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Chair of Corporate Strategies

**FROM E-COMMERCE TO SOCIAL
COMMERCE: EXPLORING GLOBAL TRENDS**

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Abstract

The electronic commerce (or e-commerce) can be broadly defined as “*the buying and selling of products, services and information conducted by electronic means*”.

Even today, several years after the Internet revolution, this area continues to rise discussions and to leave a sense of confusion and misunderstanding, also because of the many disciplines involved and the multiple contexts in which the term is used.

Therefore it is necessary to further clarify the different themes developed around the electronic commerce, analyzing characteristics, approaches and classifications in order to have an overall view. This is the right premise to look at future developments of this phenomenon. In fact, taking advantage from new Web 2.0 tools, as well as from social media impact on everyday life, the e-commerce is evolving toward a new form of commerce, the social commerce. A particular application of social commerce is represented by F-commerce, otherwise known as electronic commerce via Facebook.

Introduction

Internet has had a significant impact on everyday life of everyone. Web users buy, do researches, connect with friends and colleagues, and sometimes simply browse without any specific purpose.

A particular area in which this impact has been substantial is the one of the online retail, since a growing number of entrepreneurs are turning to the electronic commerce (e-commerce), benefiting from lower costs and a broader reach. Therefore, the aim of this thesis is to analyze the characteristics of e-commerce, starting from the implementation stages and the factors that have supported the Internet penetration in several countries. After analyzing the main steps taken in this area up to the present, the thesis will focus the attention on the way in which ITCs enable a new form of commerce referred to as Social Commerce. The purpose is to show how Web 2.0 technology and Social Media have created new way to communicate, collaborate and share content: an increasing number of people is inclined to cultivate virtual social relationships and virtual life. In this context the consumer becomes a social consumer, a more active consumer, who uses new communication tools to connect with those who have the same passions and interests. It also changes the purchasing behavior: it is not just about click-to-buy but more about enveloping the shopper into an experience, creating a “place” where customers can browse and connect with people interested in the same products and brands.

The first chapter represents a general introduction on the concept of e-commerce, a so broad phenomenon that requires a multidisciplinary perspective, even if two are the main approaches: the technical approach and behavioral one. Analyzing them individually, some definitions of e-commerce are shown, one of which represents it as “*the purchasing, selling and exchanging of goods and services over computer networks through which transactions or terms of sale are performed electronically*”. Thus we will discuss the evolution of e-commerce over the years, considering that it is the same followed by the Internet, since are two so connected concepts that cannot be mutually excluded one from the other.

Additionally, given its seven unique features, the different types of e-commerce will be considered, with the respective advantages and disadvantages. The chapter ends with a brief legislation's overview, as well as with an analysis of general benefits and limitations of e-commerce, that are nothing more than the reflection of the Internet's benefits and limitations.

The second chapter enters the heart of the analysis, giving a look at the key markets and the key players in Europe and worldwide. In fact, noticed a steady e-commerce sales growth over the year, the two main markets identified are the North America (United States and Canada) and the countries of Asia-Pacific. Follows a description of the top e-commerce players in terms of revenues and market capitalization, the so-called Internet "Big Four": Amazon, eBay, Google and Apple. In addition to these players, there is another player that deserve to be mentioned, Alibaba, because it is about to sweep away both Amazon and eBay. In the following pages, characteristics and perspectives of these resourceful marketplaces will be highlighted, together with a study of m-commerce. The number of people owning a mobile device increase more and more, and the multiple related benefits can be for retailers a source of considerable gain. At this point the focus moves to our country: in the European ranking for e-commerce use, Italy takes the last positions. But, after having illustrated reasons for the Italian delay, as well as showed the strategies implemented to bring Italy close to the global digital shopping landscape, a geographical and by sector analysis shows that sales growth bodes well. The Italian e-commerce market still remains dominated by the big: the top 20 players that we will consider account for nearly 70% of sales. However, as also emerged from a survey conducted by Human Highway, to run e-commerce in Italy is especially the fashion commerce. And the dynamism of fashion on the web is not just an Italian phenomenon, a large part of the European e-commerce, in fact, is represented by the buying and selling of clothing products. Therefore the last part of the second chapter concerns this aforementioned area that still has infinite potentialities to be explored, considering the most purchased product categories and the major players of fashion commerce worldwide. The analysis is concluded with two Italian winning business models

driving e-commerce in Italy: Yoox and Luisa Via Roma. As it emerges, they represents two phenomena started from two completely different directions but to accomplish the same mission: the e-commerce. They are furthermore two different business models so close and so distant but nevertheless leader, emblematic example of the radical change taking place in the relationship between customer and company.

The third and final chapter of this thesis refers to social media, defined as “*a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, which allows the creation and exchange of user-generated content*”. The six main types identified by Kaplan and Haenlein (blogs, collaborative projects, social networking sites, content communities, virtual social worlds and virtual game world) are analyzed, to emphasize how they reflect a shift in the way in which people learn, read and share information and content. The new social customer fosters the transformation of the corporate culture toward a customer-centered perspective, making obsolete existing company-centric CRM programs. Therefore, from a process of integration between social technologies and traditional CRM, emerges the Social CRM (SCRM). Through a comparative analysis between CRM and SCRM, in the following pages will be shown how SCRM does not arise as a substitute of CRM, but rather as its own extension, necessary to adapt to the presence on the market of the new social customer. From an e-commerce perspective, a new form of commerce is developed, referred to as Social Commerce. Defined as “*a noticeable trend in online marketplaces where businesses leverage social media (or Web 2.0) as a direct marketing tool to support customers’ decision making processes and buying behavior*”, it differs from traditional e-commerce in terms of business model, value creation, customer connection and communication, design, system interaction, technology platforms and legal issues. Its main dimensions (social shopping, ratings and reviews, recommendations and referrals, forums and communities, social media optimization (SMO) and social adds and applications) will be discussed, as well as its main benefits and limitations. Among the many applications of social commerce, the one that grows faster and

that may just become bigger than any webstore is the f-commerce, the e-commerce via Facebook. Hence the last part of this chapter is dedicated to the analysis of Facebook, that, founded on February 2004, nowadays is considered the largest social network in terms of estimated global monthly active users. After a brief overview of the website, its function and privacy issues, is highlighted how it affects users' social life in many different ways, including its use as a platform for facilitating and executing sales transactions. This is nothing more than the definition of f-commerce, that integrates e-commerce and social commerce in a shopping platform, shifting business models and creating new opportunities for online sales. The analysis will include a focus on the four types of f-commerce and its seven dimensions, grouped into the "On-Facebook" f-commerce and the "Off-Facebook" f-commerce. Finally, to conclude, evidence can be found about the main strategies and the arguments in favor and against f-commerce, from which it will be clear the fact that Facebook could probably be more useful for marketing than selling.

CHAPTER 1 INTRODUCTION TO THE CONCEPT OF E-COMMERCE

1.1 What is e-commerce

Even today electronic commerce (e-commerce) represents a new and constantly changing area of business management. For this reason there is a general sense of confusion and misunderstanding, exacerbated by the multiplicity of contexts in which electronic commerce is used, as well as by the different terms through which it is defined. The phenomenon is so broad and involves so many disciplines that requires a multidisciplinary perspective, even if two are the main approaches: the technical approach and behavioral one. Analyzing these two approaches more deeply, we can state that the first focuses on e-commerce as an application of Internet technology, useful to achieve efficient business operations. Conversely the behavioral approach considers e-commerce in terms of its impact on industry structure and corporate strategy. Therefore, given the complexity of the phenomenon, is helpful to start from a simple definition of e-commerce, that is:

“the purchasing, selling and exchanging of goods and services over computer networks through which transactions or terms of sale are performed electronically”.

Some of other definitions found in publications and media are the following:

*Electronic Commerce (EC) is where business transactions take place via telecommunications networks, especially the Internet.*¹

¹ E. Turban, J. Lee, D. King and H. M. Chung, Electronic Commerce: A managerial Perspective, Prentice Hall, 1999.

*Electronic Commerce describes the buying and selling of products, services, and information via computer networks including the Internet.*²

*Electronic Commerce is about doing business electronically.*³

*E-commerce, ecommerce, or electronic commerce is defined as the conduct of a financial transaction by electronic means.*⁴

As you can perceive there is no definition that is universally established, but the numerous definitions reflect nothing more than different perspectives of different people in different organizations and business sectors. More formally, e-commerce refers to digitally enabled commercial transactions between and among organizations and individuals. In this last definition, “digitally enabled” stands for transactions that happen over the Internet and the Web, whereas “commercial” refers to the exchange of value characterizing the transaction and without which no commerce occurs. An integral part of e-commerce is represented by e-business, a name deriving from the match between business and technology, that according to IBM “*can be the key in transforming business processes using Internet technologies*”. Beyond this definition of 1997, also for e-business as for e-commerce, there are other different definitions relative to the different contexts in which the term is used, that are:

E-business is the conduct of business on the Internet, not only buying and selling but also servicing customers and collaborating with business partners;

E-business includes customer service (e-service) and intra-business tasks;

² www.whatis.com/ecommerce.

³ P.Timmers, *Electronic Commerce-Strategies and Models for Business-to-Business Trading*, John Wiley & Sons, 2000.

⁴ http://www.straight-on.com/ecommerce_definition.htm.

*E-business is the transformation of key business processes through the use of Internet technologies. An e-business is a company that can adapt to constant and continual change;*⁵

The development of Intranet and Extranet is part of e-business;

E-business is everything to do with back-end systems in an organization.

From these definitions emerge the three major dimension characterizing e-business: the human dimension, the technological-only dimension and the commercial dimension. But beyond all, e-business and e-commerce are two terms that can be used interchangeably, since they are only the result of the activity of the marketing department aimed to sell a new and sensational concept/phenomenon. Nevertheless we can make a distinction, for example starting from the difference between the concepts of commerce and business.

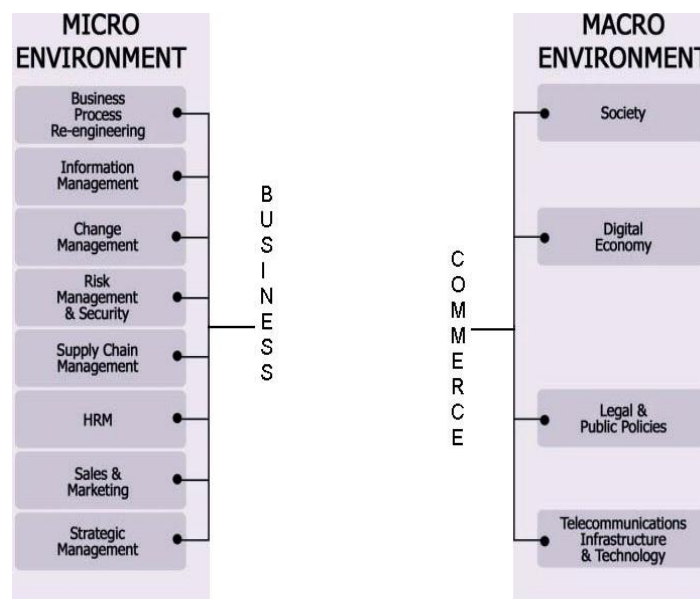


Figure 1: Electronic Commerce and Electronic Business

Source: Applying e-commerce in Business, Lana Tassabehji 2003

⁵ www.ibm.com/e-business.

Thus, given that commerce represents “*the exchange of merchandise on a large scale between different countries*”, e-commerce could be defined as the exchange of merchandise on a large scale between different countries and using an electronic medium (macro-environment). The same for e-business (micro-environment): since business is defined as “*a commercial enterprise as a going concern*”, e-business can be interpreted as the set of electronic/digital processes or dimensions that are involved in the running of an organization.

1.2 The evolution of e-commerce over the years

E-commerce and Internet are two so connected concepts that cannot be mutually excluded one from the other, therefore they follow the same path of evolution. As we can see from the figure 2, over the years the number of people online has increased dramatically, from 1 billion in 2005 to 2,8 billion in 2013, and the same is true for the amount of content (photos, videos and so on) created and shared.

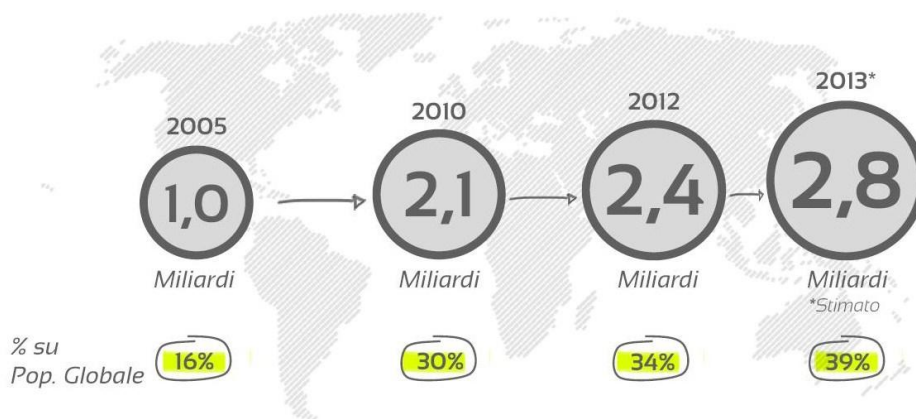


Figure 2: Number of people online over the years

Source: Paolo Cellini, Internet Economics, Luiss University Press, 2014

All this has happened thanks to the evolution of the Internet Meta-Platform from Scientific Platform to Things Platform. The concerned evolution has led to a transition from a very low bit-rate, with high access costs sustainable only in the field of research, to an increase in the quantity of information given the access

costs' decrease and the raising of the above-mentioned bit-rate. As a result more and more people are online and the information is no longer one to many but many to many. With the Social Platform and the Mobile Platform Internet became a frequent need also in terms of portability, with the explosion in mobile devices' sale and in user-generated content. The next step is represented by the Things Platform: this will happen when the further reduction in the access costs will ensure that not only people, but also objects and things, connect to the Internet for the exchange of information.

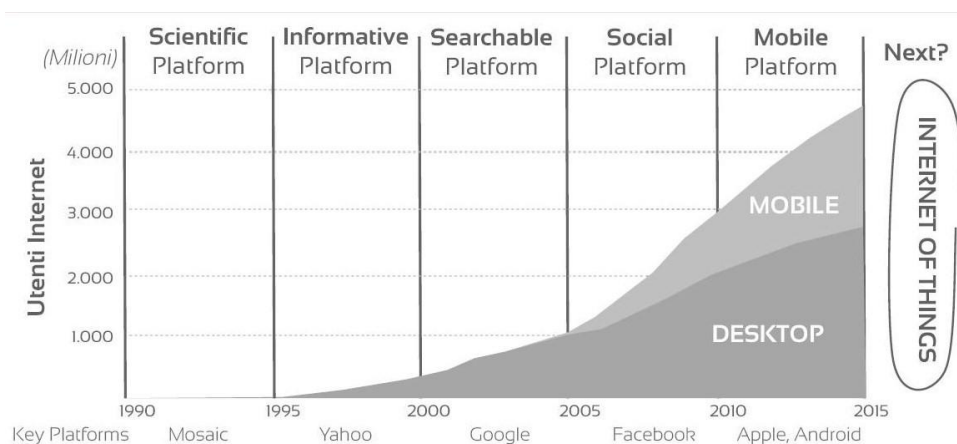


Figure 3: The evolution of Internet as a meta-platform

Source: Paolo Cellini, Internet Economics, Luiss University Press, 2014

Be that as it may, the idea and the first applications of e-commerce have been implemented several years before the spread of Internet. In fact the first example of e-commerce dates back to 1982 in France with the creation of Minitel, a commercial network developed by the state-owned company of post and telecommunication, that worked through a modem using the videotext system. Minitel in France was widely spread and has been also one of the reasons that initially slowed the spread of the Internet. Instead, the standard by which in the following years will be developed business transactions, born with EDI (Electronic Data Interchange), a system of the Seventies become a standard in 1984. EDI was the first electronic service by which to transfer documents and bills, used primarily by large companies through private telecommunications

networks. However, the system in the absence of the web was still extremely expensive as well as static: it was not possible to negotiate the purchase but only send or receive pre-agreed terms. In addition both sides involved in the transaction were required to have the same application software to exchange data in a very rigorous format. In the light of all this, we should not be surprised if by 1996 no more than 50,000 companies in Europe and 44,000 in the USA were using EDI. It was only the integration of EDI with Internet that gave birth to a flexible system closer to the electronic commerce as it is understood nowadays. With the advent of Internet the term e-commerce begins to include aspects like all steps involved in the trade, provision of services, and support for collaboration between companies. Thus the first company to sell products on Internet has been CompuServe in 1992, also if this system was not freely accessible because in order to use it was necessary to buy it, install it and enroll oneself. This is the reason why in 1994 Netscape developed browser services which gave the possibility to easily navigate on the web, together with the warranty of security standards for online transactions (Secure Socket Layer). Starting from 1994 and going to 1999 (the so called golden era of Internet) a lot of intuitive browsers are developed, and in the same period born brands such as Amazon and Ebay that will become symbols of e-commerce. For these two giants the start was slow, in part due to the lack of bidding mechanisms and high-speed connections. In fact the connection by modem 56K was too expensive, furthermore did not allow a constant use of the network because of the fact that it blocked telephonic communications. This is the same reason behind the failure of the Italian first attempt into the world of e-commerce, through the Cybermercato in 1996.

Undoubtedly the first generation of companies in the world of e-commerce moved making attempts, trying to make profits with an inexistent background, until a big step forward occurs with the ADSL connection at high speed. Many companies go online, creating a mature market in terms of offers and flexibility, in addition becoming more mature is also the attitude of consumers. As a result, nothing more mistrust towards online payments by credit cards, that evolve in quick-card easy to use and available with a limited total maximum amount, turning into the perfect solution for shopping online. But Internet and technological factors just seen, are

only some of the key drivers of e-commerce, because there are also other factors to consider, that are illustrated below :

1. Political factors: the government role in creating legislations and initiatives to support the development of e-commerce;
2. Social factors: the level of IT education that allows potential buyers and the workforce to use the new technology;
3. Economic factors: the general wealth and commercial health of the nation.

