever example of a consumer purchasing a product from a business through the World Wide Web. E-commerce has since developed to facilitate the ability to search for and purchase products through online retailers and marketplaces. Independent freelancers, small businesses, and large corporations have all benefited from e-commerce, which enables them to sell their goods and services on a scale that was not possible with traditional offline retail. ⁷

In e-commerce, all business activities, including selling, ordering, purchasing and payments, are performed online. Technologies such as electronic data interchange, email and electronic fund transfers are used to complete transactions and payments. E-commerce is not limited to conventional business hours but is a 24/7 affair and can be done anytime day and night. Products and services are not examined physically and there is no face to face communication as such processes depend instead upon screen-based interactions. In e-commerce, there are no physical limitations and the modes of payment include electronic funds transfer, credit card numbers and more. Finally, e-commerce relied upon shipments for the delivery of the products. ⁸

5. Salesforce. What is Digital Transformation? | A Definition by Salesforce.

6. RSM. Digital transformation in the consumer products industry.

7. Shopify. Ecommerce Definition - What is Ecommerce.

8. Nderitu, G. (2018). Difference between Traditional Commerce and Ecommerce | Difference Between.

TRADITIONAL COMMERCE CHARACTERISTICS:

Traditional Commerce is the process of exchanging goods and services in the form of monetary transactions directly within a specific geographical area. Traditional commerce is as old as civilization itself, and has its roots in a simple system of bartering goods before the invention of currency. Today, traditional commerce largely relies on operating within business hours set out during a specific period of time and requires preparing a housing inventory or occupying a retail store.

Furthermore, traditional commerce often relies on face-to-face interactions with consumers and thrives on word of mouth, networking, and customer referrals for new and repeat business. Personal interaction is a key component of businesses experience success with traditional commerce. Traditional Commerce does not typically share information with competitors and handle advertising, inventory shipping and creation of products and services in-house with a staff of employees in close proximity.⁹ Figure 2 (below) summarizes all the characteristics and differences between the traditional commerce and e-commerce.

The basis of comparison Between E-commerce vs Traditional commerce. Retrieved from: ¹⁰

	E-COMMERCE	TRADITIONAL COMMERCE
Definition	E-commerce is a form of online shopping where users can buy goods and services from their electronic devices such as a laptop, mobile, tablet.	Traditional Commerce is the traditional approach to buying goods and services in person through face-to -face dealing.
Usage	It is used to save valuable time and money.	It is omnipresent and still in usage in areas where the digital network is out of reach.
Process	It is easier to use and operate if the customer has basic knowledge of digital gadgets.	It can be followed by any person irrespective of theoretical or technical knowledge.
Mode	Electronic or digital mode only	It can be accessed in any non-electronic or manual form.
Time	Available round the clock	Available during the limited time as prescribed by the law and based on the type of business.
Purchase	Physically inspecting a product before purchasing is not usually possible	Inspecting a product before purchasing is possible in a tradi-tional commerce business model.
Involvement	Involves only digital gadget engagement to place an order	Involves the face to face involvement of both buyer and seller
Business	Enables more business to be done and facilitates hassle-free practices	It is difficult to generate a higher rate of business sales in this model
Maintenance	Easier to maintain and store goods	It is cost effective as display and showcase of the products are required to attract customers.

1.1.3.

Key Activities

in E-Commerce

People use the web in order to share information, plan events, connect with others, buy goods, sell products, make payments, do business, get and send emails, get maps and directions and enjoy digital entertainment (like sharing photos, watching videos, listening to music etc.). Online shopping is one of the

most popular activities people engage with while using the web. Listed below are listed some of the main types of the e-commerce activities consumers practice:

-ONLINE SHOPPING: A prevalent example of e-commerce is shopping via the internet.Virtual shops are developed online, often larger varieties of products than physical shop options. There are also online stores that profit from the absence of investment in physical infrastructure. Consumers can buy from either online marketplaces or other self-hosted e-commerce platforms.

-ELECTRONIC PAYMENTS: Payment systems for utility bills, phone, cable and internet bills and online shopping are another important aspect of e-commerce. Here, security needs to be ensured regarding credit card and personal information. People use electronic payments either directly or through bank websites or online payment systems that support money transfers and serve as an electronic alternative to regular transactions, such as PayPal, or through the use of other intermediates such as marketplaces or e-commerce sites.

-VIRTUAL AUCTIONS: One version of e-commerce is the online auction system popularized by eBay. These websites offer customers the benefit of selling to others at the best possible price. This is another sort of transaction where individuals, not buyers, respond as vendors.

