

E-commerce and Sale's Potentialization of SMEs in Emerging Countries

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Abstract

Objectives: To analyze the case of SMEs from the South of the Aburra Valley in Colombia, how the use and knowledge of electronic commerce, could support boosting in their sales and strategic position in the market. **Methods/Statistical Analysis:** The Chamber of Commerce Aburra Sur conducted a survey with 32 questions to 149 companies affiliated to it. These results are analyzed with descriptive statistics with the use of module Centurion XVI of Statgraphics and considering the most important behaviors of the SMEs face to e-commerce tool. **Findings:** The qualitative and quantitative analyze, showed that the SMEs of this region belong primarily to the commercial and service sector; they are classified among small companies and have a website. However, analysis showed that they are not using the webpage to increase sales, but just as a platform to be known by consumers. **Application/Improvements:** Finally, the lack of knowledge about electronic commerce represents an opportunity for the implementation of training programs for the effective use of electronic commerce from the affiliated companies.

Keywords: E-commerce, Emerging Countries, Online Sales, Sales Potentialization, Small and Medium Enterprises – SMEs

1. Introduction

Due to the accelerated growth of world markets, to the hyper information of consumers and the great influence of information and communication technologies in international operations, e-commerce has become one of the main drivers of sales, not only of the large companies, but also of the small and medium companies. According to the OECD (2017)¹, these companies can be defined as those that employ a maximum of 249 employees and are classified into: Micro (1-9), small (10-49) and medium (50-249). The electronic commerce has experienced a notorious growth, migrating to the figure of a simple portfolio of products or services with a shopping cart, to become a promoter of new businesses and markets to

attend. Likewise, it is important to distinguish the different types of existing online or e-commerce businesses, clearly identifying that each of them serves a specific channel. The first is called Business to Business (B2B), which according to the definition of (Human Level, nd)² are those types of business in which the transactions of goods or services are established between two companies (business to business) and refers to large part to wholesale trade, although it also applies to the provision of services and consumption of content.

The second is the Business to Consumer (B2C) which are those organizations that “direct their services and products to the final customer, unlike B2B or Business to Business, where the supplier companies work with other companies and not with the final consumer”

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(Economía Simple.net, nd) and finally the Consumer to Consumer (C2C) which refers to a business model on the Internet that aims to commercially link the end user with another final consumer and is used mostly in the field of e-commerce to carry out transactions (Simple Economy. net, nd)³, as is the case of the OLX platform in Colombia. These electronic business trends were led by countries such as the United States, European countries and Asian countries, however, today their growth is no longer evolving. It should be noted that there is increasing evidence of the use of Internet and its impact on the growth of trade and the consecution of new achievements at the business level. However, and due to the limited resources that small and medium-sized businesses may have, these companies should be more cautious in the adoption of this type of tools⁴. In the early 2000s, companies around the world were already implementing this type of tools to boost their sales and to get coverage of new markets, which amounted for USD 400 billion in 2002, driven mostly by those companies that were born in the web such as Amazon and eBay⁵.

In⁶ proposed in an exploratory study showed how small and medium-sized UK companies adopted the internet through some sequential steps or stages that allowed them to gain experience, minimize risks and to obtain greater benefits for the organization. Similarly, OECD (2015)² argue: "The analysis of national digital strategies corroborates the relevance of this type of approach for OECD countries and emerging economies such as Brazil, Colombia and Egypt. On the supply side, all countries aspire to develop telecommunications infrastructures and promote the ICT sector. On the demand side, they encourage greater use of ICT by public administrations, companies and in particular SMEs⁷.

It also states: "Many developing countries focus on the demand side, paying special attention to stimulate entrepreneurship and the use of ICT by SMEs. In the OECD countries, the opportunities created by the digital economy have begun to transform established sectors, such as banking, transport, commercial distribution, energy, health, the media and editorials"². In line with the above, it should be noted that one of the fundamental pillars of the strategies suggested by the OECD on the digital economy, which is based on favoring SMEs for the adoption of ICT, states that electronic commerce is conceived as one of the factors to be promoted, especially when the gaps between large companies and SMEs in terms of e-commerce are so wide⁷.

The OECD studies show that companies respond to their consumers by combining traditional establishments with web presence, but in the specific case of the use of e-commerce in SMEs, they appeal more to third parties or intermediaries to obtain more coverage, which could sometimes create more barriers to entry into this type of market². According to⁸ Colombia is one of the countries with the best prospects for online sales in the Latin American region. The organism suggests that in Colombia, consumers are increasingly using digital platforms for their purchases, due to the ease, convenience and greater variety of products, making transactions through multiple devices, for all categories. Added to this, are the multiple offers given from online events and promotions, as well as formats that allow improving the shopping experience more and more, further boosting the growth of the channel.

