

eMarket Services makes it easier for you to use
electronic marketplaces for international business

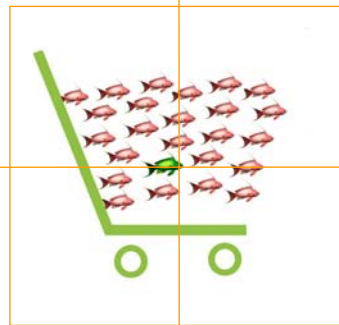
E-COMMERCE IN SPANISH SMES

By Inés Ramírez Nicolás,
eMarket Services España
Spanish Institute for Foreign Trade

www.emarketservices.es

June 2010

eBusiness Issue



Summary

- 11.1% of all companies originated sales in 2008 through e-commerce or other online networks, while 20.3% purchased some product or service.
 - The main reason for not using e-commerce is a lack of knowledge as to how to do it and how much it may cost them.
 - Selling on the Internet does not require major technical knowledge.
 - All agree that one of the main benefits for SMEs is the option of accessing new markets.
 - Oxatis international marketing manager Hervé Borudon says that other notable advantages are related to the flexibility and ability to adapt offer to the client.
 - “Thanks to online applications, electronic commerce can be integrated naturally into any business that uses the Internet as a marketing tool”, according to Arsys.
 - “We believe that electronic commerce is here to stay”, Merkasi CEO Antonio de la Riva says.
 - Sources from LabTres feel that tax incentives would be desirable, thus, enabling e-commerce to be considered as an R&D + innovation investment.
-

Introduction

According to details from a survey on ICT and e-Commerce usage in business from 2008/09, drawn up by the Spanish National Statistics Institute (INE), 11.1% of all companies originate sales in 2008 through electronic commerce or other online networks. The sales volume generated was €160.32 billion: 13.7% more than the previous year. In the area of e-commerce purchases, 20.3% of all companies acquired some product or service, which represents a 6.4% increase over the same time period.

As the size of companies decreases, however, so does the percentage of companies that use electronic commerce. Why the difference? Is the expense of implementing an e-Commerce solution the main reason? What solutions are within their reach? Is the same true in other parts of the world? To get answers to these questions, we have spoken with some of the country's most important e-commerce solution providers, and we have made this article based on their impressions and opinions.

Reasons for avoiding e-Commerce

Although the figures for companies in Spain with access to the Internet are among the highest in Europe and the number of businesses that go online daily is quite high, there is a reluctance to actually use e-Commerce and electronic marketplaces to buy and sell their products and services.

Most of the electronic commerce platform creation solution providers interviewed agree that one of the reasons is a lack of knowledge. Arsys¹ Communications Manager Alberto Calvo

¹ [Arsys](http://www.arsys.es) offers domains, hosting services, e-commerce and security applications and technology platforms for businesses that outsource their IT services. Arsys has also developed the first commercial cloud hosting platform

says that SMEs and the self-employed often believe that technological innovations are very costly or make daily operations cumbersome. “That may have been true a few years ago, when costly tailored development was required”, says Calvo, “but technology has evolved, and through the online applications currently available, electronic commerce is within the reach of any SME and the resources they would have to commit to maintain their online presence would only require a minimal monthly investment”.

Merkasi² CEO Antonio de la Riva says that there is a significant lack of information about the possibilities of sales growth offered by an Internet presence, especially when a firm’s traditional distribution network continues to provide good sales levels. But he also points out the inequality between the offers for implementing the applications, “which could make it seem, mistakenly, that they are solutions that require a major investment, when that is not the case”.

Lack of knowledge is also one of the reasons given by Xavier Asens from LabTres³, which causes “fear in a variety of aspects: fear of the reaction of distributors (wholesalers or retailers), fear of new things...” There is a tendency to overestimate the risks and to underestimate the opportunities.

According to Oxatis⁴ International Marketing Manager Hervé Bourdon, it is also related to the opening times of the traditional shops. He says that hours are long in Spain and people are used to going to the shops themselves. “In Germany, on the other hand, stores close very early”.