-INTERNET BANKING: E-commerce has allowed many people to forego frequent visits to the bank and instead perform their regular banking activities online via through a secure banking service.

-ONLINE TICKETING: Ticketing for almost all types of activities is now done online. This involves transport tickets such as air travel, bus and trains, as well as entertainment and sporting event tickets. This makes it possible for individuals to prevent queues and attend events hassle-free.¹¹ Apart from products, people can also buy services and/or experiences online.

9 Reference.What Is Traditional Commerce?

10 Educba. (2019). E-commerce vs traditional commerce | Learn The 9 Important Differences.

11 Srivastava, S. (2019).What are e-commerce activities?



1.1.4. Key Elements for a Successful E-Commerce Business

Creating a successful e-commerce business is not an easy journey, particularly since the industry is highly competitive with small profit margins and a very high failure rate. There are though some critical success factors that every e-business should follow. Adopting digital culture, investing in logistics and supply chains and offering exceptional customer service experience are the top 3 priorities in e-commerce. A first-level analysis will be conducted in this section, that will encompass all three affecting factors.

“Supply chain: right product, right time, right place—for the right person”¹⁵

SCM refers to strategies that optimize the flow of materials or services to make available the product or service from inception to the end consumer. It aims to perform this task in an integrated and cost-effective manner and it is part of every successful company. The broad categories underlying the standard supply chain management for any industry include demand planning, sourcing, production, inventory management or storage and logistics. E-commerce has accelerated the supply chain process with consideration to the customers' expectations as well as increasing volumes.¹⁶ There is a series of different e-models based on the logistics strategy that we will analyze in a following section.

E-Commerce Logistics in Developed Markets

In developed markets, where purchased items are typically distributed via a postal, parcel or freight network, e-commerce logistics models have led to a wave of new demand for four distinct types of logistics functions:

- » Mega e-fulfilment centers where the merchandise is stocked and picked at item level. These facilities, which are either operated by the retailer or a logistics service provider, are typically 500,000 sq. ft to one million sq. ft in size, or even larger. They often operate 24/7.
- » Parcel hubs/sortation centers which sort orders by zip or post code so that they can be delivered to the relevant parcel delivery center for final delivery to the customer's home or designated collection point.

¹² LaSalle, J. L. (2012). Growing E-Commerce Forces Transformation in Distribution Networks, Report Finds.

¹³ Goldberg, A. (2013). 6 Reasons E-commerce Is An Important Distribution Channel.

¹⁴ Xiao, Shaojun. (2011). The Role of Supply-Chain Management in E-commerce.

¹⁵ PricewaterhouseCoopers. (2019). Digital transformation in the retail and consumer industry.

¹⁶ Chetty, P. (2019, January 18). Supply chain management in the e-commerce industry.

¹⁷ Robinson, A. (2014). E-Commerce Logistics: The Evolution of Logistics and Supply Chains.

» Parcel delivery centers which handle the 'last mile' delivery to the customer

» Seamlessly integrated technology where shopping carts connect via API, web xml or some other connection to a transportation management system so shoppers receive the exact quoted price for the shipment of larger items.

Based on the above factors, these kinds of e-commerce logistics systems provide shippers, clients and 3PL service providers with the following advantages:¹⁷

- Improved communication
- Transparency into the supply chain
- Improved customer satisfaction
- Cost reduction
- Improvement in efficiency
- On-time delivery



| Supply Chain Management and Logistics in the E - Commerce industry

The influx of e-commerce and even mobile commerce has “revolutionized” distribution, according to Supply Chain Brain.¹² A Jones Lang LaSalle report found that today 92% of retailers sell online, 68% maintain brick-and-mortar stores and 64 % use catalogs. “Smart retailers are tapping multiple channels to sell their merchandise - from traditional stores, catalogs, through the internet and increasingly via smart phones and tablets. Technological advancement means that the store is now everywhere, in consumers' pockets, at their homes and at the shopping mall.”¹³

Supply Chain Management (SCM) is the backbone of e-commerce. It means coordinating, scheduling and controlling procurement, production, inventories and deliveries of products and services to customers. Supply Chain Efficiency implies getting the correct item at the correct moment, cutting expenses and improving money usage.¹⁴

