E-COMMERCE

INDUSTRY

AN OVERVIEW OF ASPECTS TRENDS & CHALLENGES IN

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DIGITAL FUTURES

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EXECU TIVE SUM MARY

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

Today, 4 billion people (53% of the world's population) are connected to the internet, and almost all of them (92.6%) use their mobile devices to do so. Every day, 85% (3.4 billion) of users connect to the internet and spend six and a half hours online on average. Consumers spend more time on an expanded range of diverse digital activities with increasing frequency. It is undisputed that internet accessibility, mobile technology and digital innovations have redefined interactions between individuals and will continue to enable and disrupt many aspects of the lifestyles of consumers into the future.

The "connected life" has become ubiquitous and the proliferation of access and usefulness continues to transform how customers integrate data, interfaces and exchanges to help simplify their increasingly challenging lives, as well as add flexibility and personalization. Conventional connected use has multiplied across communication platforms, spaces for social engagement, information portals, financial transactions, gaming and video content to appeal to online buying behaviors.

Companies recognize the influence and impact their online presence has had on in-store sales growth (via branded digital properties such as websites, advertising, and social media), and this development has encouraged other businesses to follow suit. Success and sustained growth for manufacturers and retailers will involve creating strategic advantages across converging channels, touchpoints and experiences along the path to purchase, both in developed and developing markets, as well as evolving and emerging categories. Advancement in e-commerce ultimately depends on consumers; their conduct, practices for internet use, adoption drivers, tipping points and difficulties. [1]

1. The Nielsen Company. (2018). Connected commerce

KEY FINDINGS

* Global retail e-commerce sales are projected to reach USD 27 trillion by 2020.
* In 2017, the e-commerce industry came to the fore when it surpassed 10% of all global retail sales. Today, e-commerce is a USD 2.2 trillion market, and it is expanding at an annual growth rate of 24%, four times faster than the global retail sector as a whole. E-commerce is becoming the key growth engine for retail - its contribution has risen from 7% in 2012 to 39% in 2017, and is expected to surpass 50% by 2020.
* The Asia-Pacific region is forecast to account for two-thirds of global e-commerce by 2021 when sales will total USD 28tn while North America and Western Europe's share shall decrease accordingly.
* A number of trends in e-commerce took hold in 2018 and will continue to play an important role in 2019. These include chatbots, voice assistants, and omni-channel marketing, as well as personalization and localization, video content, social and mobile commerce.
* The New, or Digital, Economy has changed the conditions in which many people live and work; it makes the leap over the existing obstacles of the traditional economic development possible. New productive sectors emerge and change the structure and organization of the old activities drastically. The history of economic growth suggests that such a process of structural change is crucial for accelerating growth.
* One of the biggest challenges for e-commerce companies is setting yourself apart from the crowd. That's where value That is where value propositions (features and services that make you more attractive to customers) come in handy. When you use effective value propositions, you help customers understand what makes you different, which can result in more conversions and revenue.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STRU CTURE& STUDY REPORT

The report is made up of six sections each focusing on different aspects of e-commerce. The first section, "E-Commerce Overview", *introduces the topics of e-commerce across the globe. The study begins with a discussion of the e-commerce structure which analyzes the basics of the e-commerce environment.*

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

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

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

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

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

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

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

OBJE CTIVES &

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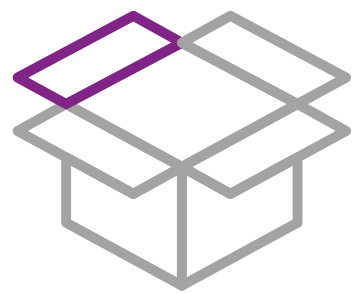
The role of the study is to provide useful insights regarding the e-commerce industry. An Industry Snapshot, developing trends, business growth, opportunities and threats are all addressed through the research study. The research provided is targeted towards anybody interested in further extending their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

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

Understand the market trends. The wider sphere of e-commerce activity is based on the evolution of technology, and so technical innovations play a major role in the sustainability and the profitability of e-businesses. Trends like Artificial Intelligence (AI), Augmented Reality (AR), Voice search, Voice Assistants, Chatbots, M-Commerce and Social Commerce should be adopted by companies in order to provide a more personalized and customer-oriented experience and keep existing customers satisfied. *Customer satisfaction affects customer retention, and both these factors affect overall business profitability and sustainability.*

Cover the whole operations around the core business and key elements to guarantee success. Various business costs, workforce and employment issues, education and training staff are some of the factors affecting business success and these aspects should be taken into careful consideration. Technology, processes and systems are also important elements for the success and companies should spend time and effort to make sure that the best decision has been taken with regards to these areas.

NOTE
ON
RESEARCH
PROCESS &
METHODOLOGY

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

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

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

SECTION 1
E-Commerce Overview

1.1.