In the same line, the Executive Director of the National Federation of Merchants in the Santander's Area of Colombia, mentions that traditional commerce guarantees its consumers an experience through personalized attention, but today, the trend of world level retail platforms is to manage mixed channels, where both the virtuality and the sales in stores, allow to reach and satisfy more local, national and international clients, even more when the personalization of the sale through an experience becomes an added value highly appreciated by clients⁹.

In its report, Black Sip⁸ relates that although more and more entrepreneurs are using this channel as the start of their operations and market penetration, SMEs will also opt for this channel more frequently in the coming years, due to its size and flexibility, which in the medium term will allow them to have a great proliferation and innovation not only in the business models, but also in the services and products offered in the market. Moreover, many of the national producers will take this channel as an excellent alternative to carry out their direct sales, which will cause a great impact on the consumer-manufacturer relationship. As stated¹⁰, SMEs are increasingly becoming internet users and implementing e-commerce. In their research of the Eastern region in the UK, the authors found that e-commerce is at the center of SMEs strategies and business strategies. Additionally, these companies use the internet as a way to achieve change. However, the strategies may differ according to the industry sector, and their specific needs of training in this issue. In the same line¹¹ in his analysis on the implementation of e-commerce

by 298 SMEs in United Kingdom, found that SMEs that have adopted e-commerce are in their way to save time and costs, due to their lack of strategy in the implementation process. This is an important issue if they want to improve their e-commerce performance. Evidence also shows that SMEs that use e-commerce don't use government support and they can succeed without it. On the other side, costs are not seen as barrier for moving from traditional to e-commerce businesses and this transition may help companies to save themselves from the bankruptcy, to reduce working hours and to increase sales¹².

In the analysis of data obtained from a national survey in Thailand¹³ classified SMEs into three different groups: Adopters, prospectors and laggards. This classification was made based on the earliness of the e-commerce implementation. The authors found that although, the increasing efforts from government to the implementation of e-commerce by private and public SMEs, its adoption is still slow. This is due to the influence of factors such as technology, organizational and environment that can influence the adoption decisions of these groups of companies. The adoption intention of e-commerce can be determined mostly by the competitive environment of SMEs. And the benefits of this type of commerce are evident primarily on information and communication, which shows the benefit that e-commerce provides to the areas where internal knowledge is shared and communicated¹⁴. In the same way and using a questionnaire-based survey of 235 managers and owners of SMEs in Iran¹⁴ found that the adoption intention is affected by the perceived advantages and compatibility, innovation strategies of CEOs, pressure from clients and suppliers, technology support, information availability and external competition.

This is reinforced¹⁵ who present the relative advantage and competitive pressure as the determinants of e-commerce adoption by companies in the Northern State of Malaysia. Additionally, the entrepreneurial experience was presented by¹⁶ as the most important factor in the adoption intention and use of social media to boost SMEs sales. The managerial experience influences their capability to identify technological opportunities and the role of women is also highlighted as the authors suggest that women are more likely to use internet applications than men. On the other hand, the role of intermediaries is analyzed¹⁷, who found that these intermediaries are used

by SMEs for the provision of a "Trust Platform" which can lead to a growth in the ASPs (Application Service Providers' services). The implementation of internet tools can enhance customer loyalty as it was proved¹⁸. In their study, the web content and security issues of the web pages can create a loyal customer and the reduction of security can also reduce the trust of customers. In the same way, the customer intention to buy online in Malaysia is determined by their subjectivity, attitude and the usability of the webpage¹⁹. In regards to social networks, the age of consumers has proved to be an influencing factor that can determine the purchase decision on these types of channels²⁰.

Moreover, the electronic commerce has changed not only the consumer's habits, but it has also interfered in the logistics industry. E-commerce has forced the logistics providers to become more efficient in delivery times and service 'quality as their compliance can affect customer satisfaction²¹. This customer satisfaction can also influence the amount of their spending in e-commerce²². Which make it an important aspect to consider when implementing sales growth strategies? In a study of the structural practices used by SMEs²³ identify three e-commerce structural practices: The use of website as a tool to improve marketing and company image, the use of mobile technology for transactions and the problem solving strategy through the establishment of partnerships. The authors suggest that there is a limited used of websites by SMEs due to the socio-cultural habits of using cash and face to face bargaining in less developed countries. In this way, websites are seen as a platform to advertise the products and to improve the company's image. According to²⁴, e-commerce can be seen as one appropriate strategy to sales and marketing that can help SMEs to increase, identify and maintain their customers. Likewise, the authors identify the success factors of e-commerce as satisfaction of customers, associated costs, infrastructure and knowledge.