#2. Customer Experience in E-Commerce Industry

The Voice of the Customer (VoC) is the term used to define the customer's stated and unreported needs or specifications as a means of generating higher quality and improving customer service. The voice of the customer can be captured in a variety of ways: direct discussion or interviews, surveys, focus groups, customer specifications, observations, warranty data, field reports, complaint logs and so on.¹⁸

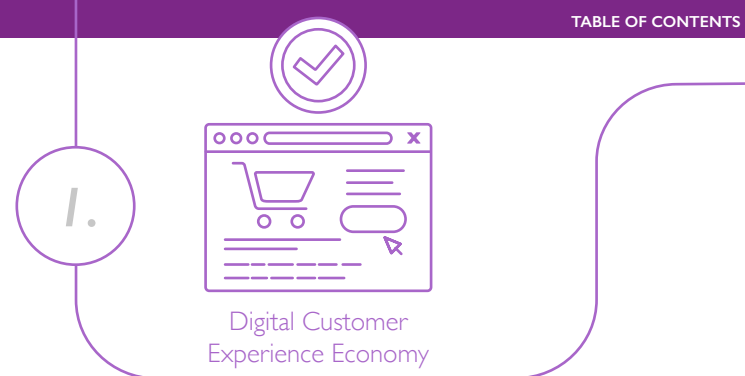
Customer service is a key factor of success for e-commerce companies regardless of their size. Excellent customer service can boost customer's trust in the business and lead to positive word-of-mouth publicity. When provided with the best in customer service, people will talk about the positive touchpoints they experienced. For any business, there are few things more important than fostering a reputation for excellent service and a loyal customer base.

Customer Service can draw a business's attention to issues and problems that had not yet been identified or addressed. Handling these issues properly will make customers feel comfortable about doing business with a company.¹⁹

As digitalization revolutionizes customer behavior, the consumer industries need to act fast to meet the expectations of digital consumers. Digital innovation is shaking up consumer industries: shifting power from brands to consumers, and value from traditional players to digital insurgents, while putting the consumer in the driver's seat.

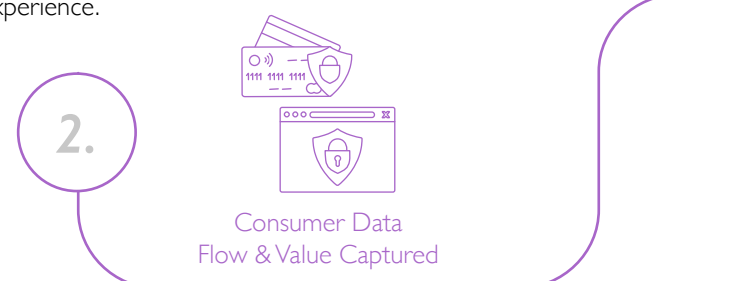
With customer experience at the heart of digital transformation, a company's IT department plays a key role in its digital capabilities and how customers can be impacted by them. For the CIO, while technology is integral to success, it's also important to establish a clear, allowing integrated operational processes and metrics to become more strategic and enable an overall view of customers in a holistic way.^{20, 21}

Data and marketing analysts have identified four digital transformation themes, namely *consumer data flow and value capture*, *experience economy*, *omni-channel retail* and *digital operating model*. These are expected to play an important role in the future evolution of consumer industries.



Personalization technologies are currently very common in e-commerce because every client likes to feel special and receive interesting offers. With time, the role of a personal approach towards each customer will become even more important. In a 2018 Forbes article,²² Paul Jarman, CEO of NICE inContact, a cloud-based contact center software company, shared his views on new strategies in the modern age of the Experience Economy and how contact and support centers can embrace technology to create a better experience for their customers. He shared the view that in today's customer experience economy, companies are no longer compared to their direct competitors. Instead, they are compared against the best service they ever received, from any company or person. He also highlighted the importance of the personalized customer service and stressed the need to prioritize personalized, immersive and engaging client experiences, which customers want and expect.

For example, when a customer reaches out to a contact center, they expect the company to recall such details as what they've bought in the past, the problems they've had, and more. In the same article, Jarman also expands upon the importance of the digital thinking and the significance of embracing innovative technologies so that businesses can provide an outstanding client experience.



Given how critical customer satisfaction has become for the continued success of a company, it is essential to appreciate the ways in which analytics can impact customer experience. Improving the customer service process today means utilizing data insights to create added value for the customer while building stronger and longer-lasting customer relationships. Data analysis will indicate potential paths of development and indicate areas that need improvement and point out the details you should improve. It could be an agent's knowledge, their efficiency, response rates, etc. Here are some insights into how a company could use data to stand out from the competition.²³

Differentiating the Customer Experience: In order for a company to improve the customer experience they offer; a customer mapping and customer profile system needs to be formulated.