E-COM MERCE

STRU CTURE

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

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

E-commerce retail has become the fastest growing trade area and has outpaced every other trade and manufacturing sector. Global retail e-commerce sales are projected to reach USD 27 trillion by 2020.
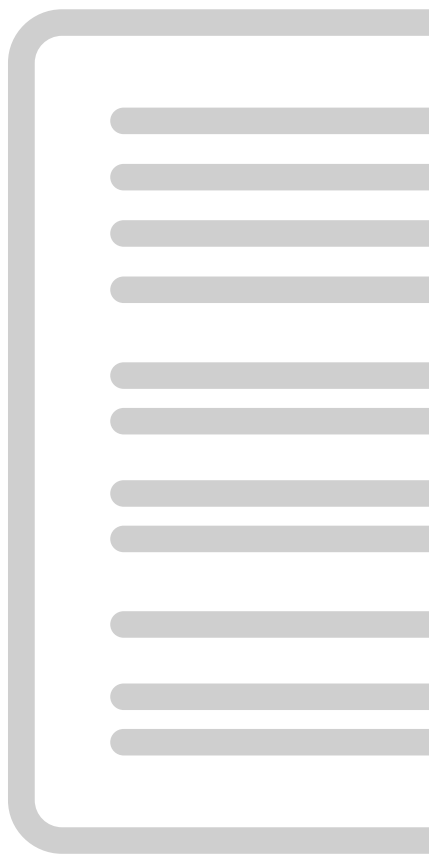
2. Surbhi S. (2018). Difference Between
Traditional Commerce and e-Commerce.

1.1.1.
Digital Transformation:

Introduction

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

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

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

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

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

Thinking, planning and building digitally set you up to be agile, flexible and ready to grow. CapGemini Consulting was one of the first corporations to engage with the concept of digital transformation and formulate a digital transformation framework as it is shown in the Figure 1 below. The company did so in collaboration with the 'MIT Center for Digital Business' defining an effective digital transformation program as one that looked at the what and the how across a three-year study. [3]
As digital technologies dramatically reshape existing industries, many companies are pursuing large-scale efforts to change and to capture the advantages of these developments or merely to keep up with rivals. In the following passage, we will examine the effective case of digital transformation of Netflix.

> "Every digital transformation is going to begin and end with the customer, and I can see that in the minds of every CEO I talk to"
>
> ~ Marc Benioff, Chairman & CO-CEO, Salesforce [5] ~

3. I-scoop. (2018). Digital transformation: online guide to digital transformation.

4. Salesforce. Common Reasons Why Businesses Go Through Digital Transformations.
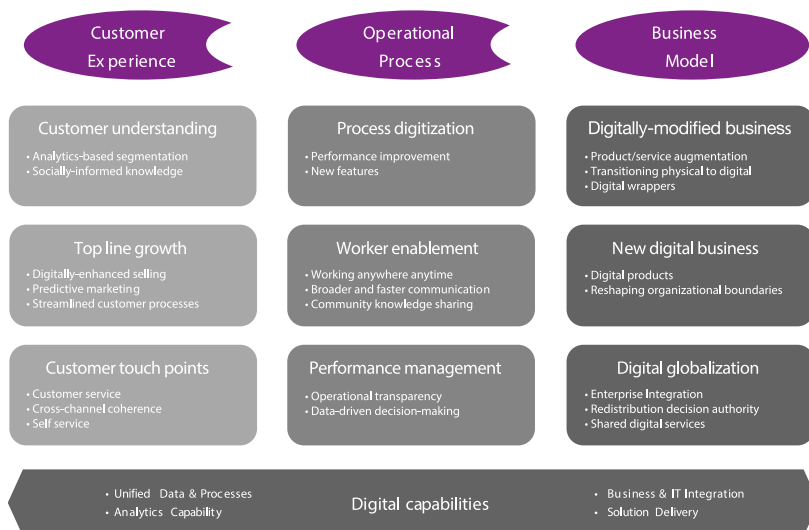
Figure 1 | Digital Transformation Framework by Capgemini Consulting and the MIT Center for Digital Business. Salesforce (n.d.). What is Digital Transformation? | A Definition by Salesforce.

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

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

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

Streaming subscription-based content directly to people's TVs, computers, and mobile devices was an obvious disruption to the brick-and-mortar video rental business.