Spanish eCommerce, a work in progress

Bourdon says that Spain’s position is below that of other European countries, as is the case in France. “The number of online companies in France was very limited, and we need to start here in Spain the same way we did there: adding value to the creation of web pages and teaching businesses how to sell online”. One of the proposals is to help the public administrations, explain to entrepreneurs how to sell on international pages through seminars and training workshops. “That is the method we used in Germany and the results are very good. We know that we all need to move in the same direction”, admits the Oxatis international marketing manager.

rolled out in Spain, implementing a new concept in servers and à la carte Internet services with unlimited flexibility, scalability and independence. With over 650,000 registered domains and more than 220,000 clients, Arsys is the Spanish market leader in domain registration and web hosting. It is also among the sector leaders in Europe.

² [Merkasi](#) offers consultancy and needs analysis for marketing and online presence, corporate identity design and a manual for applying it online or off-line, Internet project development: corporate and institutional websites, business portals, web 2.0 institutional portals, e-commerce applications, intranets, online applications for quality systems, on-demand online management applications, website translation services and corporate portals in any language. The company also works in the area of e-publications or e-books.

³ [LabTres](#) offers comprehensive services for the development of an online business: internal and competition analysis, defining the strategy for the Internet, and development and promotion of an e-commerce solution.

⁴ [Oxatis](#) is an online shop creation platform that enables SMEs, business owners, self-employed workers or artisans to create their own web page and electronic shop. There is no need for technical knowledge, the investment is prudent and there is no time-related commitment. It provides all the tools necessary to create the website, with a very professional result, whether it is a shop window, online catalog, e-commerce site (shopping cart, payment solutions) or web marketing (positioning, key word shopping, indexing in price comparison engines)

In other countries, e-Commerce is already a more mature sector and there is greater awareness of the strategic planning required in advance, according to Asens. The problem for Merkasi is that we are starting late. There was little investment in new technologies until just a few years ago, “but we expect the social acceptance of the Internet to lead to a constant growth in investments in this area by businesses”, says Antonio de la Riva.

The Arsys communications manager also points to the progressive growth of SMEs and businesses in general on the Internet, especially in electronic commerce. “An Internet presence is a business need”, says Alberto Calvo.

Selling on the Internet does not require major technical knowledge. There are platforms where you can share your online shop with other businesses for a percentage of the sales, which are not usually that difficult to use. One of the best known examples is eBay where your firm’s product catalog, prices, etc. are uploaded. The down side is that there is greater competition, which does not give you all the flexibility of a customized shop and the business owner needs at least minimal technical knowledge and the ability to dedicate time to the procedures. When selling to other businesses, electronic marketplaces are the best option. They represent a collection of companies interested in a specific sector, offering a meeting place for exchanging information, conducting business transactions, searching for new suppliers, etc.

There is also the option of creating exclusive presence shops, as they are called by AECEM in its Electronic Commerce White Paper. They can be developed internally if the business has the technical knowledge and capabilities to create and implement a proprietary e-commerce solution on its own, or they can be ordered from an external technology provider, such as those that have participated in preparing this report: Oxatis, Arsys, LabTres or Merkasi. These companies offer different types of technology platforms based on the needs of the client. This option provides the benefits of customizing the content specifically for the company and the type of products sold. In many cases, they also offer maintenance services, so the business owner does not need in-depth IT knowledge, since the online shop is not managed personally other than on the purely business side.

Merkasi, however, warns us that it depends on the volume of activity and the business conducted (such as a website with a high level of online sales). It may be necessary to hire a team of professionals and divide the tasks (someone responsible for updating the online catalog and for marketing and promotions, another person responsible for managing orders, etc.).

The cost depends on the degree of difficulty involved in the technology solution chosen and on the level of involvement by the company afterwards. However, there are solutions that start at €15 a month and a simple tailor-made virtual shop can be acquired from €1,900.

Many benefits

All immediately agree that one of the main benefits for SMEs is the option of accessing new markets. “With electronic commerce, a SME can broaden its business horizons and make a name for itself beyond its physical location”, the Arsys communications manager says. The people at LabTres also emphasize the idea of internationalization, since e-commerce “makes it possible to break down the barriers of space, time and intermediaries”.