18. Waseem. (2017). Successful key factors for eCommerce businesses.

19. World Economic Forum. (n.d.). Keeping up with 'digital consumers'.

20. O'Brien, C. (2017). 5 Ways IT Can Drive Digital Innovation.

21. Intrieri, C. (2014). Customer Service in the Supply Chain Has Changed Drastically.

22. Hyken, S. (2018). Five Ways To Win In The Digital Customer Experience Economy.

23. Rose de Fremery. (2017). How to Improve Customer Service Using Big Data Analytics.

To this end, it's essential for a company to uncover what drives its consumers behavior. This is the first step for a business to in differentiating the customer experience they provide.

Serving up a Personal Touch:

Customers today still expect that same human touch offered by traditional commerce, and analytics can help businesses provide just that. Big data allows businesses to get a deeper insight into the needs and preferences of each buyer on an individual basis. By gaining a complete view of their customers, including

each transaction or interaction they've had with the company, product, or brand, businesses are a bit closer to perfecting their relationship with them.

A Consistently Exceptional Customer Experience:

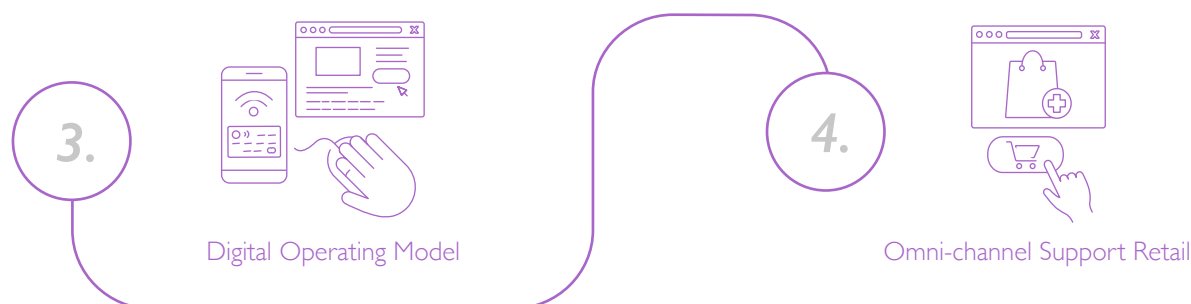
Consistency is key when it comes to providing a meaningful customer experience and building long-term loyalty. Many businesses have successfully leveraged their data insights in order to deliver this consistency across the board. Timing is one of the essential elements of a successful customer service

protocol. Customers resent having to spend long periods of time waiting to receive attention. According to social customer service software provider Conversocial, prompt feedback to a complaint received via social media can increase customer advocacy by as much as 25%. Using data analysis, it won't be difficult to gauge the response time of all agents across multiple channels.

Increase Problem Solving

Efficiency: Customer service agents have to deal with all sorts of questions and

enquiries on a daily basis. Some of these issues are routine and generic but there is always a small percentage of unusual demands coming from potential purchasers. The big data methodology is highly capable of detecting and analyzing all variations of user questions and the corresponding answers. It can determine the most precise explanations for all types of customer enquiries and compile these results into a customer service guideline, helping agents to increase their problem-solving efficiency.²⁴



Supply chain management is directly related to a company's customer service - if a company has great customer service, it can get a leg up on the competition. Good supply chain management is made possible through the aid of inventory management software, which boosts your company's customer service by allowing you to do three key things:

1. Deliver products to customers faster and with greater accuracy than could be achieved with a manual system.
2. Track shipments to ensure they reach their destinations safely and on time.
3. Maintain optimal inventory levels so you always have the right items in stock according to customer demand.

All three of these strengths assist companies in creating trusting relationships with their clients. Customers will be much more likely to return to a business if the company involved makes good on their promises and customers' expectations are exceeded. This generates a cycle of retention and word of mouth that not only stabilizes business, but helps to organically grow it and improve its reputation as time goes by.²⁵

24. 5 Ways Big Data Will Improve Customer Service. (2017).

25. How to Improve Customer Service with Supply Chain Management.

26. Personalics. (2017). Three Pillars of Omni-Channel Communication: Consistent, Continuous, and Holistic.

Contemporary customer service is impossible without the multi-channel support. Buyers are not the same because some prefer traditional phone-call support, while others want to talk to agents through live chat, email, or social media accounts. A company has to appeal to all these demands but also maintain every channel of communication with equal efficiency.