Embracing streaming also led to Netflix looking at what else it could do with the available technology. That led to innovations such as an artificial intelligence-driven content recommendation system. [5]

Technology innovation and digital transformation are not only vital in the retail industry but also to products-manufacturing businesses. The ever-present technology behind   omni-channel strategies and big data enable middle-market consumer product companies to better understand their consumers - what, why and when they go about buying products or services. To stay competitive, companies need to transform their technology strategies. This means not only leveraging emerging mobile and social platforms to connect with consumers on the front-end, but also optimizing back-end technology to allow quicker, more precise reporting of management and supply chain metrics. [6]

5. Salesforce (n.d.). What is Digital Transformation? | A Definition by Salesforce.

6. RSM (n.d.). Digital transformation in the consumer products industry.

1.1.2.
Traditional Commerce vs Electronic Commerce

E-Commerce definition

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

In e-commerce, all business activities, including selling, ordering, purchasing and payments, are performed online. Technologies such as electronic data interchange, email and electronic fund transfers are used to complete transactions and payments. E-commerce is not limited to conventional business hours but is a 24/7 affair and can be done anytime day and night.

Products and services are not examined physically and there is no face to face communication as such processes depend instead upon screen-based interactions. In e-commerce, there are no physical limitations and the modes of payment include electronic funds transfer, credit card numbers and more. Finally, e-commerce relied upon shipments for the delivery of the products.[8]

Traditional Commerce Characteristics:

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

Furthermore, traditional commerce often relies on face-to-face interactions with consumers and thrives on word of mouth, networking, and customer referrals for new and repeat business.

Personal interaction is a key component of businesses experience success with traditional commerce. Traditional Commerce does not typically share information with competitors and handle advertising, inventory shipping and creation of products and services in-house with a staff of employees in close proximity. [9]

Figure 2 (below) summarizes all the characteristics and differences between the traditional commerce and e-commerce.

7. Shopify (n.d.) . Ecommerce Definition - What is Ecommerce.

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

9. Reference. What Is Traditional Commerce?

SUMMARY

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E-COMMERCE OVERVIEW

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E-COMMERCE LANDSCAPE

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SHAPING THE FUTURE

Figure 2 | The basis of comparison Between E-commerce vs Traditional commerce. [10]

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

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

SECTION 6
Shaping the Future
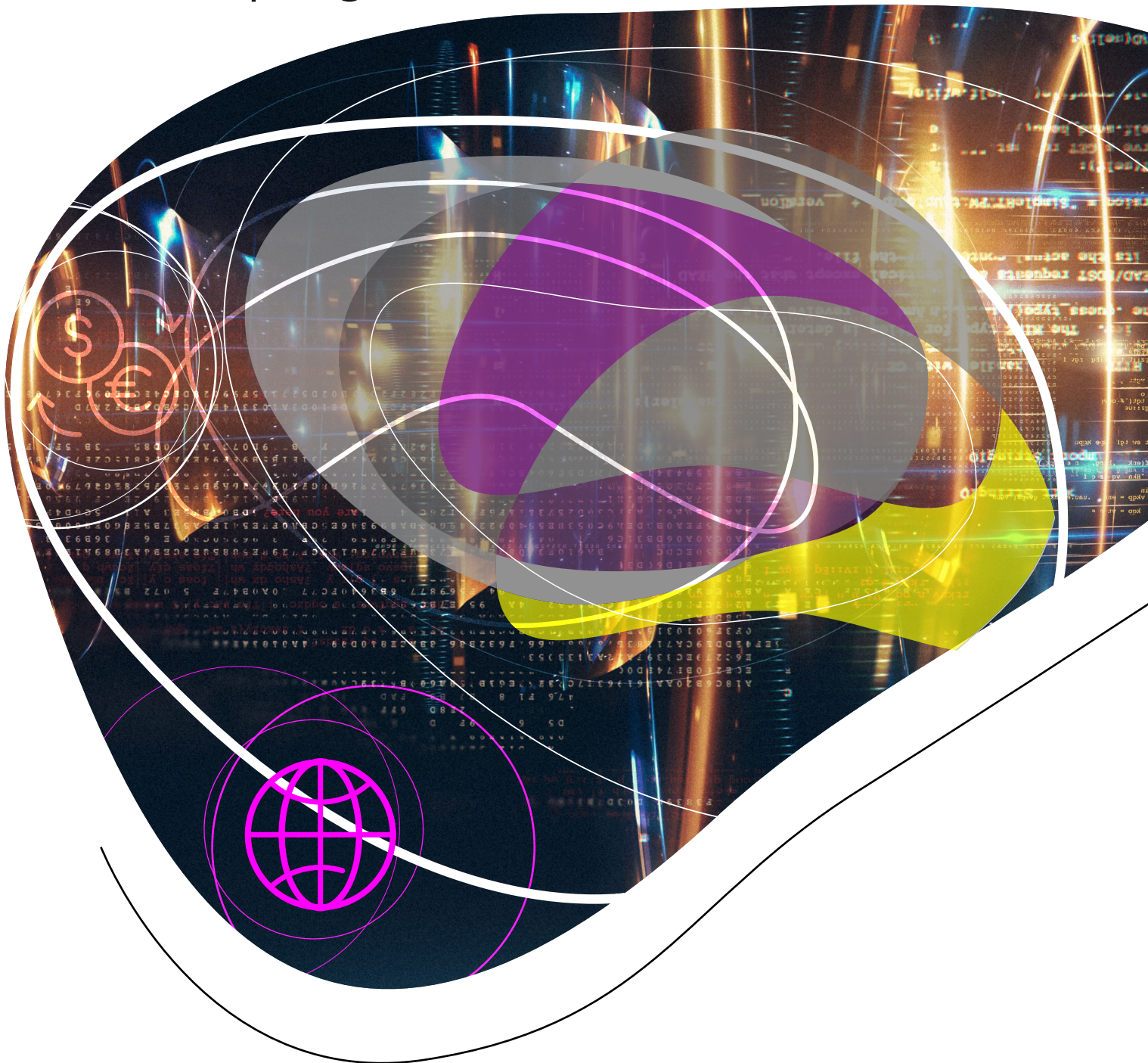
Conclusions and Best Practices