2. Methodology

In search of boosting the sales of SMEs from the South of the Valley, the Chamber of Commerce of and its International Trade Unit, carried out a study aiming to know how these companies use the e-commerce and to analyze their understanding and implementation of the tool, with a view to establishing strategies such as training

and consulting with the support of experts, to benefit the affiliates in matters of knowledge of the tool to be able to effectively implement e-commerce in their companies as an alternative channel to optimize resources and increase their sales. A semi-structured survey with 32 questions was carried out through Google Sites platform and it was sent to a total of 149 micro, Small and Medium Enterprises affiliated to the Chamber of Commerce of the South of the Valley. The applied survey had four sections. The first section was mandatory for all companies, to make a profiling and characterization of them, the other sections were deployed according to whether the company has a website or not. The second section was designed for companies that have a website. The third section was structured for companies that have a website in process.

Finally, the fourth section was for those companies that do not have a website.

To estimate relations between variables, a Proximity Matrix (Euclidean Distance) was used (this is a tool of multidimensional scaling). Descriptive statistics were applied to assess those relations and to summarize the sample and also to estimate central tendency and measure variability or dispersion. For this analysis the module Centurion XVI of Statgraphics was implemented. Regarding the sector of the companies, it can be noted that out of 144 companies, the 33,61% belongs to the commercial and services sector with the participation of 34 companies in this industry. Followed by the manufacturing and textile industries with a total participation of 20,83% and 17,36% respectively (see Table 1).

According to the size of the companies, it can be observed that the majority of companies (83.33%) are small and medium (14,58%). There are only 2 large companies

Table 1. Industry of companies

Class	Value	Frequency	Relative Frequency
1	Food	24	0.1667
2	Automotive	6	0.0417
3	Commercial and Services	34	0.2361
4	Construction	8	0.0556
5	Manufacturing	30	0.2083
6	Chemical Sector	13	0.0903
7	Telecommunications	4	0.0278
8	Textile	25	0.1736

Own elaboration (2018)

and they are located in the food and manufacturing sector. There is a company with more than 500 employees and corresponds to the commercial and services sector (see Table 2). Most of the companies have a website (53.47%). It is striking that a sector as competitive as textiles; almost 50% of companies do not have a website (see Table 3). According to the size of the companies, it can be said that out of 141 SMEs, 90 of them have a webpage already working or in progress. The larger the company, the greater its commitment to the development of technological platforms (see Table 4). There is information of 19 internet orders which can be analyzed as follows.

According to the industry, it can be noted that the majority of these orders were made to companies belonging to the textile industry, with a total of 5 orders. It can also be observed that the majority of these orders were made to small companies (15 of them) (see Tables 5 and 6).

3. Results and Discussion

The analysis of the information compiled by the Chamber of Commerce of the South of the Valley shows, on the one hand, how the creation of the web page is not a priority within the small companies; this does not mean that it is not important, but rather that there are other aspects that may be more relevant in the short term. But, when companies become medium, the website becomes one key aspect; this is evident with the survey, where the 83.3% of them have a web page. Knowledge about electronic commerce is reflected in medium; but not in small companies. This means that the former are created under no original electronic commerce provision; therefore, this sales system is seen as "optional" and not as a priority at the beginning of the conformation.

As the small companies are so busy in their establishment and conformation activities, they leave online sales marketing to a third party. However, when the company grows, it starts assimilating this area as an internal activity of the company. For them, the web page is used as a general information module, without paying greater attention to its continuous updating; on the contrary, medium enterprises recognize that they must continually update their website. The potential to market through social networks is mainly used by medium enterprises with 70% of them using these networks. Moreover, the potential to offer online discounts with credit card payments is only

Table 2. Industry and size

	0 to 50	251 to 500	51 to 250	More than 500	Total per Row
Food	21	1	2	0	24
	14.58%	0.69%	1.39%	0.00%	16.67%
Automotive	4	0	2	0	6
	2.78%	0.00%	1.39%	0.00%	4.17%
Commercial and Services	30	0	3	1	34
	20.83%	0.00%	2.08%	0.69%	23.61%
Construction	6	0	2	0	8
	4.17%	0.00%	1.39%	0.00%	5.56%
Manufacturing	23	1	6	0	30
	15.97%	0.69%	4.17%	0.00%	20.83%
Chemical Sector	10	0	3	0	13
	6.94%	0.00%	2.08%	0.00%	9.03%
Telecommunications	3	0	1	0	4
	2.08%	0.00%	0.69%	0.00%	2.78%
Textile	23	0	2	0	25
	15.97%	0.00%	1.39%	0.00%	17.36%
Total per Column	120	2	21	1	144
	83.33%	1.39%	14.58%	0.69%	100.00%