Some other additional factors are quite significant at a firm's level: they are related first of all to the attitude of the organization toward the use and innovation of technology (organizational culture). In addition, they are linked to aspects such as commercial benefits, ability of workforce to use and implement new technologies, product and services demand/supply, competition.

| <i>Key drivers</i> | <i>Measurement criteria</i> |
|-----------------------|--|
| Technological factors | <ul style="list-style-type: none"> ● Telecommunications infrastructure <ul style="list-style-type: none"> Backbone infrastructure and architecture Industry players and competition Pricing Internet service providers Range of services available (e.g. ADSL, ISDN) Ownership (private or public sector) ● Access to new technology developments ● Bandwidth ● Speed of development and implementation of new technology by industry sector |
| Political factors | <ul style="list-style-type: none"> ● Number and type of government incentives and programmes to support the use and development of new technology ● Legislation – number and type of supportive or restrictive laws and policies that govern electronic data, contracts and financial transactions. For example, laws that recognise and enforce the validity of electronic documentation, contracts and transactions in a court of law; the validation of digital signatures; the legal usage of electronic security measures such as encryption ● Public policies – whether government supports the growth of electronic transactions and processes. For example, filing tax returns to the Inland Revenue electronically, the national education curriculum and training |
| Social factors | <ul style="list-style-type: none"> ● Skills of workforce ● Number of users on-line ● Penetration rate of PCs ● Level of education; computer literacy and IT skills ● Culture of technophilia – a willingness and ability to adopt new technology and the speed at which technology achieves critical mass as in Japan |
| Economic factors | <ul style="list-style-type: none"> ● Economic growth – GDP ● Average income ● Cost of technology (hardware and software) ● Cost of access to telecommunications infrastructure – pricing structures and rates ● Commercial infrastructure – advancement of banking sector; payment systems ● Innovative business models |

Figure 4: Key drivers of E-commerce

Source: Applying e-commerce in Business, Lana Tassabehji 2003

1.3 E-commerce seven unique features

Seven unique features of e-commerce, as shown in the table below, are:

1. Ubiquity: e-commerce is available everywhere and at all times;
2. Global reach: it reaches customers across national boundaries;
3. Universal standards: it use standards shared by all nations;

4. Richness: it shares messages that are rich in terms of complexity and content;
5. Interactivity: it is characterized by a two way communication between customer and merchant;
6. Information density: it increase the amount of information available;
7. Personalization/Customization: e-commerce allows the delivery of services and messages that perfectly fit with customer's interest and preferences.

| E-COMMERCE TECHNOLOGY DIMENSION | BUSINESS SIGNIFICANCE |
|---|---|
| Ubiquity —Internet/Web technology is available everywhere: at work, at home, and elsewhere via mobile devices, anytime. | The marketplace is extended beyond traditional boundaries and is removed from a temporal and geographic location. "Marketspace" is created; shopping can take place anywhere. Customer convenience is enhanced, and shopping costs are reduced. |
| Global reach —The technology reaches across national boundaries, around the earth. | Commerce is enabled across cultural and national boundaries seamlessly and without modification. "Marketspace" includes potentially billions of consumers and millions of businesses worldwide. |
| Universal standards —There is one set of technology standards, namely Internet standards. | There is one set of technical media standards across the globe. |
| Richness —Video, audio, and text messages are possible. | Video, audio, and text marketing messages are integrated into a single marketing message and consuming experience. |
| Interactivity —The technology works through interaction with the user. | Consumers are engaged in a dialog that dynamically adjusts the experience to the individual, and makes the consumer a co-participant in the process of delivering goods to the market. |
| Information density —The technology reduces information costs and raises quality. | Information processing, storage, and communication costs drop dramatically, while currency, accuracy, and timeliness improve greatly. Information becomes plentiful, cheap, and accurate. |
| Personalization/Customization —The technology allows personalized messages to be delivered to individuals as well as groups. | Personalization of marketing messages and customization of products and services are based on individual characteristics. |

Figure 5: Seven unique features of E-commerce technology

Source: Introduction to E-commerce, E. Turban, D. King, J. Lang, Pearson

The above-mentioned features can be explained in more detail, trying to grasp also the differences between e-commerce and traditional commerce. E-commerce is characterized by the ubiquity, that is to say the capacity of being everywhere and especially at the same time. This liberates the physical barriers of the marketplace, typical of traditional commerce, giving birth to a marketspace extended beyond any boundaries. The result is that the customer can go shopping every moment and in every place, from his desktop at home or at university, or simply in its car thanks to mobile commerce. Thus ubiquity reduces customers' costs of participating in a market (transaction costs) and lowers the so called cognitive energy, by which we mean the mental effort required to complete a task. Breaking down the physical barriers of traditional commerce, e-commerce allows transactions all over the world, widening the potential market size. In fact unlike traditional commerce that is local or regional, e-commerce can count on a global reach, because the number of customers/users corresponds to the world's online population. The rich audience meets also a reach message, in which video, audio and text merge together in order to deliver a powerful marketing message. This is not of course the case before the development of the web, when ruled a tradeoff between richness and reach, whereby the larger the audience reached and the less rich the message. So information become more plentiful, because with e-commerce there is an increase in the information density, namely the amount and quality of information available to all market participants. In this way prices, markets and costs became more transparent: consumers can find out all prices available on the market but also costs merchants pay for products, and, at the same time, merchants are able to segment the market into groups according with prices they're able to pay (price discrimination), offering products differentiated in terms of cost-brand-quality. But all that is possible exclusively because Internet, and therefore e-commerce, is based on the use of universal standards, standards that are shared by all nations around the world, contrarily to standards used by traditional commerce that differ from one nation to another. The resulting benefits are many, for both merchant and consumer: the former can count on low market entry costs to bring goods on the market, instead for consumers there are reduced search costs needed to find more suitable products. Therefore, given the

fact that through universal standards everyone use the same technology, Internet users can experience network externalities, together with a simpler and more accurate price discovery. Again, another feature of e-commerce is the interactivity, since, unlike television and other traditional form of commerce, it allows a two way communication similar to a face-to-face experience but with a greater level of engagement. Given this interactivity between merchants and consumers and the increase in information density, merchants can gather much more information about consumers and preferences, as well as about their past purchases. This leads to a great level of personalization and customization: customers are targeted by messages adjusted accordingly with customers' name and interests and the same apply for delivered products/services.

Summarizing, e-commerce technologies bring a shift into the world of commerce, reducing information asymmetry among all market participants. Thanks to the general level of transparency and interactivity, consumers know about prices and products of different sellers available on the market; on the other hand, sellers know about customers' preferences and attitudes, as well as about all the other existent sellers.

1.4 Types of e-commerce

In relation to the terms of sale and the types of products, we can distinguish between two kinds of e-commerce:

- Indirect e-commerce (offline): it refers to the disposal of tangible goods viewable on an online catalog which describes characteristics, prices, payment and delivery conditions. After the order, the product is delivered to final customers through traditional channels (such as postage, carrier and so on), instead the payment can be done directly electronically at the order or alternatively at delivery.

- Direct e-commerce (online): it refers to the exchange of intangible goods online or through electronic means. In this case the transaction occurs only electronically with the dematerialization of the commercial transaction: the buyer sees the product/services on the online catalog, goes on with the order and, after the electronic payment, receives the service or downloads the purchased product.

In addition to this classification, e-commerce can be classified more specifically by transaction partners, as shown in the table below and explained later.

| TRANSACTION ORIGINATING FROM AND BEING FULFILLED BY | | | | | |
|---|------------|---------------|---------------|---------------|---------------|
| TRANSACTION INITIATED & ACCEPTED BY | | Business | Consumer | Government | Peer |
| | Business | B-to-B | B-to-C | B-to-G | B-to-P |
| | Consumer | C-to-B | C-to-C | C-to-G | C-to-P |
| | Government | G-to-B | G-to-C | G-to-G | G-to-P |
| | Peer | P-to-B | P-to-C | P-to-G | P-to-P |

Figure 6: Classification of E-commerce by transaction partners

Source: Applying e-commerce in Business, Lana Tassabehji 2003

1. **Business-to-Business (B-to-B):** can be simply defined as the exchange of goods, services and information between companies, and is the largest form of e-commerce (80% of e-commerce is of this type) with a significant growth potential. The B2B market has two primary components, the first of which consists of a sort of e-infrastructure made up of logics, application service providers, outsourcing of functions in the process of e-commerce, auction solutions software and content management software, web-based commerce enablers. The other component is represented by e-markets, that are web sites where buyers and sellers interact in a virtual meeting place to conduct transactions. Most B2B e-commerce falls into areas like supplier management,

inventory management, distribution management, channel management and payment management and the best examples are IBM, Cisco (where customers can buy and get technical support as well as downloads directly on line) and Dell. The impact of B2B markets on the economy can be measured in terms of:

- reduction of transaction costs: first of all search costs are reduced because, due to disintermediation, buyers can count on a more efficient information channel, without the need to go through multiple intermediaries. In addition, with B2B e-commerce there is the automation of transaction processes and so the reduction can be seen also in the cost of processing transactions, favored by online auction systems, with an optimization in logistics and inventory management;
- disintermediation: as previously mentioned, with B2B e-markets there is the elimination of intermediaries and distributors, with suppliers interacting directly with buyers. However, if intermediaries are eliminated in terms of how we have talked about, it is also true that new form of intermediaries emerge;
- transparency in pricing: buyers and sellers are gathered together in a sort of single e-community, so all price information are revealed and are accessible and available to all members. This is advantageous for buyers inasmuch can make better buying decision, besides creates conditions for participated pricing-setting among buyers and sellers;
- economies of scale and network effects: B2B e-markets allow the creation of supply-side economies of scale as a direct consequence of the reduction affecting transaction costs. In addition there are economies of scale also from a demand-side, the so called network effect, through which incremental participant in the market creates value. In that way it forms the basis for a bandwagon effect, because the network becomes more valuable over time and more people join it.

2. **Business-to-Consumer (B-to-C):** is the second largest form of e-commerce, in which online businesses sell to individual customers in areas like purchasing products and information and personal finance management. The most important company we can find in this category is Amazon in the USA that, started in a garage by Jeff Bezos in 1995, has become the largest and profitable Internet retailer with the highest levels of customer satisfaction and the fastest revenues growth rates. In addition to online retailers, there are six additional types of business models belonging to B2C e-commerce and they are portals, content providers, transaction brokers, market creators, service and community providers. Also in the case of B2C, as well as for B2B, there is a reduction in transaction costs as a consequence of the fact that consumers have an easier access to information. Beyond this, there is a lowering in the entry barriers, since costs of creating and maintaining an e-commerce site are cheaper than the ones of installing a brick-and-mortar business.

3. **Business-to-Government (B-to-G):** it can be considered a sort of B2B in which the government is seen as a business that acts as a procurer of goods/services. The size of this form of e-commerce is literally insignificant, if seen as a portion of the total e-commerce. Anyhow wanting to give a definition, we can say that B2G is the online exchange of information, goods and services between business organizations and the public sector. Specifically B2G refers to the use of Internet technologies for public procurement, licensing, and other government-related operations in which the government assumes an active and leadership role. Notwithstanding B2G systems remain undeveloped while ensuring transparency of processes, with relative reduction of the risk of irregularities.

4. **Business-to-Peer Networks (B-to-P):** this form of e-commerce can be described as the provisions of hardware, software and other services to peer networks that will be described later.

5. **Consumer-to-Business (C-to-B):** is a form of e-commerce based on consumers driving the transaction for the exchange of products/services or information to business.

6. **Consumer-to-Consumer (C-to-C):** is the type of e-commerce in which consumers interact directly with other consumers. It is characterized by the growth of electronic marketplaces and online auctions; in that way, also if we have little information available about the size of this type of e-commerce, the amount of sales produced by C2C sites like eBay make us think that the market is quite large. The three forms of C2C e-commerce are auctions facilitated at portals such as eBay⁶, peer-to-peer systems such as Napster⁷ and classified ads at portal sites. Thanks to these forms of e-commerce, consumers take advantage of reduced costs, as they can post directly for free the items they want to sell on the C2C website, and relies on the market maker so that they can be easily displayed and discovered. The result is the creation of a perfect platform of buyers and sellers, less expensive and easier to maintaining compared to a physical shop. However this type of e-commerce has the disadvantage of requiring the cooperation between buyers and seller, which in reality does not happen very often, leading to situations of online frauds and lawsuits, as well as hampering the C2C website's reputation.

7. **Consumer-to-Government (C-to-G):** it is the case of consumers providing services to government yet to be implemented, so it could be better understood subsequently with the Government-to-Business e-commerce.

8. **Consumer-to-Peer Networks (C-to-P):** to understand this form of e-commerce we can refer to what will be said about peer-to-peer networking, since consumers offers their facilities on the peer network.

⁶ eBay is a C2C corporation providing an online auction service based on an electronic platform to buy and sell items.

⁷ Napster is a peer-to-peer file sharing internet service for the sharing of audio files in MP3 formats.

9. **Government-to-Business (G-to-B):** it refers to the exchange of information, services and products between government agencies and business organizations, that gives the advantages of improved accuracy, reduced costs and increased speed. In particular what is exchanged is related to information and advice for business, support and facilities, database of laws and regulations, online payment facilities and applications of official forms.
10. **Government-to-Consumers (G-to-C):** the set of government sites offering information and facilities to individual consumers, such as paying bills and so on.
11. **Government-to-Government (G-to-G):** here we have transactions occurring between two or more local and international governments.
12. **Government-to-Peer Network (G-to-P):** there is no real example of this type of e-commerce.
13. **Peer-to-Peer Network (P-to-P):** is a form of e-commerce based on the application of the peer-to-peer technology that enables Internet users to share files and resources directly, without a mediating server as intermediary. Peer to peer networks are a particular architecture that partitions tasks between peers, that are equipotent and make their resources directly available for other network participants, being both supplier and consumers⁸. The most well known examples of P2P e-commerce among the many is the previously described Napster.

⁸ <http://en.m.wikipedia.org/wiki/Peer-to-Peer>

14. **Peer Network-to-Consumer (P-to-C):** this is essentially the use of the above-mentioned peer-to-peer technology to offer services to consumers that are part of the peer network.
15. **Peer Network-to-Business (P-to-B):** here the peer-to-peer technology is used to provide resources to business.
16. **Peer Network-to-Government (P-to-G):** this type of e-commerce is similar to P-to-B, with the only difference that the party accepting the transaction is the Government. However P2G e-commerce in reality is not yet used.

E-commerce can be classified also in relation to the degree of digitization of the product/service, the process of the transaction and the delivery agent⁹. This could be useful in order to make business processes more efficient, considering three different type of e-commerce: traditional e-commerce, pure e-commerce and partial e-commerce.

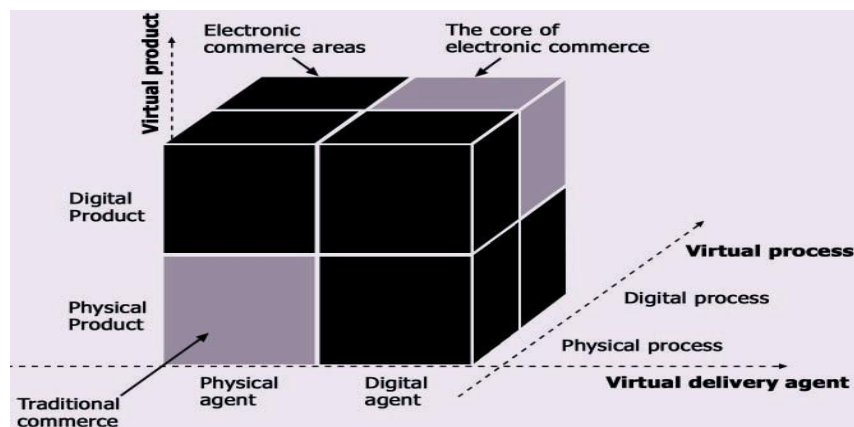


Figure 7: A framework for assessing the degree of digitisation

Source: Applying e-commerce in Business, Lana Tassabehji 2003

⁹ Choi *et al.*, *The Economics of Electronic Commerce*, Macmillan Technical Publications, 1997, p.18

In the case of traditional e-commerce the product or service sold is physical and the same applies for the transaction and the delivery agent; however in reality this is very rare, if we consider for example the fact that payments can be done electronically through EPOS systems. The opposite case is that of pure e-commerce, in which the three analyzed dimensions (product/service sold, transaction and delivery agent) are all digital, as in the case of downloading of electronic books. The third type of e-commerce is a mix of the previous two, where one/two dimensions are physical: is the type of e-commerce to which belongs Amazon, with products that are physical as well as the delivery agent but with a transaction that, conversely, is digital.

1.5 Benefits and limitations

Beyond the advantages and disadvantages of the different types of e-commerce we have considered, this section wants to analyze the general benefits and limitations of e-commerce, that are nothing more than the reflection of the Internet's benefits and limitations. In fact Internet impacts on businesses, consumers and markets exactly as e-commerce. In particular, for businesses there is a reduction in the transaction costs and in the inventories, thanks to just in time management and outsourcing, with an improvement in the management of the supply chain. Consumers can enjoy a reduction in the information asymmetries and an improvement of the surplus, instead markets, in addition to the lowering of transaction costs, take advantage from the mechanisms for the set up of prices (i.e. auction systems).

At this stage, switching to e-commerce, the advantages of using these technologies, as well as the disadvantages subsequently analyzed, can be seen in relation to three stakeholders¹⁰: organizations (producing companies), consumers

¹⁰ Priescu, I., (2008) Comertul Electronic- de la Paradigma la Implementare, Editura Universitatii Titu Maiorescu, Bucuresti 12

(buyers), society. Organizations benefit¹¹ from the fact that there is a borderless marketplace, where they can contact people all over the world with a minimum capital. In addition, costs associated with various business processes are reduced, like operational costs and telecommunication costs, where these last improve communication speed and constraints. In that way relations with customers and suppliers are strengthened, accompanied by a sort of reorganization of organizations' internal structure and the digitization of products and processes. In addition, the adoption of online sales as an alternative way of trade, allows for logistics flexibility, reduction on inventories and overheads; furthermore products and services can be customized according with customers' requirements. In relation to consumers' benefits, first of all there is an indisputable saving in time, because with e-commerce customers can shop in a very quick way 24 hours a day, all year around from any location. Moreover they have a whole range of products and suppliers for an effective comparison, a comparison that is noticeable also in terms of various prices available on different sites (or on the same site from different providers). Quick shopping means also fast delivery: there is an improvement in the delivery process that allows the immediate delivery for electronic/digitized goods and the on-line tracking of packages delivered by courier. Buyers can aggregate their orders in a single order, to obtain a more competitive price and discounts, benefiting from aggregate buying. Finally, with regard to benefits of e-commerce to society, the borderless marketplace enables more flexible working practices and the reduction of time devoted to various activities, which enhances the quality of life. Geographical barriers are dissolved and intermediaries are ousted, as a result people are connected each other to enjoy products/services and information and an easier delivery of public services (such as health services).

But unfortunately, to the benefits for the three major stakeholders just viewed correspond the same number of limitations¹², mainly related to security issues and

¹¹ Priescu, I., (2008) Comertul Electronic- de la Paradigma la Implementare, Editura Universitatii Titu Maiorescu, Bucuresti 13

¹² Priescu, I., (2008) Comertul Electronic- de la Paradigma la Implementare, Editura Universitatii Titu Maiorescu, Bucuresti 15

the lack of necessary infrastructure. The lack of security systems and a proper legal framework is the principal limitation of e-commerce to organizations, especially the ones in the B2C sector, in fact are many the business websites that have experienced breaches in security. Moreover Internet technologies are rapidly evolving, with an impact for organizations in term of costs (Internet access is too expensive) but also in terms of pressure to innovate to exploit new business opportunities: this leads to an increase in competition that often causes price wars and losses for the organization. At the level of the organization itself, the issue of structure and culture has to be considered: these might not fit with new technologies, with the need for investments in new infrastructures that is financially costly, as well as disruptive in terms of efficiency. Limitations of e-commerce to costumers, on the other hand, in addition to security (no control over data collected on the web) refers to the costs of access to Internet and of the computing equipment needed to participate in the new “digital economy”. Furthermore a basic knowledge is required and the physical contact with goods sold online fails, because of the fact that processes occur electronically with faceless computers. Finally regarding the society, since people interact electronically, there is no longer human interaction, with the possibility of social division between people having/not-having technical skills and between developed/underdeveloped countries. Resource are wasted and just-in-time manufacturing may damage economies in crisis.

1.6 Brief legislation’s overview

In Europe, and in general all over the world, recently increased the degree of knowledge of Internet technologies; as a consequence there has been an explosion of online transactions that led to the need for an adequate legislation. Internet has made possible the freedom of thinking and obtaining everything, without hierarchy and subordination constraints. However, to avoid that this freedom turns into anarchy, an appropriate regulation is required. This is the reason why the European Community has long been interested in the protection of all those

involved in the e-commerce. Therefore the most important interventions are recorded from 15 March 1997, with the directive 97/7/CE on the consumers' protection, that relates to distance selling of goods and services, and the directive 2000/31/CE. In this way is summarily established that anyone who intends to start an e-commerce activity, has no needs for prior authorization. The same directive offers a special protection for consumers who want to buy good and service on an e-commerce website, recognizing the right to find here accurate and correct information. The consumer must also be informed, in a written way, about the existence of the right of withdrawal and about how to exercise it, and should have the opportunity to print this information or receive them by email. If this information is not available, or is incorrect or incomplete, the deadline for exercising the right of withdrawal, usually of 10 days, moves to 90 days. Another important legislative decree is the 114/98, that prohibits the sending of products that are not free to the consumer without the existence of an explicit request. Beyond that the European Commission from January 2012 has suggested additional measures, helpful to increase the trust of consumers about e-commerce and consequently its economic value. These initiatives, favoring a homogeneous legislation able to inform consumers about their rights, refer to logistics and consumer's protection, in order to stimulate online purchases around the world in a borderless marketplace. Some of these are:

- the same right of withdrawal, within 14 days from the purchase, for all Countries;
- full refund of the cost within two weeks, in the case of products not conforming to expectations;
- detailed information about the seller and its reliability;
- limit of 30 days for the shipments;
- shipping costs paid by the seller for orders over a certain amount.