The experience of omni-channel is most relevant to our current market as it interplays channels and brands dynamically to maximize user navigation and efficiency. This creates a seamless and consistent experience across all channels of the brand. Combining multiple platforms, the omni-channel experience blends both digital and physical worlds, allowing retailers to interact with customers on many levels - whether online, in local retail outlets and kiosks, through mobile devices, TV's and beyond.²⁶

Big data and digital are entwined as both use digital platforms to reach customers in new and innovative ways. The leaders in this highly competitive digital realm will be the organizations that know precisely what data they need to collect and what they should do with it. A methodical integration between IT and digital facilities is the best way to ensure your organization is making the most from the data it collects to gain that all-important competitive advantage.²⁰

SUMMARY

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#3. Digital Culture in E-Commerce Industry

Digital technology is revolutionizing the way businesses operate and succeed. In fact, a third of key decision makers state that culture is the most significant barrier to digital effectiveness followed by a lack of understanding of digital trends (25%). In such a competitive market, the need to create and cultivate a digital culture is an integral part of the transformation process. This change requires a work environment that not only embeds digital from the top-down but also ensures that employees are informed, engaged and, most importantly, empowered to help cultivate an in-house digital mindset. There's no denying that digital has created significant changes amongst business systems, technologies, customer relationships and workforces. Today a successful organization involves running a digital business.²⁷

A digital culture relates to a setting where business leaders are championing technology as critical to assisting their companies flourish, by encouraging, supporting and organically adopting the use of these instruments. In other words, a company with a strong digital culture encourages the use and support of technology to get work done in the most effective way possible.

Successful digital transformation is not just an IT exercise, it is also a people exercise. In the intersection between people and technology, companies can truly unlock the key to the modern workplace. There is little doubt that moving data to the cloud, adopting Artificial Intelligence, and implementing remote working tools is helping businesses to scale and innovate like never before; therefore, the question currently on leaders' minds is not whether they should digitally transform, but how best to go about doing so. Leaders must focus on how can technology can empower their employees and drive overall growth.

Embedding a Digital Culture Within Your Organization: Five Effective Solutions²⁷

The following 5 strategies can help an organization build a digital culture that bridges the gap between management and the rest of the employee base. It also helps cultivate an open culture that embraces collaboration, communication and results in increased productivity and innovation.

Embrace Transparency

Embedding a digital culture means that everyone in the company, regardless of their role, is aware of the impact digital can have on revenue, sales and productivity. The starting point for embedding this type of culture is transparency. This can be accomplished merely by utilizing inner memos, microsites, social media groups, applications such as Slack and monthly open forums or blogs on important innovations from senior managers. All of these forums offer ways for employees to communicate with one another and senior management, helping facilitate greater transparency.

27. Digital Marketing Institute. (2018). How to Create & Cultivate a Digital Culture in your Organization.

28. Microsoft Reporter. (2018). The Secret of Productivity - how to build your business with culture.

When cultural changes are effectively applied, innovative technologies pay huge dividends within an effective working setting, with staff feeling more confident and involved in the general strategic direction of a company. The ability to solve problems in new ways, to spot emerging opportunities and break down barriers while increasing collaboration will not only benefit each employee, but also improve the company as a whole. These opportunities are there for the taking for a range of working environments, from smaller and medium-sized business to large corporations.²⁸

2. Encourage Collaboration

When employees enjoy spending time with each other and working together, the workflow improves considerably. Ideas are swiftly exchanged, and progress is measured in real time. Contrary to every business leader's interest to nurture the process of innovation. Such strategies hinge on two key factors: collaboration and creativity. To innovate, businesses must tap into people's individual strengths. But there also needs to be space for experimentation, discussion and the cross-fertilization of ideas. The next break-through is usually achieved through the ongoing input of different people, from diverse teams and backgrounds, helping turn an idea into an innovation. Sharing lessons and insights between departments is paramount to a productive and effective digital culture. For example, marketing and sales teams should work closely to ensure the messaging towards prospective clients and customers is consistent, while customer service teams should work with IT to gain feedback on existing systems and how improvements could be made.



3. Offer Digital Training (at all levels)

The most effective way to ensure that employees have a knowledge of digital and its impact on the business is to offer a learning and development program that caters to all levels of knowledge. The fact is that not all employees need to know the ins-and-outs of digital. Therefore, a suite of digital training programs, from a standard 'Digital Awareness' level to a 'Specialist' one, would be an ideal system for educating a sizable in the areas of digital that they need to know about and that will add extra value to their roles.