It also helps to reduce operating costs, contributing “an unbeatable quality-to-price ratio for the investment compared to any other presence through physical establishments”, says Antonio de la Riva. With electronic commerce, SMEs have direct access to the best commercial offers, and they can also “conduct more effective commercial actions with their

distributors, reducing the expenses related to intermediaries and increasing business competitiveness”, Alberto Calvo says.

At Oxatis, the main benefits are related especially to the flexibility and ability to adapt provided to the clients, enabling them to target a very specific market niche and sell very few specific products to that target. “You can also adapt the shop to the consumers quickly. The visual elements can be customized based on who enters, offering only the products that may be of interest to them...”, says Hervé Bourdon.

The fact is, according to Merkasi, that electronic commerce favors the creation of new commercial relations, from new collaborators and suppliers to new employees or shareholders. At the same time, however, it helps to reinforce loyalty among the existing ones. “With an online shop, companies encourage loyalty with current customers and have access to over 1 billion Internet users around the world, making them potential customers”, the people at Arsys add.

It is also a powerful marketing tool in its own right, providing greater notoriety and projection of the corporate image. It is a window that is open to the entire world, and with e-mail or social networks, its potential can be immense.

That said, you must always keep in mind how you will be integrating electronic commerce into your current business process. In some cases, the way products are marketed or even how they are designed changes radically. For fully virtual businesses, this is the only sales channel, so the entire company must revolve around the website.

It can also become an additional channel that complements the traditional distribution channels that a business already has; both of them can coexist successfully. The people at Arsys say that thanks to online applications, electronic commerce can be integrated naturally into any business that uses the Internet as a marketing tool, without many implications that modify the business process at any company.

Merkasi indicates that in organizations or companies with branch offices or physical shops, it is a very useful complement for customers. They can focus in advance on what interests them through e-commerce, and of the sale is at the physical shop, they will save the sales department a great deal of time.

The future and the challenges we face

The electronic commerce businesses we interviewed see a very promising future. LabTres believes that the current trend will continue because it is not just a temporary fad. Hervé Bourdon feels that the technological immaturity will be overcome in time, and “in 6 or 8 years will be ready to sell online, although we need to start teaching companies how to sell”.

“We believe that electronic commerce is here to stay”, Antonio de la Riva says. “There will be new trends, new business opportunities, a greater volume of sales (there is a growing proportion of the population that is familiar with online shopping) and it will be an excellent opportunity to decrease unemployment by encouraging the entrepreneurial culture”.

Alberto Calvo also sees a promising future. He believes that online shops are learning how to win over new customers with attractive business models, and consumers who have tried e-commerce tend to repeat the experience. “So everything seems to indicate that electronic commerce will continue to grow in the coming years”, the Arsys communications manager says.

However, to encourage that positive evolution, Oxatis is promoting a change in how online sales are perceived, since right now shoppers look to the Internet for low prices. “But to

ensure customer loyalty, the most important thing needs to be service and quality. New customers will only return if they are happy with the product they buy”.

The job of the Public Administrations

There are also challenges that the Public Administrations must face to help encourage businesses to buy and sell on the Internet. There is a continuing commitment to Information and Communication Technologies with the Avanza 2 Plan, and Red.es is taking measures, such as the NEW program, “that eliminate the perception of the Internet as something that is difficult and costly and inaccessible for SMEs”, says Arsys Communications Manager Alberto Calvo.

The process of informing and educating businesses must also be constant. Hervé Bourdon says that in other countries they have collaborated in organizing seminars and workshops for entrepreneurs, and they have trained experts in e-commerce. “That is a necessary step, since no technology can be sustained without the necessary knowledge”, the international marketing manager at Oxatis says.

The people at LabTres say that tax incentives are needed so that e-commerce is considered an investment in R&D + innovation. “The operators can also be forced to reduce the costs of ADSL (among the highest in Europe) so that users join the web with greater frequency”, says Xavier Asens. Another of his proposals is the creation of a quality certificate for specialized providers.

Merkasi CEO Antonio de la Rivas believes that the administrations have a good opportunity to provide employment and facilitate the creation of online businesses in record time (requesting the corporate tax ID, business name, IAE registration, Social Security registration number, etc). “That is an area in which our administrations are behind the curve compared to other countries”.