CHAPTER 2 E-COMMERCE IN ITALY AND ALL OVER THE WORLD

2.1 Key markets and key players in Europe and worldwide

It does not stop the positive growth of e-commerce worldwide: just think about the fact that in the last three years the value of e-commerce at a global level has increased from 254 billion dollars to 1,300 billion dollars, with a growth of 17% only from 2012 to 2013. However despite the consistent growth rates, in some sense e-commerce has slowed the race, and this is especially true for two sectors. These sectors that have had a significant decrease are the beauty and the health sector and the publishing industry, the latter absorbed in large part by the shopping center industry online. Other hand apparel remains the sectors that grows more forcefully, followed by IT (24%), food (+18%), tourism (+13%), and insurance (12%), as emerges from the predictions of the Netcomm observatory, part of the School of Management of the Polytechnic of Milan. And this difference of growth between sectors, lie in the way in which each of them fits with this new environment. But beyond all, for the coming years it is estimated, anyway, an increase in the value of e-commerce by an additional 20%, and the key driver is the m-commerce (mobile commerce) upon which we will discuss later. Therefore going back to key markets of e-commerce, as can be seen in the graph below, we can state that the two main ones are the North America (United States and Canada) and the countries of Asia-Pacific. In fact the value of e-commerce in Canada and in the United States, which during 2013 had reached 400 billion dollars bringing a positive growth of 11% in comparison with 2012, represents over than 30% of the global market. And this steady growth will not stop certainly in the future, thanks to the widespread access to the Internet and mobile devices that support also the development of the markets of China, Indonesia and India. In fact according to the data, China, India and Indonesia are the countries where online sales have grown faster: more precisely Indonesia is

growing at a rate of 80%, India shows a growth of 33% per year and China, with a value of 10 billion dollars, has become the second largest market after the United States. But that's not all, because forecasts indicate a further gradual reduction in the gap between these two countries, until a probable overtaking, in terms of absolute value, of China over the United States between 2016 and 2017.

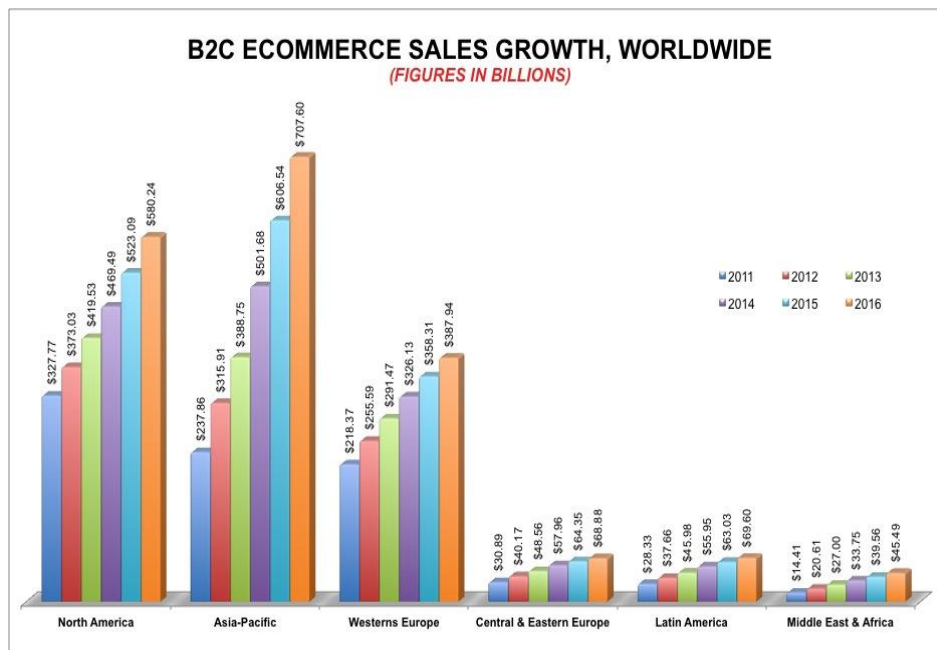


Figure 8: B2C E-commerce sales growth worldwide

Source: www.emarketer.com

In addition to the three major markets of Asia, to drive the growth of e-commerce in the years ahead will be other global growing markets such as Argentina, Mexico, Brazil and Russia.¹³ In Russia, one of the emerging economies of Eastern Europe, where the slow development of e-commerce is mainly due to logistical difficulties, in 2013 was observed a value of over \$11 billion and an estimated growth of 23%, the same applies to Latin America driven by Brazil with an

¹³ eMarketer (2014)

increase of 17%.¹⁴ With regards to Europe, generally speaking we can say that in mature markets growth is driven primarily by an increase in the frequency of purchase and the tendency to spend more across online channels. Conversely in countries where e-commerce is starting to develop, growth derives above all by an increase in the number of online shoppers. Thus it can be observed that online shopping is a habit well established in Britain, Germany and France, markets that account for 70-80% of the e-commerce in the European. The growth is substantial also in the so-called PIGS area, which includes countries such as Portugal, Italy, Greece and Spain. But in this area the country that most of all it is pointed out is Greece that, despite the economic crisis, has reported a 198% growth in e-commerce. To this point, after having seen the growth of e-commerce in relation to different countries, we can go on to concretely analyze this mentioned growth in terms of the various players involved, in Europe as well as around the world. Surely in terms of revenues and market capitalization, the dot.com companies dominate, that is to say those companies doing their business essentially on the Internet. Top of the list we can find companies already established in the global reality such as Amazon, eBay, Google and Apple, the so-called Internet “Big Four”. Just to give a brief description of each of them, we can state that Amazon, with more than 2.25 million products, on a revenue basis has become the biggest online store on the planet, just focusing on customer satisfaction rather than on short-term profits. The most recent data available shows that for the last year Amazon reported revenue of 74.45 billion dollars¹⁵, compared to the \$61.09 billion of the previous year. Web sales in 2013, including commissions from retailers that sell through Amazon marketplace, were estimated at 67.86 billion dollars, with a growth of 20,3% in comparison with 2012. This international electronic commerce started as an online bookstore but afterwards diversified selling software electronics, DVDs, CDs and so on. Nowadays the company also produces consumer electronics, such as for example the Amazon Kindle e-book readers, besides to being a major provider of cloud computing systems. Its clear

¹⁴ eMarketer (2013)

¹⁵ “Amazon.com , Inc 2013 Annual Report Form (10-K)”- United States Securities and Exchange Commisison

and direct rival is Wal-Mart, the world's largest retailer of any kind that, with approximately 470 billion dollars of revenues¹⁶, is dwarfing Amazon. But if in terms of revenues Wal-Mart wins, on the web it loses, and this worries when you consider the fact that:

“e-commerce will gain more ground than any other segment of the retail industry by 2017”¹⁷.

Wal-Mart is doing all it can to catch up with the Seattle retailer online, also trying to copy its successful tactics, and this helped to make significant strides in recent months. However despite all the efforts, in this e-commerce battle of titans the web's largest retailer remains Amazon. Like Amazon, also eBay is an e-commerce company that, headquartered in California, provides consumer-to-consumer sales services via the Internet. With eBay.com, the company offers an online auction and shopping website where both individuals and businesses can buy and sell all kind of goods/services (according with the eBay Prohibited and Restricted Items policy) all around the world. But the Amazon's most-often-cited competitor is geared towards a different model of e-commerce that is more decentralized; in fact the key difference between these two companies isn't auctions versus fixed prices sales, since the majority of eBay sales aren't auctions anymore. It is that eBay doesn't take inventory, showing itself as an intermediary allowing peer-to-peer e-commerce, that wins only if e-commerce become more decentralized. EBay reported the gross merchandise value of goods sold on its global marketplace in 2013 of 76.50 billion dollars¹⁸, up 12.9% from 67.76 billion dollars a year earlier. Although they are supposed to be primarily e-commerce sites, Amazon.com and eBay.com feature also a B&I category with a lot of

¹⁶ “Wal-Mart Stores Inc 2014 Annual Report Form (10-K)”- United States Securities and Exchange Commission

¹⁷ www.nielsen.com

¹⁸ “eBay Inc. Financial Statement Results”- US Securities and Exchange Commission

subcategories. However all items we can find on eBay are from outside sellers, on the contrary Amazon sells some B&I products on its own behalf, other products purchased from manufacturers/distributors, and also offers products from marketplace sellers. Then, regarding AmazonSupply.com, a site dedicated to selling office equipment and industrial supplies to business, we can find out that it sells only products acquired from manufacturers and distributors. But there is another player on the international scenario, out of the “Big Four”, that deserve to be mentioned, because it is about to sweep away both Amazon and EBay: it is Alibaba. Within a few years, the Chinese company has been able to capture the 10th position in the index of most visited websites, with Amazon ranked only 9th. It represents a possible future danger also for eBay, since, as is clear from the graph below, the difference of sales is substantial among the two.

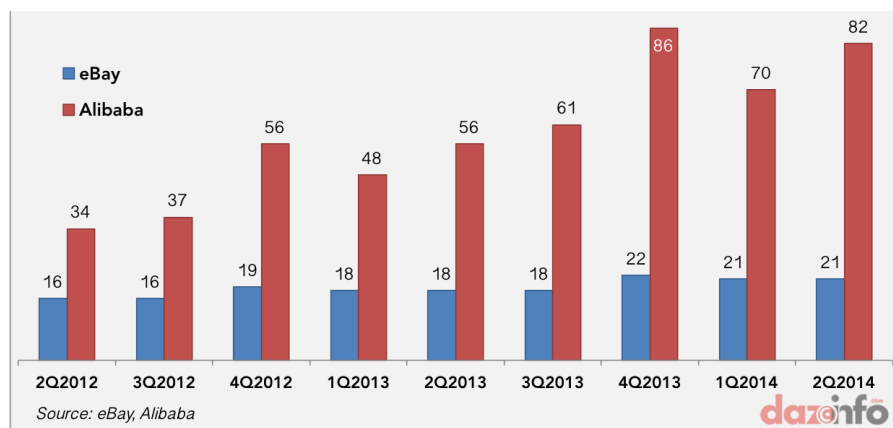


Figure 9: Alibaba vs Ebay: Gross Merchandise Value in USD Billions

Source: www.dazeinfo.com

Alibaba is a Hangzhou technology based company, founded in 1999 in the garage of a former English school teacher and serving retail customers all over the world. The company presently controls 80% of the Chinese e-commerce market, but seeks to expand beyond the China’s boundaries. In fact, as the founder and CEO Jack Ma said:

“Speaking for Alibaba, we hope to become a global company, so after we go public in the US, we will expand strongly in Europe and America. At the same time we won’t abandon Asia, because after all we’re not a company from China, we are an internet company that happens to be in China.”

The desire to expand outside China is due to the fact that homegrown vendors have starting representing a possible threat. These startups actually control a negligible market share in the country as compared to Alibaba, but they are growing at sustained speed. Company’s sales for 2014 are estimated at \$420 billion¹⁹, compared to \$170 of 2012, the customer based is gigantic and currently Alibaba is working on establishing financial services and banking relationship. In addition, the Chinese company has several divisions, such as Taobao, which allows private people and small businesses to sell merchandise to customers, and Tmall.com. On Taobao sellers have to pay for the advertising promotion, differently from what happens on eBay where sellers have to pay a commission to the company itself. If Taobao looks like eBay, Tmall.com is similar to Amazon: here companies can offer merchandise paying a commission for every transaction. But even if the Chinese giant is often compared to these other e-commerce sites in terms of selling services and advertisements, in terms of business model they are not exactly similar, since Alibaba basically works to allow customers to buy everything they want from manufacturers in China online and that too directly. Another one of the “Big Four” mentioned above is Google: the best known search engine in the world that, with about 60 million dollars in revenues²⁰, is getting ready to be a competitor of Amazon. In fact with Shopping Express, but even with Google Wallet and Google Offers, Google aims to become a relevant dealer for global purchases. But the race to capture dollars from online sales is heating up since, according to the Wall Street Journal, there is rival gaining the second position, namely Apple. The iPhone maker recorded a 24% increase in online

¹⁹ www.forbes.com

²⁰ “Google Inc. 2013 Annual Financial Report Form (10-K)”- United States Securities and Exchange Commission

sales to 18.3 billion dollars last year²¹, also thanks to the Internet Retailer's inclusion of Apple's online hardware sales for the first time, in addition to the digital sales from its App Store and iTunes. The company is geared towards the creation of a mobile payments business which makes the Touch ID scanner not merely something about security. From this idea is born iBeacon, a mobile retail marketing infrastructure that Apple is building and that would allow the company itself, as well as its partners, to know where and when you are shopping, possibly enabling also payments by phone. Apple can benefit from the fact that mobile is increasingly becoming a referred medium for shopping, with mobile traffic representing the 40% of all online traffic and mobile sales reaching 22% of total online sales.

2.1.1 M-commerce

Everyone talks about it, so much that in recent times the most popular words are "mobile" and "e-commerce", especially in the retail sector. And it's not just a simple fashion of the day, since the purchase made using a mobile phone is now for retailers a source of considerable gain. All this happens due to an increased number of people owning a mobile device, as we can see from the graph below, where the analysis is restricted to the percentage of smartphones ownership in different countries. In some cases a single person owns even more than one smartphone/tablet, and that's how is justified the fact that over 1.2 billion people access the web with their mobile devices, generating an amount of data traffic that is about 15%²² of all internet traffic.

²¹ "Apple Inc. 2013 Annual Report Form (10-K)"- United States Securities and Exchange Commission

²² Internet Economics- Paolo Cellini

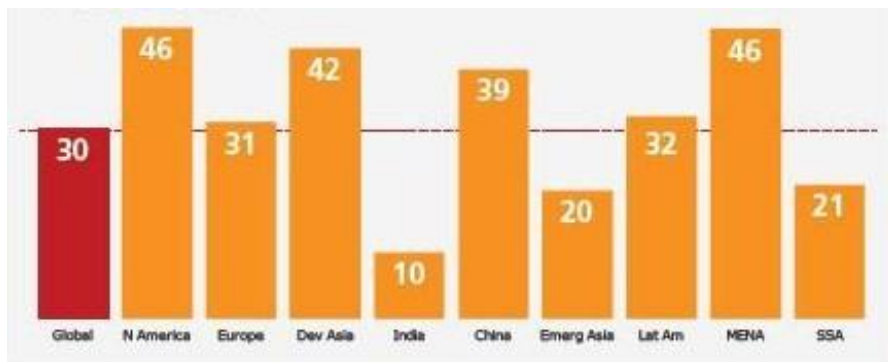


Figure 10: Smartphone ownership (%)

Source: www.tnsglobal.com/mobilelife

Before moving on to analyze the impact of mobile commerce more specifically, it is useful to analyze characteristics of mobiles, which are essentially three. In fact mobiles' features are:

- ubiquity: users of devices can access resources from anywhere and anytime;
- identifiably: mobile devices uniquely indentify their users;
- context awareness: mobile devices can be geolocated (GPS).

From these characteristics derive three kinds of benefits related to the use of mobile devices, which are relational, operational and strategic benefits. The first type is associated to the advantages of communication between all the actors involved in a transaction conducted through mobile (disintermediation). Regarding operational benefits, instead, they refer to the reduction in coordination and search costs involved in the delivery of products/goods/services (timeliness and efficiency). Finally there are benefits that increase performances

characterizing a mobile transaction, the so called strategic benefits, and therefore this refers to concepts such as customer loyalty and customer retention. All of this, together with a shift in purchasing behavior, marked the transition from e-commerce to m-commerce, a term does not meaning just a simple transaction, but something more complex that can be defined as:

- a technology: m-commerce refers to the use of mobile devices to inform/transact, using data via connection to private/public networks;
- a product: m-commerce is simply a commercial application offered on electronic mediums;
- a service: m-commerce is any transaction with monetary value conducted through a mobile communication network;
- a mix of the previous ones: m-commerce is the buying and selling of good/ service/information by mobile devices and without any location restriction, which uses a wireless connection.

Connected to the concept of m-commerce is that of m-business, the extension of e-business to mobile devices. In fact it is a new business model enabled by new mobile technologies and devices, as well as by the mobility of people's work styles and lifestyles. M-business is based on the fact that users can benefit from information and services any time and in any place.

Anyway the weight of mobile on the total sales is different in the various sectors: those who reported a higher incidence are leisure, tourism, and online shopping malls, but also less mature areas such as health and beauty and food. In the UK, for example, a web page out of ten is displayed on a mobile device, and Italy is not far behind, being at the forefront for the number of users of smartphones. As the graph shows below, for the years to come it is estimated a considerable growth for m-commerce: mobile sales doubled in the space of a year and will account for 50% of Web sales by 2015, according with Gartner's analysts. For retailers is without doubts an opportunity to increase sales, but at the same time is also a

challenge, because if today consumers are buying more and more from their mobile, e-commerce organizations need to connect different sales channels (cross-channel) and analyze data in order to find a way to adapt their web sites. These data are available online and can be used as additional incentives to improve operational processes, as well as to allow the creation of a robust consumer database useful for marketing and merchandising activities. As more people use smartphones, retailers have to consider their purchasing behavior because they will expect the customer experience to be extended and supported by mobile devices.

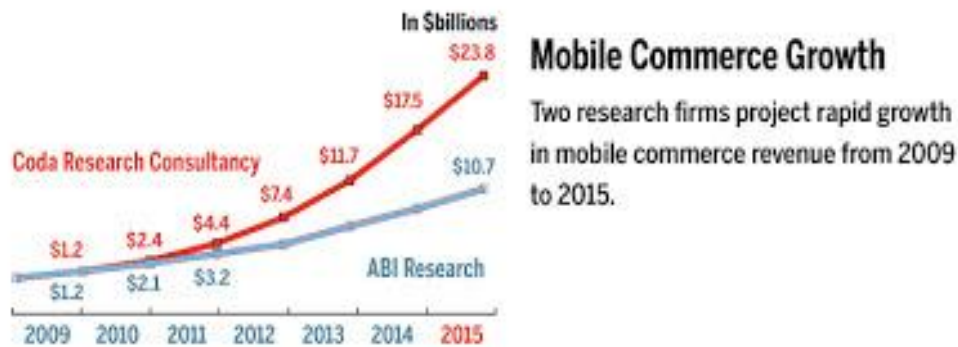


Figure 11: Mobile Commerce Growth

Source: Coda Research Consultancy & ABI Research

2.2 A focus on Italy

In terms of e-commerce Italy is a latecomer, in fact Italians are buying less than other countries even if the m-commerce growth gives hope, with two driving forces such as iOS and Android. In addition to being two different operating systems, the latter also differ in terms of purchase preference between the two types of users. Undoubtedly iOS users have a greater readiness to invest in online

purchases; moreover in terms of product categories is noted that Android users have passion for smartphones, instead iOS users are more frequently attracted by lifestyle items (for example fashion, furniture, photography). In the European ranking for e-commerce use, as it emerges from a research realized by the Digital Agency MM One Group, Italy takes the last positions, before Greece, Romania and Bulgaria. The delay affects both people, who ignore and in some cases are even afraid about this method of purchase, and companies, whose share of revenues related to e-commerce is still very small. Going into detail, in our country the share of online businesses' sales is just 6%, against a European average of 15%. This is due to the fact that, despite the large number of e-commerce companies emerged in recent years, only 6% of the total number of Italian firms sell online (the EU average is 16%). Furthermore only 11% of the commercial activities of our country has a sales platform integrated on its website (the European average is 15%), and only 5% receives orders via the Internet (with an EU average of 13%). The only data we can see slightly above the European average is related to the number of Italian companies who shop online: they represent a 35%, against a European average of 34%. Disappointing appears to be also the use that in Italy people make of e-commerce: only 17% of Italians have made at least one online purchase, compared to 74% of Swedes and a European average of 44%. Specifically, the online travel purchase is 8%, while in countries such as Germany and France is more than 30% and in UK almost 50%, and only 21% of Italian use e-banking for current account transactions (the EU average is 40%). That is how the Italian underdevelopment may reflect a cultural, entrepreneurial and institutional delay: are still very few the national strategies put in place to strengthen and enhance e-commerce, first among everything the reduction of the digital divide and the spread of ultra-wideband. On the other hand Italy represents one of the countries with the highest penetration of smartphones, an opportunity that should be exploited because it may be a drive for the Italian retail's development. In fact Italian companies show a growing trust and willingness to invest more and more resources on the mobile channel. As a result more than three out of four Italian companies will invest on mobile in the coming years, with the intent to adequately exploit a channel that more and more

consumers are using for their purchases. Among the priority activities that they intend to realize there are the creation of a mobile version of the website, as well as the development of apps for smartphones, the launch of promotional and advertising activities specific to the mobile, app development for tablets and other activities. M-commerce in our country has grown by 255% in just one year and sales by mobile are almost evenly divided between products and services. To this kind of sales we have to add transaction via tablet, of about one billion Euro, a third of which are made through applications specifically developed by merchants, two-thirds by browsing on the e-commerce website. Some of the key findings of the Italian m-commerce, that we can also find in the figure below, are²³:

- retail apps and sites showed the strongest increase of 74.8 percent, followed by the health category with 66.6% growth. The third position we find e-payments and money transfer category, with 65.2% growth and over 2 million additional users over the last years;
- financial and retail/m-commerce related services represents the most popular usage categories accessed by Italian smartphone owners. Moreover online retail sites and apps were visited by 23.8% of smartphone owners, followed by shopping and price guides;
- also e-payments and money transfer services on smartphone are popular, with a growth of 65.2%.

