

E-COMMERCE

Specialisation and inevitable natural selection have begun to tidy up the tangled system of Internet portals of individual jewellery companies and Associations. This has obviously been to the benefit of users and provided a boost for companies offering programs for creating an Internet presence.

E-commerce has been assuming an increasingly important role in meeting demand and it has become indispensable to be on the Internet. But it is necessary to be there (and stay there) profitably. It is not enough to surf the net. It is not sufficient to use e-mail for communicating with customers. The revolution in the new economy and in information technology has signalled profound changes. The "network of networks" is changing consolidated rules of the game, opening extraordinary opportunities and requiring businesses to design not only their marketing structure in new ways but also their production structures and support services. It facilitates the exchange of information and if used properly makes significant reductions in time and labour costs possible.

In recent times, other sites aimed at business have joined the usual portals showcasing gold and silver products. One of these is www.gioie.it for marketing jewels. It offers 500 products, all with useful information for customers, from price to weight and to the other features of the objects displayed. These objects are selected from companies located in the Vicenza, Arezzo, Valenza, Milan, Naples and Caserta districts.

The Chambers of Commerce have also come up with an important initiative. Their site, WWW.certicommerce.net, is intended to solve the thorny problem of quality compliance and the "Certicommerce" mark is intended as a guarantor between seller and buyer.

Another important initiative has come from la "Piccola Industria", the Italian Industry Federation's small business wing. This is the project named "from internationalisation to internetisation" and its aim is to bring small businesses closer to the opportunities provided by e-commerce and give them complete, corrected and stimulating information without bias. The purpose achieved by the project is to sensitise small businesses, and associations too, with regard to the opportunities offered by e-commerce for establishing new modes of interaction between businesses (*B2B*) and between businesses and consumers (*B2C*).

"PMInternet" has turned out to be one of the most important and reliable projects in Italy for creating an awareness of e-commerce among small and medium enterprises.

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The explosion of electronic sales concerns every kind of business and therefore unsurprisingly the precious metal sector too.

Given the specific characteristics of the gold and silverware sector, e-commerce has unquestionable advantages:

- 1.- showcasing products on the web is the equivalent of an exhibition without geographical conditioning and means it is also possible to reach those who do not take part in fairs. This obviously means that it is possible to increase the number of customers;
- 2.- the sales procedures are decidedly more secure from criminal attacks which are particularly incisive where goods of insignificant physical weight but high unit value are transported;
- 3.- there are no time constraints on product availability so that more considered purchases can be made after calm consultation of the complete catalogue online. This means plenty of time to compare models, styles, metals and prices;
- 4.- reduction of costs and therefore of prices;
- 5.- transparency in terms of weight and trademarks;
- 6.- greater security;
- 7.- direct contact with the end-buyer;
- 8.- ease of payment using guaranteed means such as credit cards, phone banking, etc.

It should be pointed out that Internet sales channels have nothing to do with the TV shopping channels which do not provide complete catalogues and fully pressure-free decision-making.

Small and medium production enterprises, the most common type of firm in the gold-silver sector, are the best-placed to take advantage of the new channels opened by e-business: the lowering of the investment cost barrier, formerly required for reaching distant resources and markets, now makes a direct approach possible anywhere in the world, something which was impractical not long ago.

However businesses must meet certain requirements if they are to be able to nurture reasonable expectations of success in the use of new technologies.

Companies must first of all be generally predisposed towards innovation, even to the extent of redesigning their entire production and business models if necessary.

The factors for success at operative level obviously include attention to the quality of the goods and services offered electronically. But the visibility of the offer in the highly populated seas of the Internet is equally important.

A third factor for success consists of their ability to attract a group of people involved in the various aspects of their project. In other words operative partnerships are important.

Another critical element is the ability to reorganise all the company's production processes in harmony with the characteristics of the net, a factor which is associated with the first element listed for being successful. This seems to complete the circle of features of a "proper" company profile.