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

As digital technology advances and plays an ever-bigger part in our daily lives, businesses have to keep up with the times. Technological innovations can transform the overall means of production, distribution and customer service operations regardless of industry and trading goods. Technology innovations and digital transformation is vital not only in the retail industry but also in products manufacturing businesses. The ever-present technology behind omni-channel strategies and big data enable middle market consumer products companies to better understand their consumers - what they buy, how and when. To stay competitive, companies need to transform their technology strategy. This means not only leveraging emerging mobile and social platforms to connect with consumers on the front-end, but also optimizing technology on the back-end to enable faster, more accurate management reporting and supply-chain metrics.

As the omni-channel company model becomes more popular, demand is growing both for experts who can carry out internet design based on an understanding of customer experience demands as well as for those who can place targeted ads strategically to boost traffic. Some companies are also beginning to establish new conversion manager positions for data analysis and the creation of frameworks that induce customers to purchase products. [260]

In markets around the world, categories such as travel, entertainment (books, music, events) and durable goods (fashion, IT/mobile, electronics) are the front runners for consumers to enter the online retail sphere. After two decades of e-commerce retailing, these categories have higher online purchasing penetration and frequency of purchasing than most consumer goods categories. Globally, e-commerce development differs by country. In China and the most advanced Western markets, such as the UK, US, France and Germany, the e-commerce penetration of total retail sales surpassed 10%. By contrast, the e-commerce penetration of total retail sales in some other markets, such as Brazil, Turkey and India, is still below the 5% mark. In MENA, the e-commerce penetration is even lower than this. The United Arab Emirates (UAE) is the most advanced e-commerce market in the region similar to that of Turkey and Brazil. The Kingdom of Saudi Arabia (KSA) at 3.8% closely follows the UAE. At 2.5%, Egypt's e-commerce penetration of total retail sales is comparable to that of India and Indonesia. In the new digital world, technology will drive companies into adjacent industries and new businesses.

"think local, act local"

The majority of successful well-established companies struggle to find the right balance point between funding their current businesses and making significant investments in next generation businesses that will deliver material new revenues, margins and profits. E-commerce has experienced strong growth in emerging markets. Factors such as favorable demographics and a large population just gaining internet access via smartphones signal potential growth in the future. Many researchers and analysts have highlighted the attractive opportunities for continued growth in e-commerce in many other emerging markets. In response to this dynamic environment, the 2018 M&A market was largely driven by consolidation, expansion into high-growth geographies, portfolio strategy, technology innovation and product premiumization. With the annual double-digit growth of the e-commerce channel, retail companies are revising their e-commerce sales targets upwards while also moving to increase the size of their e-commerce divisions to boost overall sales. It used to be common practice for e-commerce specialists to be assigned to online marketing departments, but more companies have started establishing dedicated e-commerce departments. As a result, companies have moved to recruit senior professionals to head these departments and junior professionals to fill out their teams.

One final consideration any business should take into account is the number of trends in e-commerce that took hold in 2018 and will continue to do so in future years, and its ability to adapt to and capitulate on such developments. These included chatbots, voice assistants, and omni-channel marketing, as well as personalization and localization, video content, social and mobile commerce. Experimental and new retail, Blockchain and alternative payment methods, planet-friendly tactics, same day delivery and virtual reality are some of the most popular social, technological and behavioral trends business should adopt in order to achieve the best customer experience. Simultaneously, organizations should also dedicate attention to the various challenges that occur from the wider environment in order to stay competitive.

These could include logistical challenges like free and fast shipping and synchronization of inventories, challenges in data security (especially after new regulations designed to protect customer data), challenges in customer service such as omni channel experience, personalization, product return and refund and focus on customer retention, and finally challenges in marketing such as data analysis and the "think local, act local" concept.