²³ comScore MobiLens, Italy

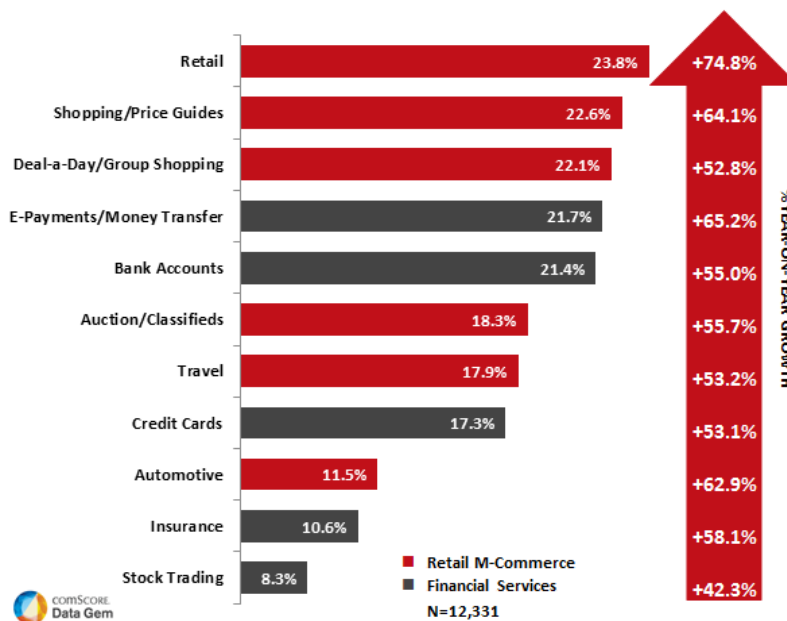


Figure 12: Financial Services & Retail M-commerce Categories

Source: comScore MobiLens, Italy, 3 mo. Avg. ending November 2013

The growth of m-commerce in Italy pulls that of e-commerce, going to gains 12% of the total value of e-commerce, but penetration in our country is around 2%, placing Italy among the last positions in the European ranking by countries, as we have seen. Nevertheless future forecasts are optimistic and talk about a strong growth: it is estimated that by the end of 2016 the e-commerce in Italy will double its value. Therefore, with an e-commerce absolute market size of about 15.5 billion dollars²⁴, Italy is side-by-side with Spain emerging as a relevant e-commerce market, with important opportunities for foreign investors. It is certainly not a mature market, given that its expansion is affected by financial issues characterizing businesses and consumers during this time. However, our country is already fighting with all his energy, as well as show the data below that

²⁴ www.userlike.com

relate to the period 2006-2013, from which can be seen an increase in e-commerce sales.

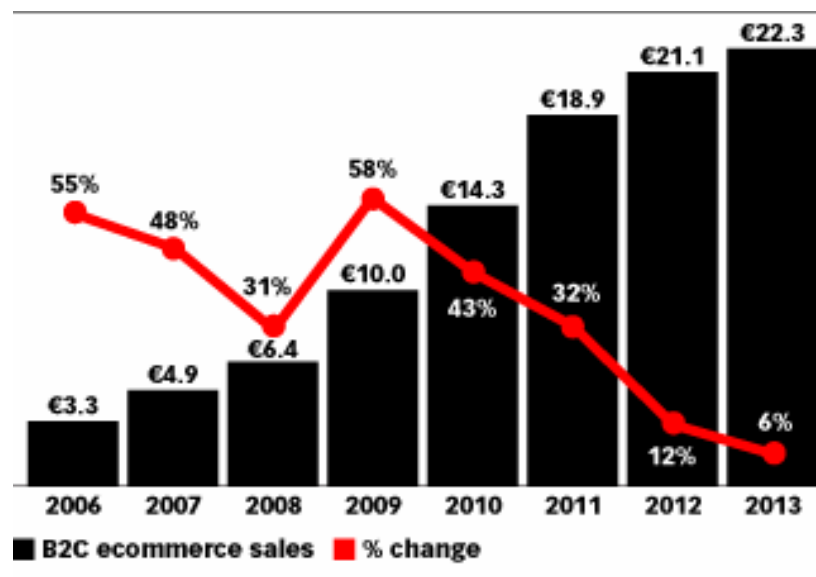


Figure 13: B2C E-commerce Sales in Italy, 2006-2013 (billions of Euro and % change)

Source: Casaleggio Associati, "E-commerce in Italy 2014", April 17, 2014

Italy has always had a strong cash-based economy, through which it could make transactions taking place outside standard channels, but unfortunately, due to low GDP growth and high unemployment rate, is no longer the same. Households have little disposable income and less incentive to change their shopping habits, at the same time retailers don't have resources to fund the expansions onto digital platforms. The economic crisis and the general decline in consumption, have led many traditional traders to use the Internet to promote and sell products on line. The integration of sale in the store with e-commerce can reduce or eliminate the amount of unsold goods, thanks to the expansion of the customer base and to better inventory management. Moreover the promotion of the web activity, also through the site and any advertising activities, allows companies to intercept the demand and makes it grow the business. Therefore brick-and-mortar retailers are

moving online in order to “combat the crisis”: the integration of the web in the store and the link between on line and off line is the competitive strategy followed by the major brands, which in addition to developing the e-commerce want to take advantage from the strength of the retail network. It is important to invest in marketing activities and technologies that enable the evolution of the offline purchase, as well as the increase in online sales. Because it is thanks to these technological innovations that a store can be transformed from the place of storage and sale into an integrated digital space, designed to offer the best functionality, in addition to engage and entertain. Further is crucial to take advantage of the traffic in the stores in order to generate online sales, and the evolution of so-called "high street shops" moves in this direction. In particular we are talking about a selling model in which the quantities of products available in shop is limited, instead you can access digitally to the entire assortment and order on line the product you want to buy. A heightened awareness of the potential of e-commerce travels hand in hand with promotional investment, in fact from survey²⁵ conducted over about 3000 companies emerges that 45% of respondents admit to not being able to effectively exploit the instruments the Internet provides for the promotion, while 36% acknowledges to achieve satisfactory results. In terms of promotional tools, reigns over all the “keyword advertising” to which is assigned 28% of the budget committed for promotion, email marketing and social follows with 15%. But as the emails were down compared to 2013, investment on social increase of 2 points, since the awareness of the effectiveness of the channel is high. Of course, Facebook is considered the most effective channel with 65%, followed surprisingly by Youtube with 41%, instead other social, such as Twitter or Google+, are ranked low in terms of promotional power.

²⁵ Casaleggio Associati, 2014

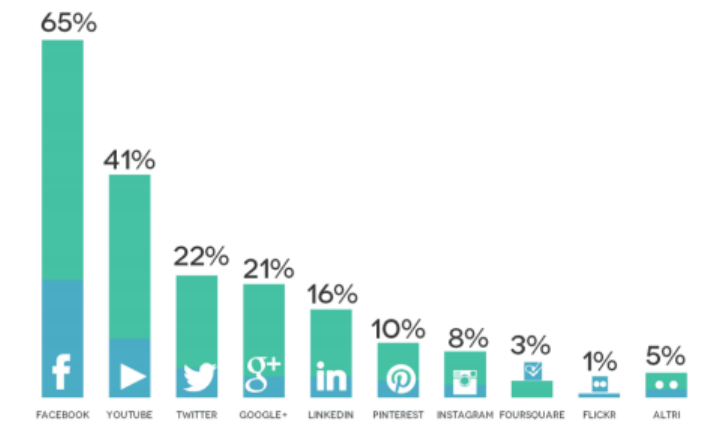


Figure 14: Social Media Effectiveness

Source: Casaleggio Associati, 2014

In light of all this, there is a long way to go before Italian e-commerce comes close to the global digital shopping landscape, but nevertheless sales growth by sectors, as is possible to notice in the figure below, bodes well: the most active markets are those that fall under the Fashion, Food and Tech categories.

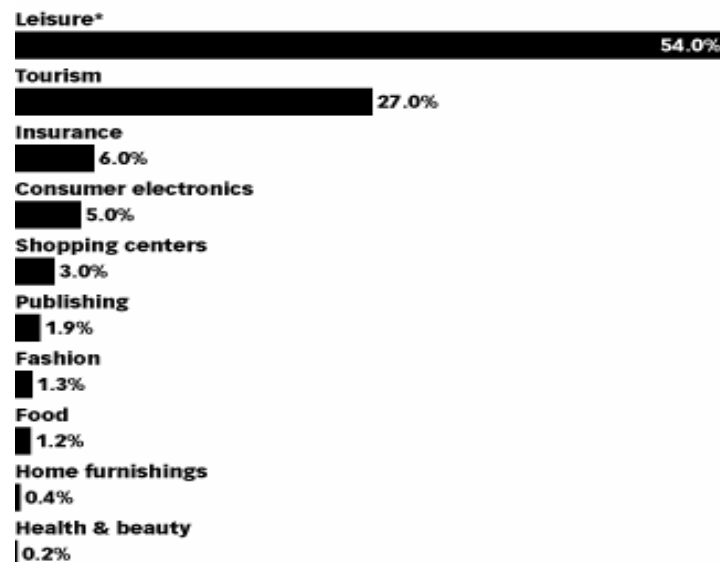


Figure 15: B2C E-commerce Sales in Italy, by category, 2013 (% market share)

Source: Casaleggio Associati, "E-commerce in Italy 2014", April 17, 2014

While from a geographical distribution point of view, the most active regions in e-commerce are Lombardy and Lazio, followed by Emilia Romagna, Veneto, Piedmont and Tuscany. Contrariwise regions of Southern Italy are still less active, displaying a lag that accordingly affect not only traditional market.

The Italian e-commerce market still remains dominated by the big: the top 20 players account for nearly 70% of sales and the first 50 for about the 88%. Of these 20 operators, 16 belong to the service sector and are the following:

- 9 in tourism: Alitalia, eDreams, Expedia, Lastminute, Meridiana, Trenitalia, Venere, Volagratis, Windjet
- 4 in insurance: Directline, Genertel, Genialloyd, Linear
- 1 in telephone recharges: Vodafone
- 1 in the couponing: Groupon
- 1 in the ticketing: TicketOne

The remaining 4 instead, they operate in products and they are:

- eBay
- Amazon
- Yoox
- Esselunga

Among those mentioned, companies such as Alitalia, Trenitalia, Directline, Genialloyd, Genertel represent traditional business with a lower rate of growth, even if only slightly, than the market. The others, like Amazon and Groupon, are the new Dot Com thanks to which the offer online in Italy is enriched by new product categories. Between the Dot Com, a significant role is played by the so-called “aggregators”, i.e. those traditional players small and medium-sized that reproduce, in an aggregated form, the offer of other players.

In conclusion we can state that the one of e-commerce is undoubtedly a difficult competitive environment, taking into account that the increase of market maturity also increase the cost of customer acquisition. But, beyond difficulties, e-commerce means saving of time, energy and costs, so do not take this opportunity could also affect traditional commerce, increasingly eroded by the digital competition. Especially in time of crisis, selling online provides an opportunity to revitalize sectors on the market, and this applies in particular overseas, where online transactions take place with greater frequency. Thus would be desirable development policies addressing long-standing Italian digital problems, promoting a change in buying habits, as well as the use of Information Technology at every level.

2.3 Fashion e-commerce

But to run the e-commerce mainly in Italy is the fashion, an area not yet fully explored but fully of opportunities, and on which the country has yet to close the gap compared to the rest of Europe. In fact, according to a survey conducted by Human Highway for Netcomm, are 16.2 million the Internet users who have shopped online in the past three months, slightly more than half of the total users of our country. Between April 2013 and April 2014, online apparel shoppers, as we can see from the graph below, (for the specific fashion's segment which includes shoes, clothing, bags, accessories) grew by 42%, thus reaching 3.3 million within 12 months. Specifically, in the last quarter the occasional are 1.7% more with one or two purchases (5.3 million in total) and the regulars are 22.8% higher with three or more purchases (10.9 are million in total). Therefore there are now more than 11 million people who, at least once in their life, bought a fashion product online. Also transaction volumes in fashion products during the last Christmas have increased, but the trend is kept at the same rate of growth, recording in the first two months 73 million euro (+79 % compared to the same period of 2013).

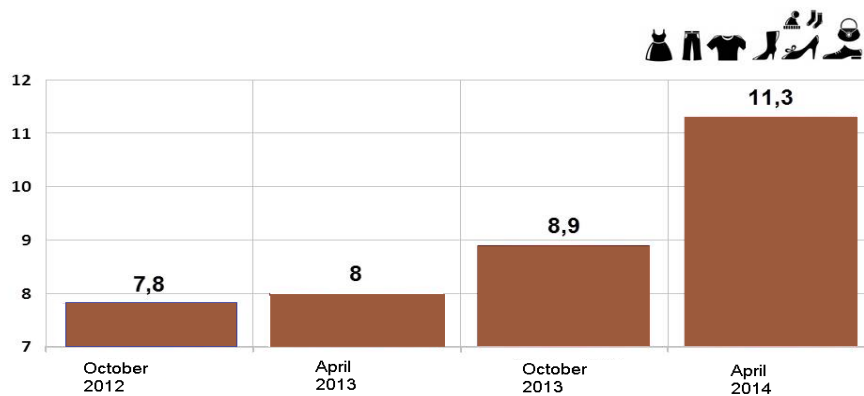


Figure 16: Online apparel shoppers

Source: Netcomm, 2013

Analyzing the fashion e-commerce in terms of most purchased product categories, from the considered research, emerge that the most purchased fashion products in general are apparel, followed by shoes, accessories (i.e. gloves, hats, scarves and so on) and women bags. In detail the kind of item of clothing purchased more is the shirt, following trousers, dresses, sweatshirts and sweaters. For shoes instead, the most hype product is represented by sport shoes, then boots, sandals, sneaker and tennis shoes. At this point, to complete this analysis by category, remains to consider types of accessory that can be purchased online: in order they are belts, fashion jewelry and scarves, bags and gloves, watches, necklaces and wallets.

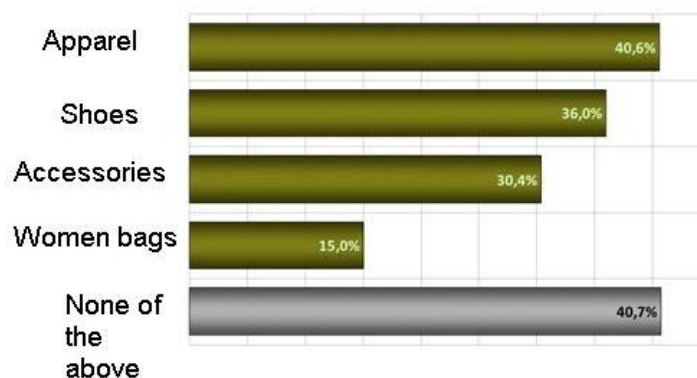


Figure 17: Fashion E-commerce by category

Source: Netcomm, 2013

The above-mentioned survey was conducted by Human Highway, a research institute specialized in the analysis of services, communication and online marketing, partner of NetComm, for which it analyzes the monthly e-commerce index. Survey data are derived from online interviews, conducted online every month, on independent samples consisting of men and women over the age of 14 years. People considered are resident in the whole national territory, and represent the Italian population that is connected to the Internet on a regular basis at least once a week. The universe of investigation so defined consists overall of 30.5 million individuals. As stated by Roberto Liscia, the Chairman of Netcomm:

“The significant increase in regular eShopper is a fact that should make us reflect. On one hand it is relevant the increase in the number of Internet users that are willing to make purchases online and to rely on technology. But on the other hand, maybe we can read it as a families’ response to the crisis, through the research on Internet of cheap products compared to the shopping experience in a traditional store. The one-year increase in fashion purchases is also the result of the maturity of the industry in terms of breadth of catalog and of greater convenience”

And in Italy fashion is the most dynamic sector even from the point of view of the electronic devices used to go shopping, since there are more and more fashion e-shopper choosing smartphone and tablet for their purchases, differently from what happens in other sectors. The same dynamism characterizes flash sales (club online offering discount limited in time), a constantly growing segment able to generate an annual turnover between 400 and 550 million euro. Always on the basis of the research conducted by Netcomm, there are few fashion companies who have chosen e-commerce as an additional sales channel, especially due to technical difficulties that range from warehouse management to shipments and payments. So fashion e-commerce in Italy represents an area that still has infinite potentialities to be explored and future predictions are hopeful. But differently

from one might think, even in light of the above considerations, the dynamism of fashion on the web is not just an Italian phenomenon: a large part of the European e-commerce, in fact, is represented by the buying and selling of clothing products. According to a recent report made by an Hamburg-based research company²⁶, over one-third of the worldwide Internet users made or intended to make a purchase from this product category in coming years. In Europe the share of individuals purchasing clothes and sports goods online increased significantly; in Germany, for example, apparel is the largest e-commerce category reaching several EUR billions sales. In this country, among the leading players, stands out the Otto Group, that with a hundred online stores record sales of more than six billion Euros. And the latter will continue to rise thanks to a new e-commerce fashion project that the Group has revealed to launch, named Collins, while Zalando still continues to duplicate its sales. Instead Asos and Debenhams one hand and La Redoute and 3 Suisses on the other, are respectively the most prominent online shops for fashion products in the UK and in France. Again according research data, we find that the clothing and apparel sector is expanding is Eastern Europe as well. In Russia e-commerce sales of shoes and clothing represents more or less one-fifth of total e-commerce sales with Wildberries, Lamoda, Quelle and KupiVip as leading online merchants. Clothing and shoes is the leading e-Commerce category also in Poland, the same holds true for other countries such as Estonia, Croatia, Macedonia and Turkey: here clothing is bought by a high percentage of online shoppers, and is one of the most popular online product categories. Giving a look to the Americas, the research highlighted that apparel and accessories are second to consumer electronics and is expected to remain the fastest growing product category for forthcoming years to be, with leading players such as Abercrombie & Fitch. Also in Latin America, specifically in Peru, Uruguay and Venezuela, online sales of electronic products outsell clothing products, and this gap is even greater in Brazil and Mexico, where apparel is the fourth most popular online product category. Varying levels of clothing sector popularity in Asian-Pacific nations, where e-commerce sales of apparel increased by over a half to several tens of EUR billion: clothing is the

²⁶ Global Clothing B2C E-commerce Report 2013, yStats.com

most purchased product category in Japan, with Gap Inc as one of the leading players, the same for China but not for South Korea, this slightly below the average. But in China a growth is observed in the market share of independent platforms, with large international players such as Levi Strauss, Inditex, Macy's and Asos, launching or planning to launch local online shops. In Australia, as well as in the Americas, clothing was the second most purchased product category in e-commerce after electronics, quite the opposite in the Middle East and in Africa. The Middle Eastern online vendor of clothing, Namshi, raised several USD millions of investment last year, moreover in South Africa take hold apparel discount online shopping clubs, such as Runway.

2.3.1 Yoox and Luisa Via Roma: two Italian winning business models

A key role in the development of the fashion e-commerce in Italy it has been played by Yoox and Luisa Via Roma.

Yoox, in the double role of e-commerce website and online service providers, was founded in 2000 by Federico Marchetti, as a platform designed to sell the unsold stock of designer labels at discounted prices. Afterwards the Group went on to deal with more current pieces on other multi-brand online stores like thecorner.com (launched in 2008), shooscribe.com (launched in 2012), and with numerous mono-brand online stores all “Powered by YOOX Group”, by serving in this way more than 100 countries worldwide. In fact, since 2006, YOOX Group designs and manages mono-brand online stores for fashion brands (i.e. Emporio Armani, Marni, Emilio Pucci, Dolce&Gabbana and so on) that intend to offer their latest collection on the Internet. Thanks to years of experience, YOOX Group offers its brand partners a complete solution: from the ideation and implementation of the creative concept to innovative interface design and the

International Web marketing. On December 2009 the Group went public at the Milan Stock Exchange and from 2012 it has created a solid partnership with Kering Group. Nowadays Yoox is in the basket of the FTSE MIB index, among the “big names” of the Milanese List, furthermore its turnover is expected to grow in the coming years. And will always be in the year to come that it will adopt a new industrial strategy: it consists in the further reinforcement of the offerings in some strategic markets—like North America and Asia, with a particular focus on China—and, at the same time, in the increase of full-price offerings, in order to continue to invest in innovation while valorizing the existing synergies between the mono-brand and multi-brand business. With regard to China, in particular, the founder and CEO, as well as the Group, already were aware of the substantial expected increase in the e-commerce spending. Just for this, after entering the Chinese market in 2010, have tried to responds to country’s needs, creating ad hoc services like the butler service.