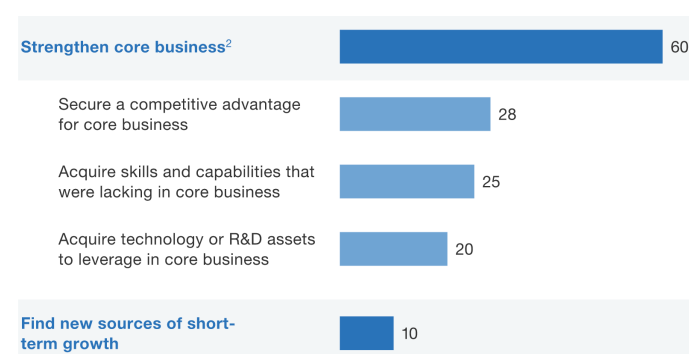
4. Be Comfortable with Risk

Risk-taking does not have to be an intimidating concept to contemporary businesses. One of the main advantages of digital is that it lends itself to experimentation and innovation, and these benefits can reap in huge rewards for the business if applied incisively and with assurance. Using digital technologies and insights with a digital mindset can significantly improve a workforce's understanding and assist them in effectively and efficiently optimizing their output by finding creative solutions to outstanding problems and applying new approaches to existing roles. The key to this tactic of risk is to ensure there is a level of trust between employee and employer and an open culture that embraces innovation.

5. Aspire to Inspire

Digital offers a world of opportunities, but not enough companies are capitalizing on them. Innovation in a digital world requires big thinking and the ability to position oneself as an aspirational leader in the field. Digital represents a wealth of options to the enterprising business and its workforce, yet in an increasingly competitive market employers should still be aware that they need to invest in a digital mindset and working environment to both attract and retain the best talent available.

Figure 2:
Most Important Factors to Justify Expansion Activities Outside Company's Core Business. Retrieved from:³⁰



29. Technology Marketing Center. Adjacent Market.

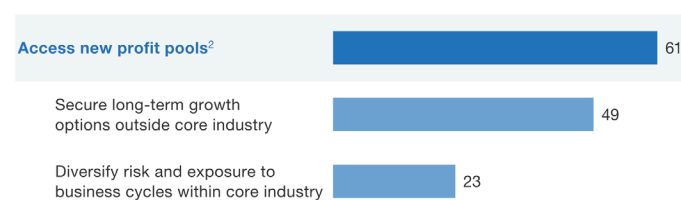
30. McKinsey & Company. (2015). Growing beyond the core business.

1.1.5 Adjacent Markets

In an increasingly digital world, new technology will drive companies into adjacent industries and adjacent businesses. The majority of successful, well-established companies struggle to find the right balance point between funding their current commercial or industrial enterprises and making significant investments in next generation businesses that will deliver new revenues, margins and profits. One of the main challenges facing these companies is the need to sacrifice short term revenue and earnings in order to redeploy resources and funds to access these adjacent industries and create new business opportunities.

Historically, companies believed that owning assets was the key to creating sustainable competitive advantages over their competitors and creating barriers to entry into their markets and industries. Today, platforms such as Uber and Airbnb, among others, have taught us that the new business model for profitable growth is based around the deployment of digital technology, with its extensive connectivity to leverage current underspent assets. Without having to spend their capital to own assets, companies can access and deploy incremental adjacent assets at minimal marginal costs. In addition, by replacing high-cost physical assets like data centers with pay-as-you-go web services from Amazon, Microsoft or Google, companies can dramatically lower the cost of entry into adjacent industries and create new opportunities. Adjacent markets can provide great potential channels for sales growth to those businesses able to identify and pursue them. A common misunderstanding involving adjacent markets is that it necessitates the dissemination of existing products to a new customer base. The secret to benefitting from adjacent markets is to export skills and capabilities, not products and services. This means utilizing core competencies and creating value by acquiring new customers.³²

Adjacent market segments share common characteristics in application, requirements and ecosystem (or community) relationships. These shared characteristics and relationships can be mapped across a two-dimensional space which is sometimes referred to as proximity map. One popular form of proximity map depicts adjacent market segments as bowling pins, conceptualizing market penetration strategy in terms of knocking over successive pins by taking advantage of adoption order as well as commonality of requirements or relationships.²⁹





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