Own elaboration (2018)

Table 3. Companies with website

	IN PROCESS	No	YES	Total per Row
Food	6	7	11	24
	4.17%	4.86%	7.64%	16.67%
Automotive	1	1	4	6
	0.69%	0.69%	2.78%	4.17%
Commercial and Services	4	17	13	34
	2.78%	11.81%	9.03%	23.61%
Construction	0	3	5	8
	0.00%	2.08%	3.47%	5.56%
Manufacturing	2	8	20	30
	1.39%	5.56%	13.89%	20.83%
Chemical Sector	0	5	8	13
	0.00%	3.47%	5.56%	9.03%
Telecommunications	1	0	3	4
	0.69%	0.00%	2.08%	2.78%
Textile	2	10	13	25
	1.39%	6.94%	9.03%	17.36%
Total per Column	16	51	77	144
	11.11%	35.42%	53.47%	100.00%

Own elaboration (2018)

used by 7.7% of the medium, while the small does not use it. In fact, the use of this payment method is very low in the consulted companies (9.2% in small companies and 29.2% in medium).

The knowledge about electronic commerce in companies is a fundamental aspect to encourage them in the creation of their website and web portal, since a total 18.7% of companies have a website but they do not know and take advantage of this type of marketing. Another important aspect is that from the companies that report knowing a lot about electronic commerce, 21.8% do so through a third party

B2C companies have a higher level use of social networks such as Facebook and Instagram than B2B companies. In fact, it is observed that this marketing is done through Facebook and Instagram, using mainly cash and consignment by means of payment. In this sense, it is observed that the credit card payment is not being widely used, which can be explained by the special prominence to cash and direct consignments, limiting perhaps its potential growth capacity.

Likewise, many companies focus online sales mainly with sales through social networks. In this way, a suggestion would be that the Chamber of Commerce has a potential if it could encourage the use of a secure

Table 4. Size and website

	In Process	No	Yes	Total per Row
0 to 50	14	49	57	120
	9.72%	34.03%	39.58%	83.33%
251 to 500	0	0	2	2
	0.00%	0.00%	1.39%	1.39%
51 to 250	2	2	17	21
	1.39%	1.39%	11.81%	14.58%
More than 500	0	0	1	1
	0.00%	0.00%	0.69%	0.69%
Total per Column	16	51	77	144
	11.11%	35.42%	53.47%	100.00%

Own elaboration (2018)

Table 5. Number of internet orders received

Type of Industry	Count	Average	Minimum	Maximum
Food	2	16.5	3.0	30.0
Automotive	2	20.0	20.0	20.0
Commercial and Services	1	1.0	1.0	1.0
Construction	2	5.0	5.0	5.0
Manufacturing	4	40.75	1.0	150.0
Chemical Sector	2	16.0	12.0	20.0
Telecommunications	1	20.0	20.0	20.0
Textile	5	33.2	1.0	100.0
Total	19	24.4737	1.0	150.0

Own elaboration (2018)

Table 6. Size and internet orders

Employees Number	Count	Average	Minimum	Maximum
0 to 50	15	28.3333	1.0	150.0
251 to 500	0			
51 to 250	4	10.0	5.0	20.0
More than 500	0			
Total	19	24.4737	1.0	150.0

Own elaboration (2018)

site to market products and services of the companies and incentive the use of credit card and social networks. So that companies (small) begin contemplating it as an activity that can generate profit, but with the passage of time and the growth of the company, then this medium size company begins to contemplate it as an internal promotion activity.

4. Conclusions

The characterization of the SMES from the Chamber of Commerce of the South of the Aburra Valley highlights the importance of the commercial and service sectors of the region. Additionally, it can be said that SMEs represent the majority of the total companies in the region; this fact can allow them to become key agents for the development of the zone. SMEs recognize the importance of the electronic commerce and the majority of them manifest that they have a website; however it is not being used to boost sales, mainly due to the lack of knowledge of the use and application of these tools.

This is also the case for social networks, as they are not being used as a channel to promote and increase sales. This represents an opportunity for the Chamber of Commerce for the implementation of training programs with the help of experts to effectively implement e-commerce in

their companies as an alternative channel to optimize resources and increase their sales. Moreover, this is also an opportunity to implement financial education programs to take advantage of the potential of different payment methods on internet which are not being used by these companies. This research can be enlarged with the implementation of new variables of analysis such as the influence of external actors to the implementation of e-commerce initiatives in these groups of companies. Moreover, practical and theoretical implications can be complemented with the information of different cities of Colombia and even different countries in Latin America. Bias control should be also implemented as there was a not a total participation of all the companies when answering the 32 questions of the survey.

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