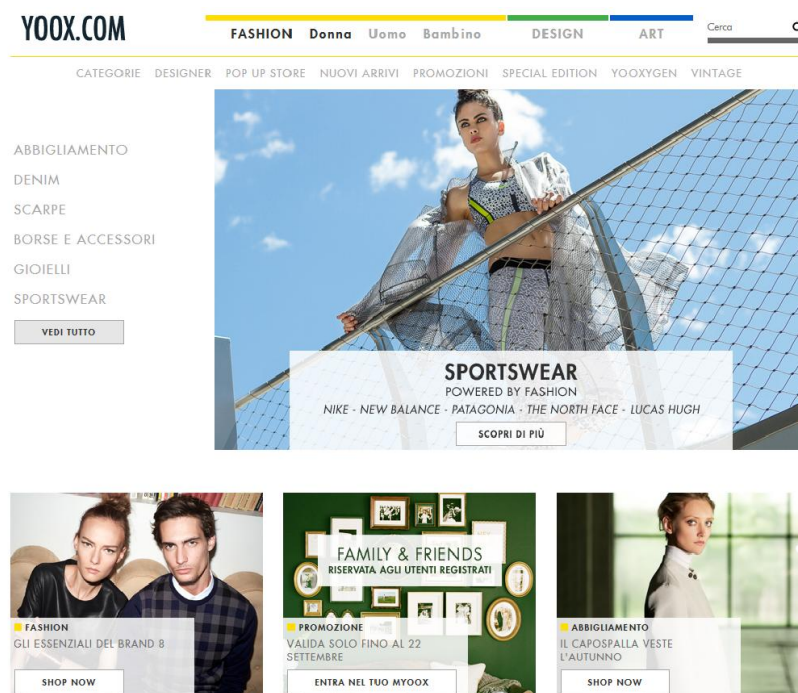


Figure 18: Yoox- The website

Source: www.yoox.com

Doubtless the web is changing the fashion industry, moving from the mass to the niche, and being able to take advantage of that has made Yoox a world leader in online sales. As shown in the graph below, the first six months of 2014 of Yoox closed with satisfying results²⁷: 238 million euro in revenues and an increase of 14,7%, compared to 207 million euro in the first half of 2013. Net income grows (+15,9%) and the Group is also undisputed leader in mobile commerce, thanks to the careful researches started in 2006 and culminated in 2009 into the creation of an iPhone app as well as of an iPad shopping app. In fact F. Marchetti is determined that people should be able to shop wherever they are, and this is exactly what is happening today since Yoox mobile channels now account for 40% of total traffic. But beyond all, the most surprising thing is that better results come from our country, showing an increase of 22%, thanks to the increase in the number of single-brand stores. The company is willing to bet that the positive trend will continue in the second half of the year and not only, because it is estimated that in the period 2014-2016 Yoox sales will grow by an average of 25% per year with 36% increase in margins²⁸. Moreover Yoox stands out for a lot of eco-conscious initiatives such as Yooxygen, the platform it launched in 2009, and the packaging made from recycled materials. Various collaboration may be also the art and design area because, as Marchetti said, if the fashion brands were slow to get the Internet, the design brands are even slower. All of this makes Yoox the Amazon of the fashion world. The Group confirms its commitment to anticipate and satisfy new fashion lovers' needs, for example through the partnership with WeChat²⁹, thanks to which the customer will have a 360 degree integrated experience including shopping, social and mobile. These are the words of the founder and CEO of YOOX Federico Marchetti, that during an interview for GQ in Japan said:

²⁷ Press release YOOX S.p.A, July 2014

²⁸ www.bankofamerica.com

²⁹ www.yooxgroup.com

“Once we have an important request, we can organize a functional system in a short period and meet customer’s expectations. It might seem that routine work is sometimes meaningless and less important, but YOOX has assessed the customer needs from there. I always keep asking myself what our customers want from us, what they imagine, and what they would expect from us in the near future. I also ask myself if I were a customer, what should be innovated even if it does not exist at the moment. The best is yet to com is the motto of YOOX, and it also means we are the future. We are currently working to promote development through cross-channeling. In short, we mix our customers’ experiences between online flagship shops managed by YOOX and physical boutiques managed by brands. It may seem that these two types of businesses conflict each other, but that is not true. For example, one customer goes to a boutique, and he finds an item that he wants to buy, but they don’t have his size at the boutique. However, he does not have to give up. He simply visits online shops to get the item in his size. Dreams, virtual images, and concreteness. For YOOX, the synergy of those elements comes true at the very moment. What we need to be successful in the business world is constant action as well as strategy. We continue to create the future.”

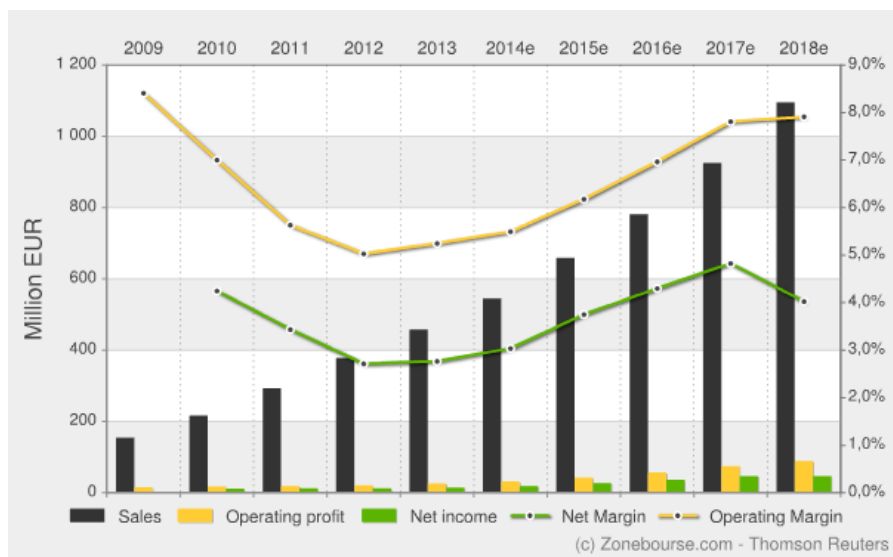


Figure 19: Yoox Income Statement Evolution

Source: Income Statement Evolution, www.zonebourse.com

Another phenomenon has been the case of Luisa Via Roma that, born by a beautiful store in Florence, later became a reference point for all the fans of luxury e-shopping.

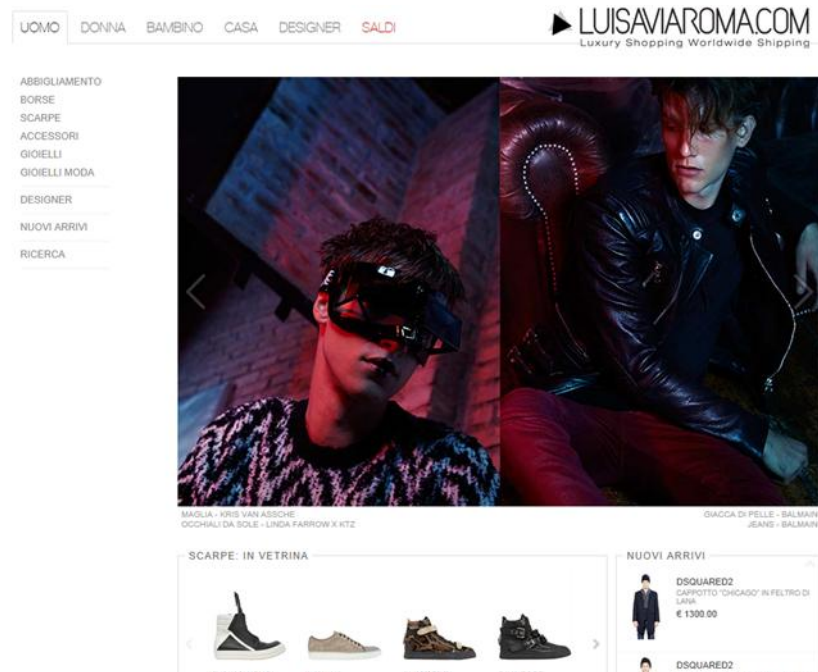


Figure 20: Luisa Via Roma- The website

Source: www.luisaviaroma.com

LVR has always been at the forefront with its business: in fact it has been the first European store to present the Kenzo Autumn/ Winter collection 1968/69, as well as to cooperate with Kyle Bradfield in the eighties. It is in this perspective that in the 1999 the company opened an e-commerce channel, though to keep in contact with the international clientele that went to Florence just one a year. But it overcome all the expectations, since half of the people working for LuisaViaRoma is committed to the management of the digital dimension. Online sales have increased exponentially over the years and in the present they represent

a large proportion of total sales, with man driving 45% of total revenue and its website being visited by around 4 million people per month. Just think about the fact that the most recent and available researches show a number of visitors of nearly 4 million only in 2008 but, if we look at the following graph, we can see that from this is the year from which the number of unique visitors came to visit luisaviaroma.com has become almost nine times higher within a few years.

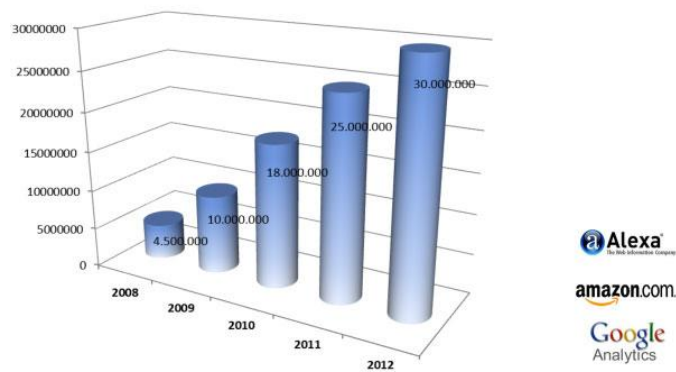


Figure 21: LVR Unique Visitors per Year

Source: www.luisaviaroma.com

These results are those also thanks to the inclusion, starting from 2009, of social network in the company's web-communication strategy: the company was one of the first to believe and invest in the relevance of new network channels, as will become more evident with the analysis carried out in the next chapter. Based on data dating back to the last year and shown below, Facebook, with over 1.380.000 fans represents the second source of traffic for the online store, instead on Twitter followers are about 85.000. Other social network added to the Luisa Via Roma community are YouTube, Instagram, Pinterest and Sina Weibo for the Chinese market.

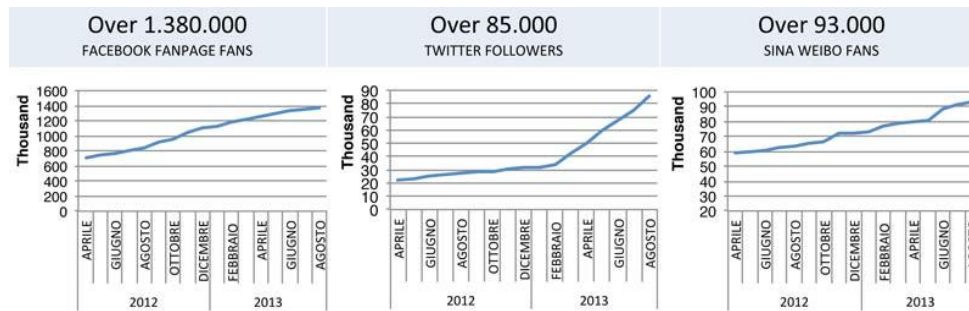


Figure 22: LVR Fans on Facebook, Twitter and Sina Weibo

Source: www.luisaviaroma.com

The success of luisaviaroma.com is undoubtedly due to the adopted business model, which has been modified and implemented as a function of the web while preserving the high profile of consumers it addresses. This business model gives certainly the priorities to the customer care, based on this customers can rely on an effective customer care system and on free shipping around the world. Another key aspect is the exclusivity: taking into account that man and women buy in the same measure, Luisa Via Roma offers the same 500 collections online and offline, also providing the “Buy It First” function that allows customers to buy in pre-order the collections’ previews. Unlike what we have previously seen for Yoox, the main markets for LVR are the USA, followed by Germany, UK, Italy, Honk Kong and South Korea. And globalization for the Florentine boutique doesn’t mean homologation, that, according with the CEO and founder Panconesi, threatens to destroy fashion:

“Who comes to us has to find something completely different from what he found earlier. I’m fed up with seeing the same window in New York, Hong Kong and Montecatini: this is a wrong strategy, because fashion has the change into the DNA and takes advantage of transformations.”

Always in the view of “look ahead”, Luisa Via Roma in 2010 was the first store to organize an event-party dedicated to blogger (FIRENZE4EVER...IT’S MAGIC), in fact when the phenomenon was at the begging, at least in Italy, it was able to grasp the relevance it would have in the future. In addition the company firmly believes that customers look for experiences and not only products, therefore is also committed to create events in collaborations with the biggest businesses in the world (i.e. Nokia, FIAT, Coca-Cola and so on).

Therefore Luisa Via Roma and Yoox represent two phenomena started from different directions, the first from a beautiful shop in Florence whereas the second one from the “virtual” intuition of its founder Federico Marchetti, to accomplish the same mission: the e-commerce. They are two different business models so close and so distant but nevertheless leader, emblematic example of the radical change taking place in the relationship between customer and company. End customers now are global, just as the Internet, and this should be clear to all; even luxury brands, the most reluctant toward the Internet, began to grasp its potential, not only as a distribution channel but also as a direct-contact channel with aforementioned end customers.

CHAPTER 3 FROM E-COMMERCE TO SOCIAL COMMERCE

3.1 Social media and social networks

Many people use these two terms interchangeably, but there is a sort of difference between social media and social networking, an understanding of which helps to improve academic and practical researches, as well as to implement corporate strategies. Although different, as we will see, they are two so related concepts that one includes the other.

The term social media includes the idea of connected people and the interactions among them; therefore, generally speaking, a social media can be defined as online text, image, audio and video content that people use for social interaction, in order to share opinions, experiences, insights, through something that they create. On the contrary, the idea at the base of social networking is that of building networks of influential individuals in a specific area of interest: in this sense social media represents a sort of vessel in which this “networking” takes place. In order to have an idea about what is meant by Social Media, we have to consider the two main pillars on which it is based: Web 2.0 and User Generated Content. Web 2.0 was introduced in 2004 to describe a new way to use the World Wide Web: a platform where content and applications are created and published by individuals, as well as continuously modified in a collaborative and participative way. On the other hand, User Generated Content (UGC) is a term coined in 1980 with reference to various available forms of media content created by end-users. Therefore UGC has already been available prior to Web 2.0, even though the combination of technological, economic and social drivers make it quite different from what has been observed previously.

Based on these clarifications, Kaplan and Haenlein (2010) define social media as:

*“a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, which allows the creation and exchange of user-generated content.”*³⁰

Others define social media as follows:

Social media consist of various user-driven channel (e.g. Facebook, Twitter, blogs, YouTube). These channels represent a stark difference from the advertiser-driven push model. As the principal owner of the customer relationship in the firm, typically, the marketing department is responsible for managing these social media channels. Although some many argue that the customer relationship is “everyone’s” responsibility, in the firm, the overarching responsibility rests with the marketing department as the champion for the customer. (Cheryl Burgess-Blue Focus Marketing)

Social media is today’ most transparent, engaging and interactive form of public relation. It combines the true grit of real time content with the beauty of authentic peer-to-peer communication. (Lisa Buyer- The Buyer Group)

Social media is a new marketing tool that allow you to get to know your customers and prospects in ways that were previously not possible. This information and knowledge must be paid for with output of respect, trustworthiness, and honesty. Social Media is not a fad, but I also think it’s just

³⁰ Users of the World, unite! The challenges and opportunities of Social Media- Andreas M. Kaplan, Michael Haenlein (2010)

the beginning of the marketing revolution-not the end. (Marjorie Clayman-Clayman Advertising, Inc.)

Social media are the platforms that enable the interactive web by engaging users to participate in, comment on and create content as means of communicating with social graph, other users and the public. Social media has the following characteristics:

- 1. Encompasses wide variety of content formats including text, video, photographs, audio, PDF and PowerPoint;*
- 2. Allows interactions to cross one or more platforms through social sharing, email and feeds;*
- 3. Involves different levels of engagement by participants who can create, comment or lurk on social media networks;*
- 4. Facilitates enhanced speed and breadth of information dissemination;*
- 5. Provides for one-to-one, one-to-many and many-to-many communications;*
- 6. Enables communication to take place in real time or asynchronously over time;*
- 7. Is device indifferent. It can take place via a computer, tablets, and mobile phones;*
- 8. Extends engagement by creating real-time online events, extending online interactions offline, or augmenting live events online.* (Heidi Cohen- Riverside Marketing Strategies).

Basically social media reflect a shift in the way in which people learn, read and share information and content, introducing pervasive changes to communication between organizations, communities and individuals. Therefore, as demonstrated also by the figure below, should not be surprising the fact that is even more increasing the number of worldwide social media active users, compared to the total number of Internet users.

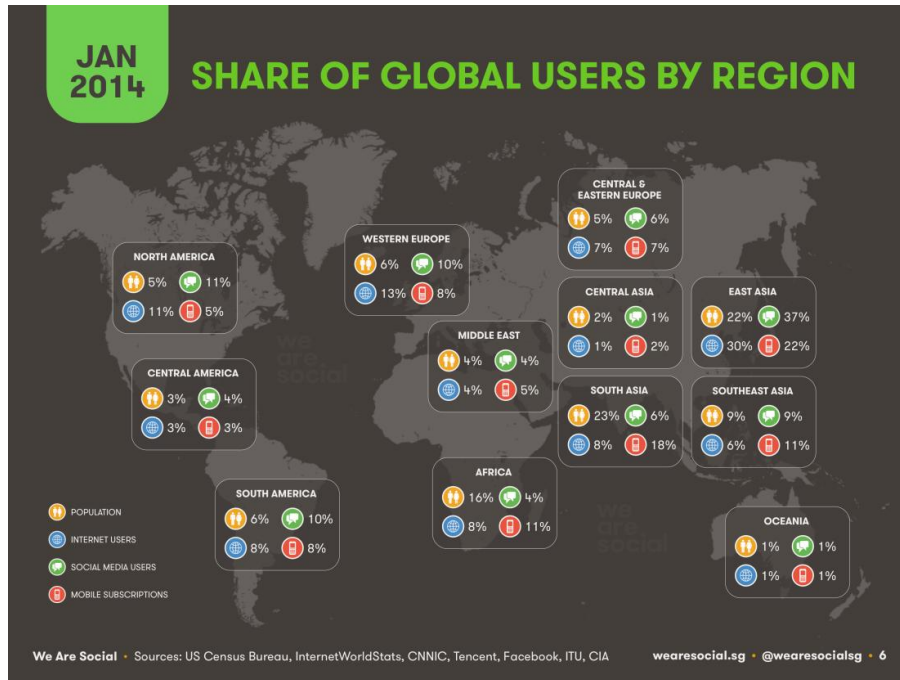


Figure 23: Share of Global Users by Region

Source: www.wearesocial.net

More specifically, within social media is realized the fusion between sociology and technology, that transforms a relation one-to-many into a relation many-to-many, as well as people from content users to content generators. Therefore the difference with traditional media relates to various aspects, including user base, accessibility, usability, rapidity and permanence. Analyzing these aspects one by one, we can assert for sure that, in terms of user base, both social media and traditional media offer the opportunity to get a global audience. Other hand social media are more accessible than traditional media, since often they are available for free or at a limited cost, besides being characterized by a higher rapidity in the information production. Referring to usability, we can find out that traditional media require training and expertise, in contrast to social media that reinvent skills in order to allow everyone to create content. Finally, the last considered parameter is permanence: once created, traditional media can no longer be modified, as opposed to social media where the change is instantaneous.

