


Chapter 8

Why the Latin American Footwear Industry Still Lags Behind in E-Commerce Adoption: The Case of Ecuador

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ABSTRACT

Latin American countries have made important investments in digital infrastructure, but there is still an important gap in information and communication technologies (ICT) and e-commerce adoption. The objective of this chapter is to analyze e-commerce adoption by the footwear manufacturing firms of Ecuador. For this purpose, a sample of firms of the province of Tungurahua has been analyzed. Results show that the dominance of micro-businesses in the sector, age, the low level of education and of computer literacy are barriers to e-commerce adoption in this industry. Additionally, it was found that the behavior of micro-businesses and small firms in terms of e-commerce adoption is different. The results are important for governments that want to grow e-commerce adoption among businesses, as they show that additionally to economic and sociopolitical factors, the characteristics of business sectors, and individual characteristics of the business owner are key drivers for ITC adoption.

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INTRODUCTION

Information and Communication Technologies (ICT), e-commerce and other technologies create new opportunities for growth and development, supporting production activities and innovation (World Economic Forum, 2016). Today it is easier for small businesses and entrepreneurs to connect to global markets and innovate. However, despite the high growth rates accounted by developing countries in the last years, there is still an important gap in ICT development between developed and developing countries (International Communication Union, 2018). According to the Global Information Technology Report 2016 (World Economic Forum, 2016), the degree of development of ICT in Latin America and the Caribbean is very dispersed, with a difference of about 100 positions in the connectivity index between Chile (38) and Haiti (137).

According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC, 2018), 82% of Latin American companies affirm they use Internet to interact with customers. However, e-commerce represents only 3% of the total retail, with Argentina, Brazil and Mexico as the main e-commerce markets in the region, accounting together 73% of the total sales (ECLAC, 2018). But, it is expected that e-commerce will account 4.2% of Latin America's retail industry in 2019, with a growth of 21.3% (eMarketer, 2019). eMarketer's (2019a) report places Mexico (35.5%) as the leader of the global ranking of retail e-commerce sales growth, followed in the eighth place by another Latin American country, Argentina (18.8%).

Despite the economic and political volatility, footwear in Latin America has registered a positive compound annual growth rate (CAGR) of 2% between 2011 and 2016 (Euromonitor, 2017). According to Statista (n.d.), footwear online sales will achieve almost 4.83% of the total online sales in 2019, with a market volume of \$1.556 million. And the growth perspectives are positive, with a CAGR of 7.5% over 2019-2023, resulting in a market value of \$2.080 million by 2023.

However, Euromonitor (2017) underlines that the value growth of Latin American footwear has been undermined by high inflation, protectionist policies and a volatile economic and political climate. But which are the factors that slow down the growth of footwear online sales? Euromonitor mentions two factors: low Internet speeds and poor credit card penetration. ECLAC (2018) points out as barriers to e-commerce development in Latin America the high taxes for foreign trade, the high cost of logistic, low access to credit and debit cards, low development of online payments, lack of consumers' protection and cybersecurity. In general, Latin American countries have a low score on the four indexes calculated by Ecommerce FOUNDATION (2018): Logistics Performance Index (customs clearance process, quality of transport infrastructure and the quality of logistic services), Ease of Doing Business Index (regulations for business and the protection of property rights), E-Government Development Index (the use of ICT to promote access and inclusion for people) and the Internet Inclusivity Index (affordability, availability, relevance and readiness for Internet).

Kraemer, Gibbs & Dedrick (2002) found lower rates of the use of computer and Internet among Latin American countries compared to those of developed countries because of their lower income. Additionally, these countries are dominated by SMEs, characteristic that is a barrier for e-commerce as these companies lack the resources for ICT adoption. The low level of ICT diffusion in the economy limits business awareness about its benefits and, along with the small size of businesses and the lack of resources, they become a barrier for its adoption (Molla & Licker, 2005).

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