3.1.1 Social media types

Considering the fact that everyday new sites appear on the web, Social Media take on different forms and there is no single way in which they can be categorized. In the attempt to make a classification that takes into account all possible feature developments, Kaplan and Haenlein combine a set of theories in the field of media research (social presence, media richness) and social processes (self-presentation, self-disclosure). All this lead to the six categories that we can visualize in the table below.³¹

| | | Social presence/ Media richness | | |
|---------------------------------------|------|---|---|--|
| | | Low | Medium | High |
| Self-presentation/ Self-disclosure | High | Blogs | Social networking sites (e.g., Facebook) | Virtual social worlds (e.g., Second Life) |
| | Low | Collaborative projects (e.g., Wikipedia) | Content communities (e.g., YouTube) | Virtual game worlds (e.g., World of Warcraft) |

Table 1: Classification of Social Media by social presence/media richness and self-presentation/self-disclosure

Source: Users of the world, unite! The challenges and opportunities of Social Media- A. M. Kaplan, M. Haenlein (2010)

According to the authors, in relation to social presence/media richness, blogs and collaborative project take low scores, since allow for a relatively simple exchange. In this context blogs are defined as not only text-based websites, usually managed by a single person, that give people the possibility to discuss about a specific

³¹ Users of the World, unite! The challenges and opportunities of Social Media- Andreas M. Kaplan, Michael Haenlein (2010)

subjects, through comments showed in a chronological order. In 2001 there were already more than 150 active blogs worldwide, and is this ability to leave comments in an interactive format the reason why they are becoming more and more popular. A concrete example of blogging platform is Tumblr, developed in 2006 and owned by Yahoo! Inc.: here from a dashboard users can post contents as short-form blog, follow other users' blogs or make their blogs private. Collaborative projects, instead, are based on the idea that collaboration between different actors leads to better results, compared to any other result an actor can achieve individually. A typical example is Wikipedia, the free access and free content internet encyclopedia launched in 2001 and available in more than 280 language editions. In the words of Kaplan and Haenlein collaborative projects are defined as follows:

“collaborative projects enable the joint and simultaneous creation of content by many end-users and are, in this sense, probably the most democratic manifestation of UGC.” ³²

Going back to the table, at a medium level we find content communities and social networking sites, that enable the sharing of pictures, videos and other media, in addition to text-based communication. Conversely virtual social worlds and virtual game worlds are at the highest level, because of the high social presence/social richness put in the tentative to replicate all dimensions of a face-to-face interaction in a virtual world. Among these, content communities represents the sharing of different media content between users that don't have to create a personal profile page, as it does on YouTube. The creation of a personal information profiles (including photos, video, audio files and so on) is rather the basis of social networking sites. These sites allow the connection between people, as well as inviting friends, sending e-mails and instant messages. According to

³² Users of the World, unite! The challenges and opportunities of Social Media- Andreas M. Kaplan, Michael Haenlein (2010)

recent data and as can be seen below, Facebook is the largest social networking site in terms of active users.

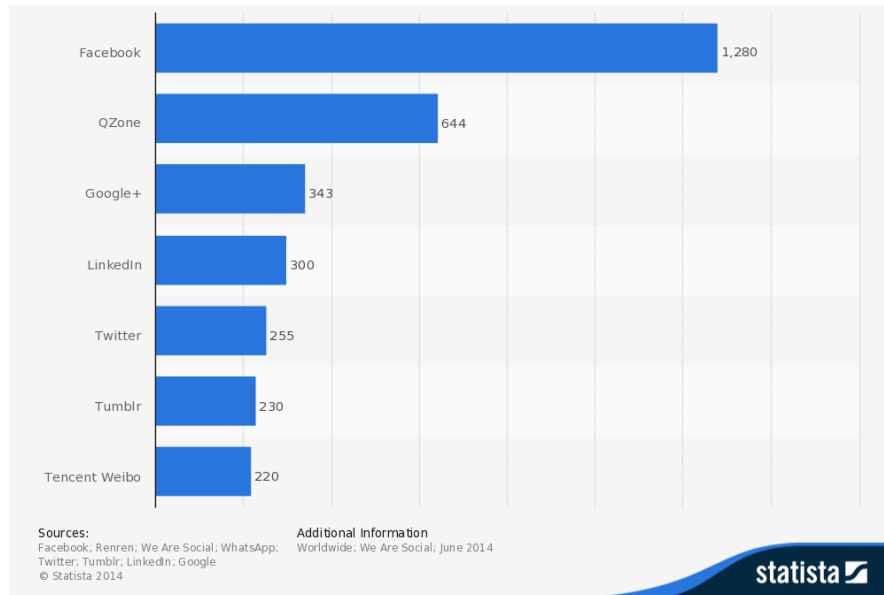


Figure 24: Leading social network worldwide (June 2014), ranked by number of active users (in millions)

Source: www.statista.com

To conclude this analysis of the six categories of social media, remains to consider virtual game worlds (i.e. World of Warcraft) and virtual social worlds. They are not so different, in fact they both represent a three-dimensional environment, in which users appear in the form of avatars and interact with each other as in the real life. However, regarding to virtual social worlds, there are no rules restricting interactions, as for the most prominent example of this type: Second Life.

Give the just considered categories, regarding the second dimension considered in Table 1 and represented by self-presentation/self-disclosure, according with the authors, blogs usually are at a higher level than collaborative projects, since the latter are more focused on specific content domains. Similarly, social networking

sites allow for more self-disclosure than content communities, and the same is true for virtual social worlds against virtual game worlds.

3.2 Social Customer

Based on what we have observed in the previous paragraphs, social media play a key role in a context in which firms adopt the philosophy of Web 2.0. This is the same context, based on the concepts of sharing, active participation and need of relating, in which arises a new kind of customer, the Social Customer. In the figure below, the main points characterizing this customer are summarized.



Figure 25: Characteristics of Social Customer

Source: Infographic : *Who is the “Social Consumer”* -

www.digitalintelligencetoday.com

It is a more active consumer, who uses new communication tools to connect with those who have the same passions and share the same opinions and interests. To be more exact, we are dealing with customers who reject the 4Ps of traditional marketing (product, price, place, promotion) in favor of new Web 2.0 instruments. These are instruments such as blog, wiki, instant messenger, tagging, following and so on, that impact positively on productivity and facilitate the transformation of the corporate culture toward a customer-centered perspective. In this way information asymmetries between customer and brand are reduced, relations are built on mutual trust and customers, who now tend to buy more online than offline, can enjoy a better customer experience. In fact new social customers aspire to a “customer empowerment”, in order to participate with companies in the co-creation of content and product/services, and companies, the same way, perceive the need of a “customer engagement”. The strategic planning about how to create engagement is closely related to the concept of community. This represents the way to stimulate the relationship between customers and brands, through a phenomenon, as the one of community, that was born and developed for three reasons: aggregation of people who identifies themselves with the brand, companies’ ability to enhance users’ contribution, non-profit projects.³³

Adam Metz, in his book “The Social Customer”, identifies four scenarios through which companies can establish engagement³⁴, illustrated in the figure below and explained later.

³³ D. Lee, H. Soo Kim, J. Kyu Kim (2011), The Impact of Online Brand Community Type on Consumer’s Community Engagement Behaviors: Consumers-Created vs. Market-Created Online Brand Community in Online Social-Networking Web Sites, *CyberPsychology, Behaviors, and Social Networking*, p. 59-63

³⁴ A. Metz (2012), *The Social Customer*, p. 24-28

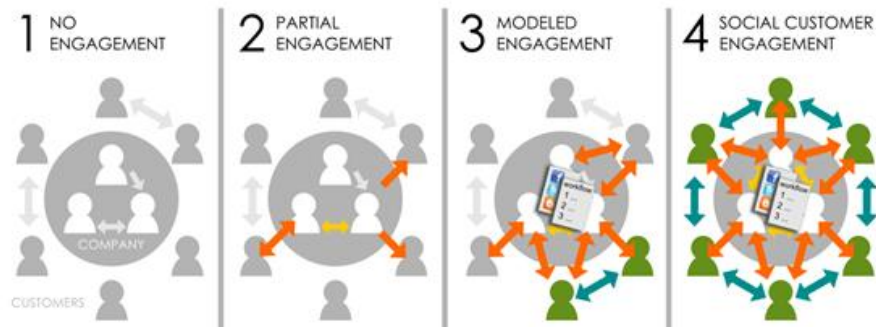


Figure 26: Social Customer Engagement Scenarios

Source: A. Metz (2012)- Metz Consulting

No Engagement: as this stage there are no available information about Social Customer, just as no model or strategic framework exists to engage the customer. As a result, organizations in this scenario may be in a monitoring stage to help plan a social customer engagement strategy.

Partial Engagement: organizations are most likely to using CRM solutions, customer engagement is quite individual and the infrastructure, as well as the strategy framework, still does not exist here.

Modeled Engagement: here we find organizations that have developed the infrastructure and implemented the strategic model, for the customer engagement.

Social Customer Engagement: to this scenario belong organizations that put customer at the center of their vision. This means a real-time response, a synthesis of customer community data through SCRm and a strategic engagement model developed around the same social customer

3.3 Social CRM

Social CRM can be defined as the combination of Social Media, which importance in engaging customers has already been described, and Customer Relationship Management (CRM).³⁵ Nevertheless, before proceeding with the definition of Social CRM, it could be necessary to briefly recall the concept of Customer Relationship Management. Traditionally CRM is considered as the combination of specific technological solutions with existing organizational processes and culture, in order to manage customer relationships.

Boulding et al. (2005, p.157) define CRM as:

*“ a strategy for the management of the dual creation of value, the intelligent use of data and technology, the acquisition of customer knowledge and the diffusion of this knowledge to the appropriate stakeholders, the development of appropriate (long-term) relationships with specific customers and/or customer groups, and the integration of processes across the many areas of the firm and across the network of firms that collaborate to generate customer value.”*³⁶

As it emerges from this definition, CRM can be explained according with the resource-based view (RBV), a model that see resources as the keystone to a superior firm performance. In this sense, CRM represents an organizational technological resource, consisting of different dimension and aimed to the creation of value for end-users. It is mainly focused on systems that provide support for sales, marketing, analysis and data integration³⁷, and works with other

³⁵ N. Woodcock, A. Green, M. Starkey (2011), Social CRM as a business strategy, *Journal of Database Marketing & Customer Strategy Management*, p. 50-55

³⁶ W. Boulding, R. Staelin, M. Ehret, W. J. & Johnston (2005), A customer relationship management roadmap: What is known, potential pitfalls, and where to go. *Journal of Marketing*, p. 155-166

³⁷ Jayachandran et al. (2005), The role of relational information processes and technology use in customer relationship management, *Journal of Marketing*, Vol.69, No.4

strategic dimensions to achieve performance gains. Therefore the concept of CRM is essentially company-centric, being focused on the business organization rather than on the customer. And so, here is the following: the time when new social media technologies shift the attention on customers, CRM existing programs become obsolete in the management of new relationships, make it necessary a solution. This solution can be identified in the Social CRM, result of the integration between social technologies and traditional CRM³⁸. Paul Greenberg defines Social CRM as:

“Social CRM is a philosophy and a business strategy, supported by a technology platform, business rules, processes and social characteristics, designed to engage the customer in a collaborative conversation in order to provide mutually beneficial value in a reliable and transparent business. It’s the company response to the customer’s property on the conversations³⁹.”

The Social CRM (SCRM) is based on the firm’s ability to achieve business goals and satisfy its customers, who are now placed at the center of the corporate philosophy. In fact, with the rise of social media, customers want to actively participate to the value creation, providing feedback in an experience continuum that enrich firms’ informative and cognitive patrimony. However SCRM does not arise as a substitute of CRM but rather as its own extension, necessary to adapt to the presence on the market of the new Social Customer. Although the CRM has always put the customer at the center of the process, the approach has been purely transactional and unidirectional. In fact at the basis of traditional CRM there is a sort of inside-out logic, under which the company creates products/services and sells them to final customers according with data held. This just described is a

³⁸ R. Wang, J. Owyang (2010), Social CRM: The new rules of relationship management, Altimeter Group, United States of America, p. 3-7

³⁹ P. Greenberg (2009), CRM at the Speed of light: Social CRM Strategies, Tools and Techniques for Engaging Customers, p. 34

one-way process, exclusively aimed to the generation of a new sale transaction. But nowadays, social customers want to interact with companies in a different way, which has fostered the rise of Social CRM⁴⁰: it creates a two-way interaction between the parties and gives customer ownership of the conversation with the company. To be specific, structurally Social CRM is built on a solid base of traditional CRM with some implementations, in order to develop its successes and strengthen its weaknesses. The most important change is the customer's addition and inclusion as a key element of SCRM: new social customers reject traditional direct marketing activities and expect to be able to talk with the companies, as well as be directly involved in business decisions. To better understand how a CRM evolves into SCRM it is possible to focus on some key aspects summarized in the figure below⁴¹.



Figure 27: Evolution of CRM to SCRM

Source: M. Lieberman (2010), Guide to Understanding Social CRM

⁴⁰ Lieberman, M., (2010). Guide to Understanding Social CRM, Chess Media Group, United States of America, p. 3-8

⁴¹ M. Gobbi (2010), Social CRM: funzionalità e analisi di mercato, Tesi di Laurea, Politecnico di Milano, Milano

The six variables shown above (who, what, when, where, why, and how), which marked the transition from CRM to SCRM, can be explained into more detail in this way:

1. **WHO:** in the past the CRM was run by departments, now everyone has the opportunity to interact with the information system. In addition, while CRM is targeted to a specific clientele, SCRM aims to address the potential and wider network of consumers;
2. **WHAT:** unlike traditional CRM, where it is the company to establish the various processes, with Social CRM are the customers, who become active part of organizational change: from company-centric to customer-centric.
3. **WHEN:** with Social CRM customers sets the hours, implying a company's flexibility in paying attention to social customer, as a fundamental condition of change dictated by users' needs.
4. **WHERE:** the evolution of CRM has led to a change in sales channels, from static to dynamic and rapidly varying according to consumers' preferences. In this way companies are responsible for adapting to communication needs through different channels, result of the new consumers' choices.
5. **WHY:** the classic purely economic transaction turn into interaction, a dialogue that generates cultural and ideological enrichment.
6. **HOW:** the evolution from CRM to SCRM takes place with a radical innovation of the relationship between company and customer. Would be to say that there is a switching from a one way perspective to an openness of the company toward the outside, in order to gather information and stimuli useful to pursue a competitive advantage.

Generally speaking, if with traditional CRM companies were responsible for collecting and managing customer data, now with the Social CRM the primary goal is finding a customer engagement strategy. New social customers are culturally increasingly demanding with regard to companies. The latter must therefore concentrate to activate those mechanisms that provide new experiences

for customers, through the implementation of social objects in which customers are reflected in term of values, passions and emotions (see Table 2).

| TRADITIONAL CRM | SOCIAL CRM |
|---|---|
| Definition: CRM is a philosophy and a business strategy, supported by a system and a technology, designed to improve human interactions in a business environment | Definition: SCRM is a philosophy and a business strategy, supported by a system and a technology, designed to engage the customer in a collaborative interaction that confer benefits in a mutually beneficial business environment of trust and transparency |
| Tactical and Operational Customer Strategy is part of corporate strategy | Customer Management strategy is itself the corporate strategy |
| Relationship between company and customer has been seen as a parent-child, in a broader context | Relationship between company and client is seen as collaborative effort. And yet, the company must remain firm in all the aspects |
| The focus is on company's relationship with the customer | The focus is on all the relationships and in particular on the identification, recruitment and activation of all "nodes of influence" |
| The company aims to lead and shape the opinions of customers about products, services, and company-client relationship | The client is seen as a partner from the beginning in the development and improvement of products, services and company-client relationship |
| Focus on products and services that satisfy customers | Focus on the atmosphere and experience that can engage customers |
| Customer facing features-sales, marketing and support | The customer faces both features and the people dealing with the development and delivery of these features |
| Marketing focused on processes of improved, specific, corporate messages sending to customer | Marketing focused on building the relationship with the customer- customer engagement in activities and discussions, observing and directing conversations and activities among customers |
| Intellectual property is protected by all legal powers available | Intellectual property is created and held together with the customer, partner, supplier, etc. |
| Good knowledge and efficacy were performed optimally on a single customer view (of his data) on all channels by those who needed to know | Effectiveness is a much more dynamic and is based on: <ol style="list-style-type: none"> 1. customer data; 2. personal customer profiles on the web and social characteristics associated with them; 3. 3. client participation in the activity. |
| Reside in a business ecosystem, customer focused | Reside in a customer ecosystem |
| Technology is focused around operational aspects of sales, marketing, support | Technology is focused both on the operational aspects and social interaction |
| Instruments associated with automation functions | Integrate social media tools in applications/services: blogs, wiki, podcasts, social networking tools, content sharing tools, user communities |
| Mostly uni-directional | Always bi-directional |

Table 2: Traditional CRM vs Social CRM

Source: adapted from CRM 2.0 wiki

There are a lot of opportunities related to the deployment of SCRM from which companies can take advantage of, some of which have already been analyzed. Several are also the benefits promoting the adoption of SCRM and that can be summarized in the following points⁴²:

- Increase in marketing return on investment and development of product quality;
- Improvement in marketing effectiveness through innovation and creativity;
- Identification of new business opportunity through new and existing customers thanks to social networking ;
- Reduction in sales commission costs through community building around a product or service;
- Increase R&D capabilities and innovative idea through social customer's initiatives;
- Ability to increase customer loyalty through promotion of transparent dialogue and employee/customer interaction;
- Ability to decrease customer's costs through self helping communities.

But as for the majority of cases, to these advantages corresponds the same number of disadvantages, which are essentially linked to companies' fear of confrontation. In fact, in a situation of total transparency, such as that created by social media, sometimes negative opinions affect positive ones, which may have a negatively impact on brand equity.

⁴² F. Ayidh Alqahtani, T. Saba, Impact of Social Network on Customer Relationship Management (CRM) in Prospectus of Business Environment, *J Am Sci* 2013

3.4 Social Commerce

Social media and other Information and Communication Technology (ITC), such as Web 2.0, Cloud Computing and Service Oriented Architecture (SOA), support the development of new business opportunities and new business models⁴³. In particular, from an e-commerce perspective, ITC enable a new form of commerce referred to as Social Commerce. Social Commerce is not new, even though the term is relatively recent: from this point of view, Amazon, one year after its first recorded e-commerce transactions, was already doing Social Commerce, allowing customers to publish ratings and reviews of purchased products. However the newness refers to the expansion of social media, as well as of social commerce tools. As we can see from Table 3, it differs from traditional e-commerce in terms of business model, value creation, customer connection and communication, design, system interaction, technology platforms and legal issues.

Wanting to analyze these factors individually, we find that e-commerce relies on a value chain made of limited actors, and on a one-way communication enabled by Web 1.0. Conversely Social Commerce, as already said, is base on the concept of community, in addition it uses Web 2.0 instruments to allow a bidirectional communication and the creation of user generated content, on a value chain characterized by large actors. On this value chain a key role is played by social media, that allow the creation of relationships between companies and customers, new users' perceptions and behaviors and a high level of communication through trust-based relations.

⁴³ C. Demailly (2008, October), The business impact of social networking. Early strategies

| ASPECTS | E-COMMERCE | SOCIAL COMMERCE |
|---|---|--|
| Business models | <ul style="list-style-type: none"> • Traditional • R&D • Product/Services/Business Process-oriented | <ul style="list-style-type: none"> • Need new business models or build on the existing ones more technology-enabled • Co-design • Social and customer-oriented |
| Value creation | The design of business processes, products or services is limited to the enterprise (or its partners) | <ul style="list-style-type: none"> • Participatory and collaborative • Create revenue by using scarcity of attention • Seeking new business values |
| Value chain | Limited actors | Large actor, where motivation of participating is rewarded |
| Customer connection/Communication/Conversation | <ul style="list-style-type: none"> • Customers interact individually with e-commerce web sales and independently from other customers • No communication from customer to business or from customer to customer | <ul style="list-style-type: none"> • Involves on-line communities that support social connection to enhance conversation between customers • Collaboration and participation |
| System-interaction | <ul style="list-style-type: none"> • One-way browsing, where information from customers is rarely (if ever) sent back to businesses or other customers • One-way creation of content (from business to consumer) • Push information to relatively passive audience | <ul style="list-style-type: none"> • Develops more social and interactive approaches that let customers express themselves and share their information with other customers as well as with business • Community creation and content |
| Design | <ul style="list-style-type: none"> • Presentation • Discovery mechanisms • Navigation | <p>Web 2.0 is based on user-centered design, through interactive interface that enables identity, interactions and communities, i.e.:</p> <ul style="list-style-type: none"> • Recognizable actors • Conversation among actors • Participation of actors • Tag/Rank/Rate/Review/Comment, etc |
| Platform | Web 1.0 (B2C), EDI or Web services (for B2B) | <ul style="list-style-type: none"> • Web 2.0, Cloud Computing, SOA • Collaboration +Participation + Openness |
| Legal issues | Emphasized within agreed upon policies | Need to be emphasized |

Table 3: The differences between E-commerce and Social Commerce

Source: adapted from “From e-commerce to Social commerce: A Framework to Guide Enabling Cloud Computing”, Journal of theoretical and applied electronic commerce research, Youcef Baghdadi

Furthermore, the proliferation of social media applications has led to a series of studies that have analyzed Social Commerce from different perspectives (marketing, sociology, psychology and computer science), leading to many definitions of the concept. Some of these definitions are listed below:

*Social commerce is a noticeable trend in online marketplaces where businesses leverage social media (or Web 2.0) as a direct marketing tool to support customers' decision making processes and buying behaviors*⁴⁴

*Social commerce is word-of-mouth applied to e-commerce*⁴⁵

*Social commerce refers to a more creative and collaborative approach used in online marketplaces*⁴⁶

*Social commerce is defined as applying social media applications to shape business, hence transforming a market for goods and services into socially centered user-driven marketplaces*⁴⁷

*Social commerce consists in utilizing web-base social communities by e-commerce companies, focusing on the impact of social influence which shapes the interactions among consumers*⁴⁸

⁴⁴ E. Constantinides, S. J. Fountain, Web 2.0: Conceptual foundations and marketing issues, Journal of Data and Digital Marketing Price, vol. 9, p. 231-244, 2008

⁴⁵ G. Dennison, S. Bourdage-Braun and M. Chetuparambil. (2009, November) Social commerce defined. IBM Corporation

⁴⁶ S. Parise and P. J. Guinan, Marketing using Web 2.0, in Proceedings of the 41st Hawaii International Conference on System Sciences, Hawaii, HI, 2008, p. 1-7

⁴⁷ R. T. Wigand, R. I. Benjamin and J. L. H. Birkland, Web 2.0 and beyond: Implications for electronic commerce, in Proceedings of ICEC' 08, 10th International Conference of Electronic Commerce, Innsbruck, Austria, 2008, p. 1-5

⁴⁸ Y. A. Kim , and J. Srivastava, Impact of Social influence in e-commerce decision making, in Proceedings 9th Int. Conference on Electronic Commerce, ACM Press, New York, NY, 2007, p. 293-302

*Social commerce is an online mediating application combining Web 2.0 technologies such as AJAX and RSS with interactive platforms such as social networking sites and content communities in commercial environment*⁴⁹

*Social commerce is an innovative business model, which results from the combination of social media and e-commerce*⁵⁰

*Social commerce is an Internet-based commercial application, leveraging social media and Web 2.0 technologies which support social interactions and user generated content in order to assist consumers in their decision making and acquisition of products and services within online marketplaces and communities*⁵¹

*Social commerce is a subset of electronic commerce that involves using social media, online media that supports social interaction and user contributions, to assist in the online buying and selling of products and services*⁵²

But beyond all these definitions, result of different authors and different perspectives, Social Commerce can be defined also as an instrument for monetizing social media with e-commerce. In this regard are two the core activities: social commerce should allow people to connect wherever they buy, adding social media tools to e-commerce sites, and, at the same time, should allow people to buy where they connect, namely integrating social network platforms with social media stores.

⁴⁹ S. H Lee, D. DeWester and S. R. Park, Web 2.0 and opportunities for small business, Service Business, vol. 2, no. 4, p. 335-345, 2008

⁵⁰ C. N. Wang and P. Zhang, The evolution of social commerce: The people, management, technology, and information dimensions, Communications of the Association for Information Systems, vol. 31, n0. 5, p. 1-23, 2012

⁵¹ Z. Huang and M. Benyoucef, From e-commerce to social commerce: A close look at design features, Electronic Commerce Research and Applications, vol. 12, no. 4, p. 246-259, 2013

⁵² P. Marsden, (2009, November) Simple definition of social commerce (with word cloud & definitive definition. Digital Innovation Today

3.4.1 Social Commerce dimensions

Social Commerce is characterized by six different dimensions, each with a different toolset. These dimensions, summarized in the figure below, are the following:



Figure 28: Social Commerce Dimensions

Source: Social Commerce: monetizing social media- Dr. Paul Marsden, Syzygy Group

1. Social Shopping: here we can find technology tools trying to replicate the social interactions found in a physical store. These tools allow people to share the act of online shopping together, through social media stores, social graphs, group buying and social shopping portals. Specifically, social media stores give people the opportunity to buy where they connect to millions of users into a social media platform. For example, retailers, just as ASOS, JC Penney and HMV already do, can have a storefront in Facebook, allowing users to shop and complete purchase transaction

without leaving the network. Social graphs allow social network to bring their online social networks to online e-commerce destinations, and interact with their friends directly on the site. In this way retailers target the right consumer, because they know what consumers connected to the brand want, need or enjoy. Instead group buying is a tool through which people can use their collective buying power to buy together and obtain a better price, often by recruiting buyers on social networks such as Facebook. Finally, there are social shopping portals, such as Etsy, Polyvore and so on, that enable people to shop multiple stores together, using the above-mentioned social shopping tools in combination with ratings and reviews, recommendations and referrals and social bookmarking , which will be analyzed soon.

2. Ratings and reviews: this is a set of tools, such as expert ratings & reviews, sponsored reviews and customer testimonials, that allow people to inform each other's choices with personal experiences. Ratings and reviews are useful for businesses, as they allow retailers to integrate customer feedback and communities directly on their website. However ,this kind of instruments is useful also form the point of view of the consumer himself, since the real consumer's opinion on social media is more credible and useful for purchasing decision.

3. Recommendations and referrals: unlike ratings and reviews that are visible to all, recommendations and referrals are personalized social media endorsements for online goods and services. The two main instruments belonging to this dimension are social recommendations and referral programs. The first refers to the use of social media by consumers to get and make recommendation on purchase decision. This is a consequence of the fact that, when they buy something, consumers tend to tell friends about it, for example by clicking a "Like" button on a social media,

influencing their purchases. Instead, referral programs, like Sky's Introduce a friend, rely on "word-of-mouth" to reward customers for referring new customers. According with researches, this is a powerful social commerce strategy, more effective than margin-eroding price promotions.

4. Forums and communities: these are two popular and useful social commerce tools, that help retailers to provide user-generated content around a particular theme, task or category, as well as to assist product discovery and selection. Here we can find discussion forums, where people can offer each other support and solve each other's problems, and Q&A forums, where instead users contribute to answer common questions. Retail blogs, such as MyStarbucks Idea, provide news and discussions around e-commerce events, and the opportunity to capture customers' suggestions. In relation to communities, always in this category we find online customer communities, usually created for loyalty or CRM purposes, hosted on social media platform or onsite with dedicated software.

5. Social media optimization (SMO): a toolset made up of news feeds, deal feeds, media sharing, social media events, thought to attract customers to e-commerce destination through social media.

6. Social adds and Applications: in the aim of attract new consumers among social media users, two successful social commerce tools are social ads and social apps. Precisely, social advertising consists on placing advertisements on social media platforms such as Facebook and YouTube, but also on blogs and forums. In this way retailers can increase traffic volume, taking advantage of the millions of potential target customer

active on social media. Social apps are a series of online applications offered by social media to support interaction between users, but also user contributions and the creation of user-generated content.

3.4.2 The benefits and limitations of Social Commerce

Social commerce benefits fall into two categories: benefits to customers and benefits to retailers. From a customer perspective, social commerce essentially offers trust, utility and fun, therefore has nothing to do with aspects such as social media marketing monetization or e-commerce sales optimization. First of all it is easy for a customer to get recommendations from friends and other customers, and these recommendations are more believable and trustworthy, due to an increase in the so called “source credibility” allowed by social media content. In addition, social commerce tools are useful tools for online shoppers, increasing satisfaction and reducing decision time thanks to purchased matched with needs and wants. Always in terms of utility, social commerce allows customers to help other customers, in order to get a better service from vendors, and to connect with individual and businesses otherwise inaccessible. But beyond all this, social commerce may also have an emotional value, allowing customers to meet new friends and socialize with them. In this way the customer journey was enhanced, from need recognition and product discovery, through product selection and product referral, becoming a more engaging and rewarding social experience.

However greater benefits of e-commerce are for retailers, since researches show that about 40% of businesses find new customers via social network (Leggatt, 2010). In fact social commerce helps marketers to monetize and measure campaigns, as well as increase traffic volume and hence revenues and sales. Furthermore communities can provide their feedback and be assisted in the product discovery, and businesses, on the other hand, can get free word-of-mouth marketing and increased sales as collaborative filtering. The concept of “twinsumer” is related to this kind of benefits: it comes to consumers looking for

the best of the bests, the first of the firsts and the most relevant products and services.

In addition to these benefits, enterprises can benefit from social commerce in further several ways that provide a strategic advantage, some of which are:

- Conduct faster and less costly recruitment;
- Reduce cost thanks to innovative methods;
- Better external and internal relationships;
- Increase collaboration and improve communication;
- Increase market share and margins, as well as traffic and sales at the website and at physical retailers;
- Build brand communities for positive word-of-mouth online;
- Enhance customers service and support;
- Manage company and brand reputation online.

3.5 Facebook

One prediction says that social commerce will top 30 billion dollars by 2015, and among its many applications, the one that grows faster and that may just become bigger than any webstore is the F-commerce, the e-commerce via Facebook.

Headquartered in California, as well as operated and privately owned by Facebook Inc., Facebook is an online social networking service defined on the “About Facebook” section of the site, as:

“ a social utility that helps people better understand the world around them. Facebook develops technologies that facilitate the spread of information through social networks allowing people to share information online the same way they do in the real world ” .

Facebook was founded on February 2004, by Mark Zuckerberg with his college roommates Saverin, McCollum, Moskovitz and Hughes⁵³, and the name comes from a colloquialism for the directory given to students at some American universities. Initially the website’s membership was limited to Harvard students, later expanded to students at other universities and their high-school students. In fact, as shown by researches, Facebook population from 2004 has increase considerably worldwide, especially from the beginning until the end of 2010, when they recorded about 8 new registrations per second. Now Facebook, with 1,2 million users and more than 70 languages, is considered the largest social network in terms of estimated global monthly active users, as it emerges from the figure below.

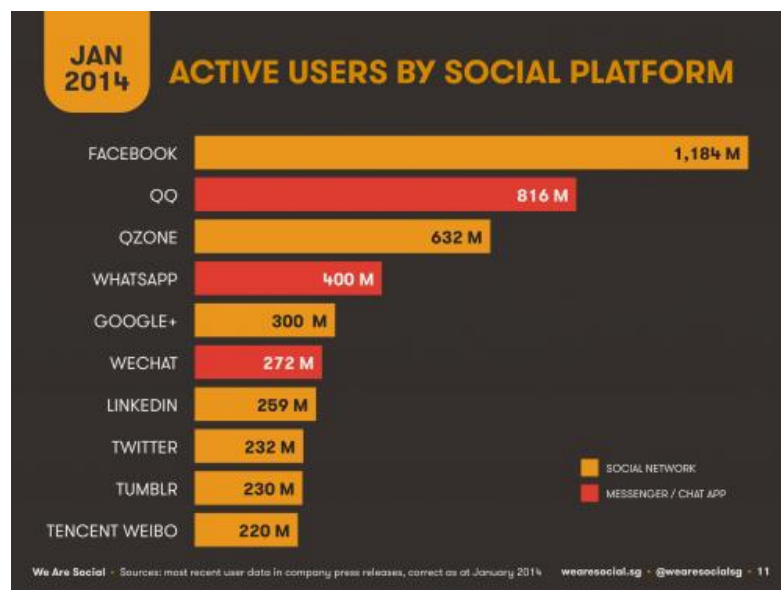


Figure 29: Active Users by Social Platform

Source: www.wearesocial.net

⁵³ Carlson, Nicholas (March 5, 2010), “At Last- The Full Story Of How Facebook Was Founded”

Facebook Inc. generates 7.87 billion dollars in revenues in 2013⁵⁴, almost twice compared to 4.270 million dollars of 2011. However, undoubtedly most of these revenues comes from advertising: according to recent figure released from e-Marketer (Adam Ostrow, 2010), Facebook serves more than 50 billion display ads per month, with Microsoft as exclusive partner.

3.5.1 The website

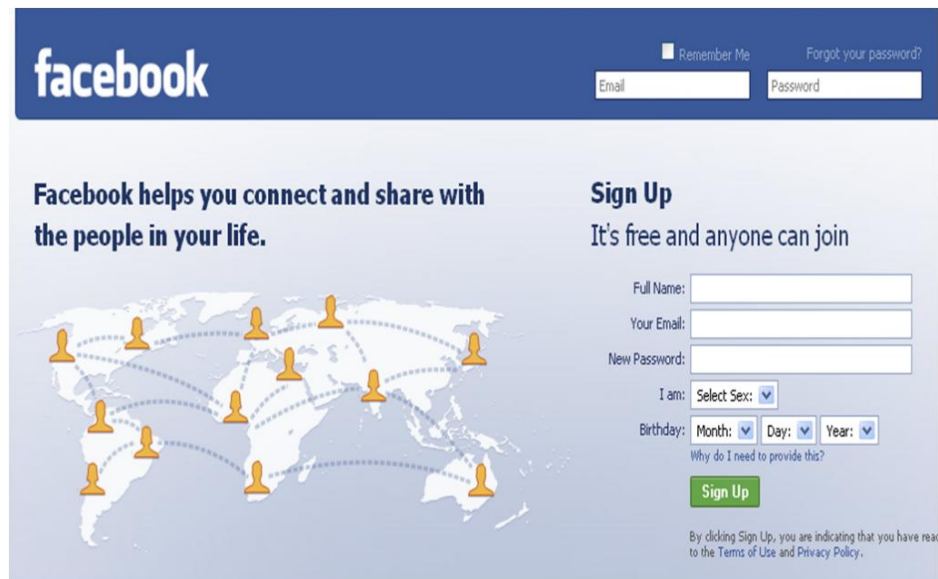


Figure 30: Facebook- The website

Source: www.facebook.com

In order to use the site, users have to register, then they can create a personal profile, add users as friends, exchange messages, post status updates and photos, and receive notifications when others update their profiles. In addition, users may join common-interest user groups, organized according with different characteristics, and “fan pages”, as well as categorize friends in lists such as

⁵⁴ “10-K Annual Report”. SEC Filings. Facebook. January 31, 2014

“Close Friends” and so on. More precisely, users’ profiles may include photos, personal interests, contact information and other personal information, instead the exchange of messages can take place in public on the wall or on private chat. Besides the wall, a space on every user’s profile page that allows friends to post messages for the user to see, on Facebook there are a lot of other features allowing users to interact, that are in continuous expansion and include the followings:

- Photos and videos: users can upload albums and photos/videos;
- Tag: this function allow users to tag friends in comments, photos and updates;
- Status: allows users to inform their friends about their whereabouts, actions and feelings;
- Pokes: through this function users can send a virtual poke to each other through a notification;
- Games: allow users to play games against their friends;
- Gifts: allow users to send virtual gifts to other users;
- Events: enable users to inform their friends, including those who are not on Facebook, about upcoming event;
- Create surveys and collaborate to the drafting of documents;
- Voice and video calling: users have the ability to make live voice calls via Facebook chats, as well as video calling through Skype as technology partner;
- Marketplace: allow users to post free classified ads.

Given the amount of data that users exchange on Facebook, to address concerns about privacy, Facebook enable users to choose their own privacy settings. In fact users can decide who can see specific parts of their profile, who can see other information they have shared, as well as who can find them in searches.

3.5.2 Criticism and Social Impact

Facebook affects users' social life in many different ways, also due to its increased availability on mobile devices. Surely it allows people to stay in touch with friends and family wherever they are and wherever there is an internet access, than it gives also people the possibility to share common interests in groups and other pages. Therefore the question of safety of users, together with that of privacy, has always been very important. In this sense, according to someone, Facebook is actually able to positively influence people life, giving them the possibility to always keep in touch with whoever they want. The opposite of what others think, according to which this online social networking service promotes antisocial tendencies, due to the fact that people are not directly communicating with each other. As a consequence, in some countries such as the People's Republic of China, Vietnam, Iran, Pakistan, Uzbekistan and Syria, Facebook has been blocked. In some of these countries it was simply banned because of content judged anti-Islamic or with religious discriminations, in others has been banned at workplace, to avoid that employees use it during working hours.

3.6 F-commerce

Basically F-commerce is the act of selling directly to consumers with Facebook, while according with a more detailed definition is:

“the use of Facebook as a platform for facilitating and executing sales transactions, either on Facebook itself or externally via the Facebook Open Graph. F-commerce is a form of social commerce, the use of social media, online

media that support social interaction and user contribution, to assist the online buying and selling of products and services”⁵⁵.

F-commerce integrates e-commerce and social commerce in a shopping platform, shifting business models and creating new opportunities for online sales. And the resulting benefits are for both business and consumers. In fact f-commerce helps business to streamline sales transactions and, at the same time, allows consumer to make smart shopping decisions using their social intelligence, in order to learn from others without any disruption of social activities.

F-commerce birth is related to that of Facebook in 2004, however it all starts in 2007 with the introduction of Facebook’s Virtual Gift Store, to arrive in 2009 when *1-800-Flowers* was created. It has been the first ever store in Facebook that supported transactions within the network itself, together with the Ticket Window launched by Delta a year later, allowing users to book flight from Facebook. Today we can find a lot of businesses (i.e. Gap, Diesel, Levi’s, Starbucks and so on) doing f-commerce, justifying the large size of f-commerce market. But someone goes beyond, in fact according with Sumeet Jain (CMEA Capital):

“it’s a matter of time-within next five or so years- before more business will be done on Facebook than Amazon”.

Others, however, fear the possibility of no returns, since some retail giants have closed their Facebook stores in the last years, besides the fact that recent studies show that just 2% of Facebook’s users have ever made a purchase through the social network.

⁵⁵ F-commerce FAQ, 2012

3.6.1 Types of F-commerce

There are four types of F-commerce which will be described hereafter, and they are: Facebook- Facilitated On-Site Selling, Facebook- Initiated Selling, Complete Selling through Facebook and iFrames vs. Facebook Apps.⁵⁶

Facebook- Facilitated On-Site Selling: brands can include elements of Facebook in their website, for example using social plugins- short code snippets that ping Facebook's network for information about the user visiting the brand's site. According with Jeff Ente (2011):

“this feature will allow customers’ connection and interests to support the purchasing process”.

In this way, brands website are connected to Facebook due to customers clicking the Like Button or sending the website URL to their Facebook friends as a message. The Like Button is the most used plugin, usually considered a content sharing device: used in the context of a product page, it can be helpful by displaying names and profile images of people who have liked the product, as well as the number of people on Facebook who liked the product. The figure below shows the case of ASOS.com, where people clicking the Like Button can post the product on their wall or send the products page privately as a message through Facebook.

⁵⁶ Jeff Ente, The Beginner's Guide to Facebook Commerce, 2011, www.mashable.com

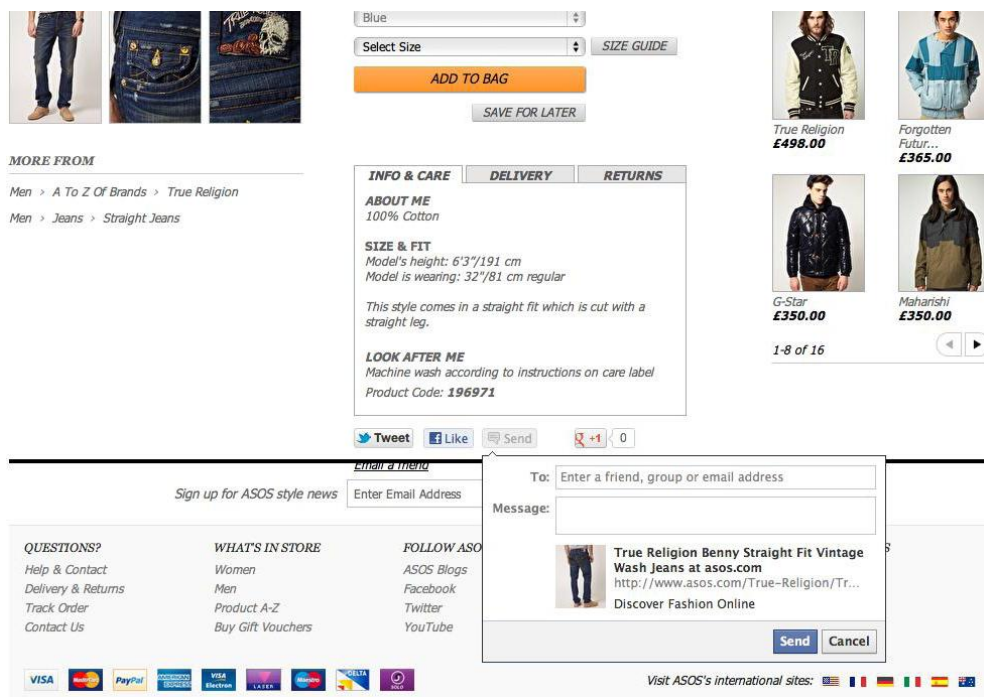


Figure 31: Asos-The website

Source: www.asos.com

Facebook- Initiated Selling: this type of F-commerce allows businesses to set up their storefront for free on their Facebook pages. The process starts on Facebook.com, here when you choose the product and click the Buy Now button you are conveyed to the brand's own store in a new window. All this happens on Best Buy's Facebook storefront, that you can see in the figure.

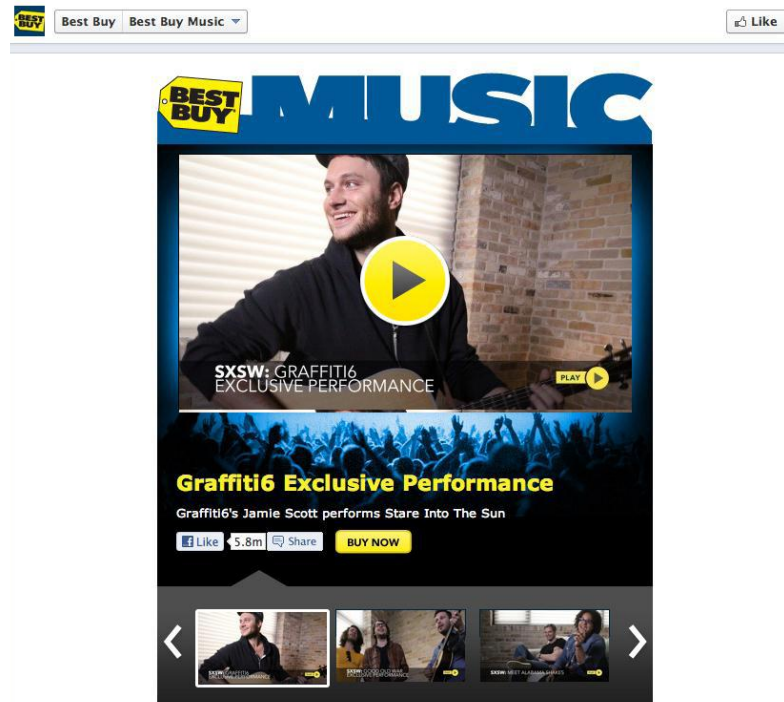


Figure 32: Best Buy Facebook page

Source: Best Buy- www.facebook.com

Complete Selling through Facebook: this type of F-commerce differs from the previous one because in this case customers are able to complete their whole purchase directly on Facebook, without the need to leave the page. The pioneer in this context has been *1-800-flowers*: shoppers can select products, options, see delivery dates, include a personal message without interrupting their Facebook experience. Moreover, when users are on the product page they can ‘Like’ the product or post comments to share with their friends.

iFrames vs. Facebook Apps: there are basically two ways to display F-commerce pages on Facebook.com. The first is iFrame, a method that allows a business to create and display its own content in the 520-pixel middle column of a

Facebook page. Certainly the advantage of this method is the simplicity, associated with the most seamless customer experience. Regarding the apps, instead, the advantage is in the increase of visible selling space: in fact, while iFrame content is restricted to the 520 pixel-wide middle page column, an app can control the left most 760 pixel. But from their own, apps are difficult to maintain in terms of budgeting, especially in businesses lacking about Facebook development expertise.

3.6.2 F-commerce dimensions

As we can see from the figure below, are seven the dimensions making up the so-called f-commerce ecosphere (f-stores, facebook credits payments, facebook ads and sponsored stories, facebook mobile platform, facebook open graph beta, facebook social plugins, facebook places and location tab), grouped into two types: the “On-Facebook” f-commerce and the “Off-Facebook” f-commerce.

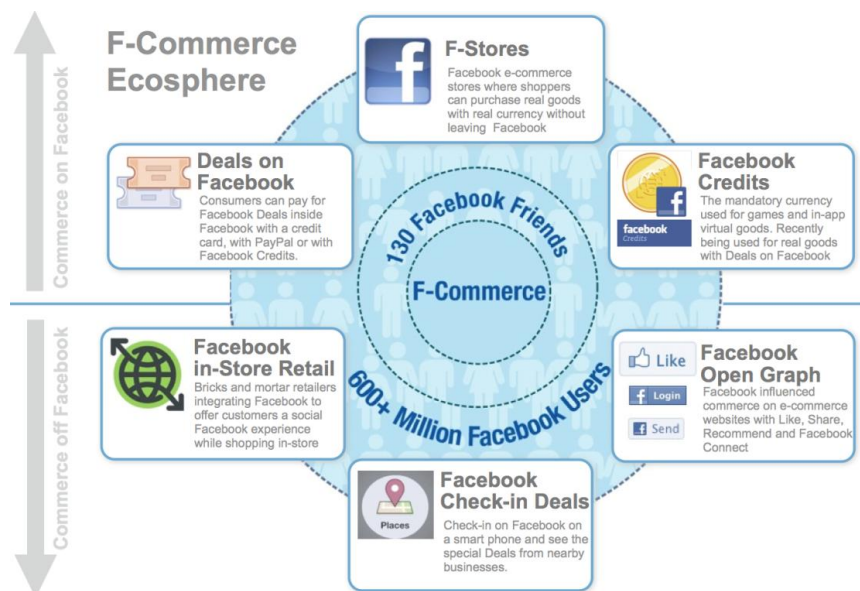


Figure 33: F-commerce dimensions

Source: F-commerce Infographic- www.digitalintelligencetoday.com

The “On-Facebook” f-commerce refers to the purchase of goods and services inside Facebook, with a credit card or other valid monetary system. Here we can find:

1. Facebook Store (f-stores): many e-business have launched e-commerce enabled Facebook pages, that support real-money shopping or redirect to their website. F-stores are not limited to traditional retailers and are available in a variety of formats including faux stores, full stores or fan stores. Faux stores, such as the one run by Bulgari on its Facebook page, appear as easy to set up storefront only, product catalogues linked to product pages on an external e-commerce site. Instead full stores (such as ASOS) offer a full product catalogue, together with shopping cart and checkout process all handled within Facebook. Advantages in this case are related to an increased customer exposure to the full range of products and higher expected conversion rates. The last type of f-stores is the fan store, that is similarly to full store but with a limited range of offered products. In fact, fan stores offer fan-first or fan-only exclusives to Facebook fans, in order to stimulate loyalty or advocacy during event, launch or campaign.
2. Facebook Credit Payments: is a virtual currency that allow customers to make “frictionless” in-game payments and buy directly from their newsfeed. Facebook credits can be used for payments inside mobile apps, and Facebook Credits Gift cards purchased online or earned as loyalty incentives.
3. Facebook Ads and Sponsored Stories: are advertising options appearing as messages in the sidebar and in the News Feed.

The “Off-Facebook” f-commerce takes advantage of Facebook’s Open Graph and includes Facebook-enhanced web-stores and Facebook-enhanced retail stores. The first are traditional e-commerce sites (i.e. Amazon) integrated with Facebook, to offer customers a Facebook experience whilst shopping on-site. The seconds are traditional brick and mortar retail stores, that integrate with Facebook to offer customers a Facebook experience whilst shopping in-store (i.e. Macy’s Magic Fitting Room). The followings belong to the “Off-Facebook” f-commerce:

1. Facebook Mobile Platform: Facebook Platform for Mobile enables customers to engage with friends and to join the shopping experience through notifications, requests, timeline and news feed on Facebook mobile apps.
2. Facebook Open Graph Beta: it will move beyond the “Like” and “Share” buttons, to incorporate a new set of nouns and verbs (see the figure below) leading to actions that can be activated through Timeline, News Feed and Ticker.

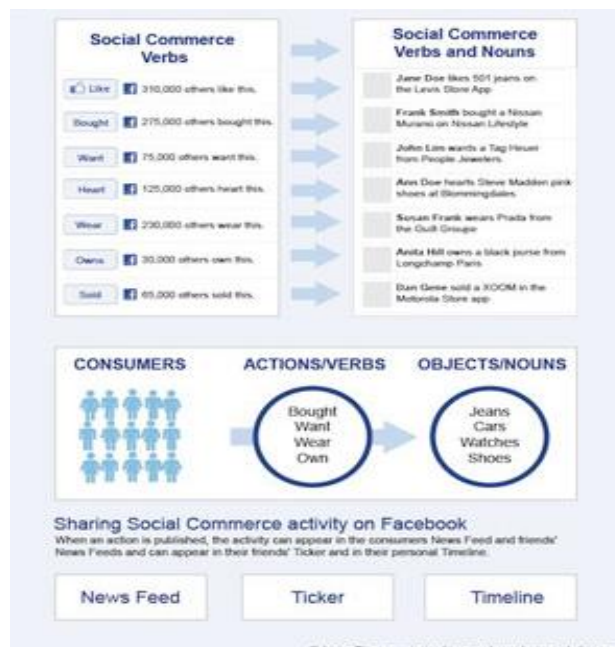


Figure 34: Facebook Social Commerce Grammar Lesson

Source: A Facebook Social Commerce Primer- www.horizn.com

3. Facebook Social Plugins: they are buttons allowing to perform Facebook functions to enhance customer experience, such as:
 - Like Button: allow users to share pages from a site on their Facebook profile;
 - Share Button: like the “like button”, also this one allows users to share pages on their Facebook profile;
 - Activity Feed: shows users likes and comments from their friends;
 - Recommendations: give users suggestions;
 - Like Box: enables users to like a Facebook Page from a website;
 - Registration: allow users to sign up on a website with their Facebook account;
 - Login Button: allow users to login to a site with the Facebook account;
 - Face pile: displays profile pictures of users using Facebook to engage with a site;
 - Comments and Live Stream: allow users to share activity and comments in real-time.

4. Facebook Places and Location Tab: refers to the physical location data cataloging activity of Facebook for business pages. These data can be integrated online and in-store via the mobile experience.

Beyond the four just discussed, for “Off-Facebook” f-commerce are available also other functions and these are: Facebook Deals, Facebook Fitting Rooms, Real-Life ‘Like’ Buttons, Shop-and-Tell Apps.

3.6.3 F-commerce Strategies

Also the main strategies of F-commerce, as well as the its dimensions, are seven and are: facebook stores, group buying, exclusive offers, facebook connect for network recommendations, shop and tell, facebook check in deals, in store F-commerce.

1. Facebook Stores: are the typical stores on Facebook, born from the idea of bringing the shop where the consumer is, who can choose products and make transactions without leaving Facebook. Many brands are selling on Facebook, such as Coca-Cola (see figure below), 1-800 flowers and many other.

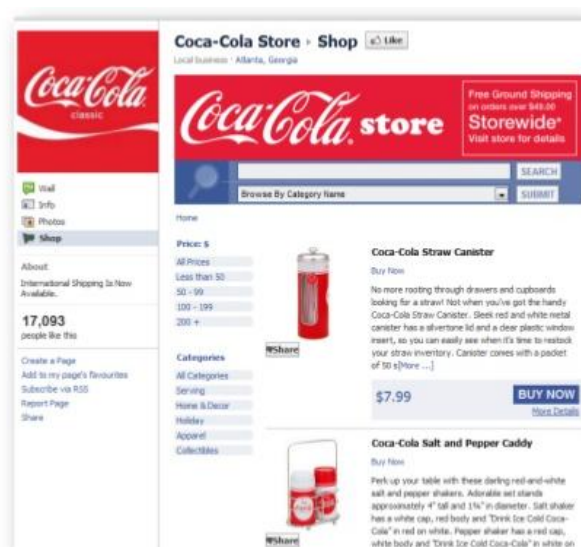


Figure 35: Coca-Cola Facebook Store

Source: www.facebook.com

2. Group buying: facebook stores unlock deals when a set number of people bid upon it, in order to ensure each product on the store generate buzz from its fans. An example of this strategy is the one adopted by Skoda on

its Facebook store, as can be seen from the figure below, named “More you like...less you pay campaign”. It was an online auction where each “like” reduced the cost of the car by 1 Euro until somebody bought it.



Figure 36: Skoda Facebook Store

Source: www.facebook.com

3. Exclusive offers: Facebook stores give exclusive offers to attract and engage their Facebook fans, that will probably be those who will buy from a Facebook page, generating buzz along with sales.



Figure 37: Pantene Facebook Store

Source: www.facebook.com

- Facebook connect for network recommendations: here we find brands allowing users to connect with their Facebook account on their site and to leverage valuable recommendations. For example, Levis Friends Store displays jeans liked by other people and your friends.

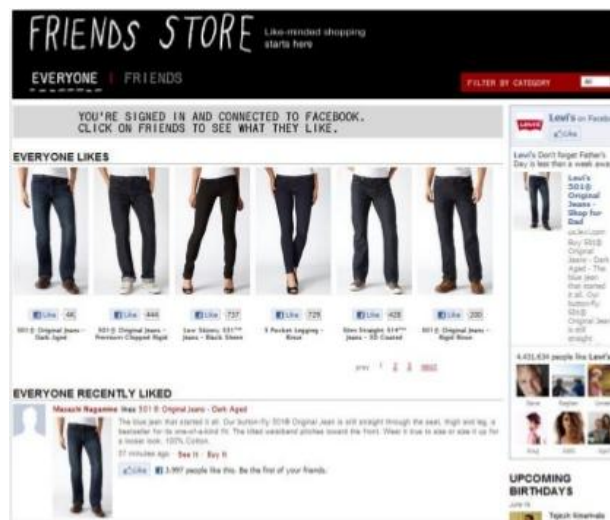


Figure 38: Levis Friends Store

Source: www.store.levi.com

5. Shop and Tell : it comes to an emerging trend among onsite Facebook stores the one of brands using social plugins, in order to help users spread their shopping experiences. An interesting shop and tell tool is Swipely, shown in the figure below, that integrates with your card information to notify people in your network about your purchases.

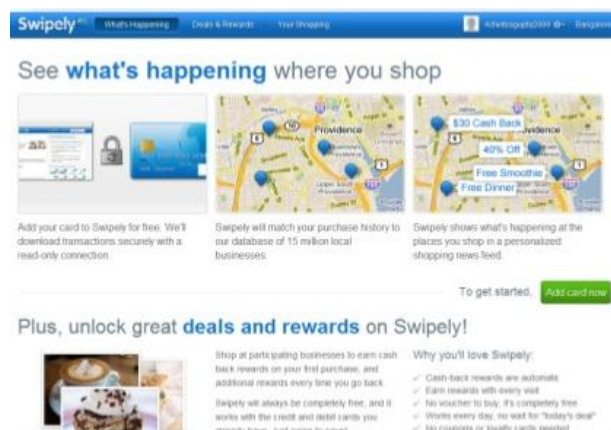


Figura 39: Swipely

Source: www.swipely.com

6. Facebook check in deals: Facebook check in deals boost sales, allowing users to find deals around them using mobile phones. Therefore many brands are using them to run campaigns, give discounts and drive loyalty, just as it has done Gap in the figure below. The brand has used Facebook check in deals to give free jeans to the first 10,000 check ins and discounts to the rest of the customers.



Figure 40: Gap- Facebook check in deals

Source: www.facebook.com

7. In store F-commerce: some brands are bringing Facebook experience to their retail stores, in order to win buzz and recommendations. In this context we find the initiative of Coca-Cola that installed real life “like” button in Coca-Cola Village. In this way “likes” are sent to the users’ Facebook account by scanning their wristbands.



Figure 41: Coca-Cola- In store F-commerce

Source: www.facebook-studio.com/gallery/submission/coca-cola-like-machine

3.6.4 Pros and Cons of F-commerce

There are a lot of arguments in favor of f-commerce, related to the main benefits of social shopping on Facebook summarized as: insight, brand experience, loyalty, advocacy and Facebook ROI.

Therefore this social platform appears as a viable sales platform, with the major top brands (in terms of fans) all selling directly on Facebook. Facebook is where customers are, and these customers are good customers, since researches show that Facebook customers spend more than non-Facebook customers. Thus, promoting the word-of-mouth, it drives customer loyalty and e-commerce traffic, taking into account that the global adoption of f-commerce is accelerating, with more than 70% of retailers planning to use Facebook for social commerce initiatives. But beyond the fact that hundreds of millions of people have a facebook account, its ability to increase e-commerce businesses revenues is still limited.

As Sucharita Mulpuru said:

“while pockets opportunity for Facebook do exist, the likelihood that Facebook will be the next Google, thereby becoming a key sales-driving tool for retailers and creating revenue stream for Facebook, is unfortunately far-fetched”.

In fact the market opportunity for selling on Facebook is tiny, with only a small portion of online shoppers willing to buy on Facebook, also because of privacy issues. There is no evidence that selling on Facebook drives ROI or CLV, furthermore, when researches show that only 1% of site visitors came from a social media URL, it's difficult to consider Facebook as an e-commerce traffic generator. As a result, Facebook could be more useful for marketing than selling: it is useful for the promotion of marketing messages, as well as for

communicating brand personality, but not for processing transactions that are better completed on the company's own website.

Conclusion

This thesis has attempted to describe the e-commerce and its evolutions over the years, where for e-commerce is meant digitally enabled commercial transactions between and among organizations and individuals. It represents a new and constantly changing area of business management, that in recent years has grown exponentially also thanks to further developments in the ITCs. As a result, new purchasing behaviors and new consumption's styles have emerged, abruptly changing our economy.

The main issues that arise are those associated with a market which, due to the web, becomes global, with clear advantages for consumers who, comfortably seated in front of their computer, can select, choose and purchase whatever they want. And these advantages are even greater if we think at the increase in the number of people owning a mobile device and its benefits. In fact, in the previous paragraphs it was observed how the purchase made using a mobile phone is now for retailers a source of considerable gain, with over 1.2 billion people accessing the web with their mobile devices. Thus, it is not surprising the fact that mobile sales doubled and will account for 50% of Web sales by 2015. Quantitatively all this results in a growth in the global value of e-commerce, that has increased from 254 billion dollars to 1,300 billion dollars just within a year. In this context, Italy is a latecomer for the above-mentioned reasons, but future predictions give hope.

The e-commerce leads also to a redefinition of the supply, which must adapt to changes and innovations imposed by the Web: it is necessary not only to offer products that meet customers' desires, but to focus on all the elements that can foster a "virtual" relationship, and from this thesis emerges how an increasing number of people is inclined to cultivate this type of relationships. This is the reason for which the e-commerce has significantly contributed to the development of marketing activities even more focused on a replacement of traditional media with new social media. In this process it is particularly highlighted the importance of all those activities enhancing relationship with customer, including the analyzed implementation of CRM into Social CRM. The aim is to facilitate interactions with a new social customer, result of the new ways to

communicate/collaborate/share content created by social media. This more active customer aspires to a “customer empowerment”, in order to participate with companies in the co-creation of content and product/services. Therefore it has been shown how it is important to invest in marketing activities and technologies that enable the evolution of e-commerce toward a new dimension, such as the one of social commerce. The purchasing behavior has changed, it is no longer enough just click-to-buy, since social customers look for an emotional shopping in a “place” where they can browse and connect with people with whom they share same interests. Relying on a customer-centric philosophy, this thesis ends with an insight into the F-commerce. This example is nothing more than a concrete evidence of what we have described and analyzed in the previous pages. In fact, according to the large amount of Facebook users, Mark Zuckerberg (founder and CEO) snatches the potentialities of one of the fastest growing social commerce applications, the F-commerce, that may become bigger than any other webstore. Mentioning his own words, he said:

“If I had to guess, social commerce is the next area to really blow up”.

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