According to a market survey carried out by *Evidenze* in collaboration with At Kerney, there were just over 1000 e-commerce sites in Italy at the end of 1999. But there was a high concentration of business around the main names, given that the first 10 accounted for 40% of the entire turnover achieved with this means. This was estimated to be about 250 billion lire (roughly 130 million euro) in 1999.

The fashion area, which can include gold and silver products for commercial purposes, accounts for a hefty 42% of the sites with ".com" domains, and provides further confirmation of the international outlook of Italian producers.

It must be mentioned however that Italy lags behind the top economic systems when it comes to e-commerce: this is reflected, in particular, in what is typically the weakest point in electronic sales: delivery times and costs.

According to a survey carried out on behalf of the EU Commission, out of nine important markets in the Union, Italy had the longest delivery times, 15.7 days, followed by France with 15.5.

Italy is still at the bottom of the league when it comes to the cost of the service, with 6.87 euro, followed by France where it was 6.06 euro.

This means Italy has a delivery service that is both the most expensive and slowest at the same time among the nine examined (which also included Belgium, Germany, Great Britain, the Netherlands, Portugal, Spain and Sweden). This is obviously an obstacle

towards the development of e-commerce services in a country where sales by correspondence never really took off for these same reasons. Nevertheless, the Italian post office has recently attempted to close the gap with new initiatives, including its parcel delivery area.

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But what is the present state of online sales in Italy? The answer can be found in the conclusions of a survey carried out by Kpmg Consulting.

"The industrial sectors are moving towards online business in disarray with results at two speeds. But overall the gap between Europe and the United States is closing. Italy in particular is beginning to play a leading role, showing that it is capable of gaining ground on the European countries that led the way in investing in the Internet."

The seven main industrial sectors are moving at different speeds in the online field. Electronics and financial services are the most advanced sectors with regard to technological infrastructures and company investments.

It should be emphasised that for Italy there is still an obvious delay in the consumer goods sector where there is not a full awareness of the potential provided by the synergy between physical distribution networks (shops, warehouses and purchasing and storage centres) and the availability of structures for Internet business.

The crux of an online business development strategy, the survey emphasises, is found inside the companies themselves: the activities are allocated within the companies in synergy with the distribution structures already in existence.

This is a field in which Italy can play a leading role, according to KPMG, and even be a model at European level given the capillary diffusion of traditional shops in proportion to the population.

Electronics is in pole position in the classification by sector. It is in the forefront in terms of the technology available and of the clear vocation of companies for Internet business. The highest expectations in terms of turnover are in the communications sector that should considerably increase its online activities over an 18-month time span,

In second place is the electronics sector which should close the current gap with the financial services sector. A strong recovery is also envisaged for consumer goods followed by the car industry. Chemicals and pharmaceuticals are at the bottom of the classification but have important projects for investment in online procedures.

The integral use of information and communications technologies is a great challenge for Italian industry but one which can provide encouraging results.

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WE could say "the sooner the better" in our sector too. After the initial resistance of buyers and purchasers, online sales will also facilitate filter and market regulator functions. Prof. Guido Tabellini (Bocconi University) touched on this topic in an interview published by the magazine "Federpietre informa". "The market economy is becoming increasingly similar to the ideal and competitive textbook market where purchasers compare the available alternatives at no cost and choose the cheapest. There are no intermediaries, entrance barriers disappear and the allocation of resources exploits the comparative advantages or the economies of scale."

All of this means that e-commerce is good for the jewellery industry too. It can increase loyalty between the traditional distributor and consumer as an effect of the sales and after sales service (where it exists), while growing the overall market by reaching marginal fringes which are beyond the range of traditional distribution structures.

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Despite the known difficulties faced by e-commerce in our sector, the number of sites opened by gold-silver companies as showcases continues to grow.

Among the most recent and widest ranging examples is the "Made in Italy" portal launched by Vogue: www.voguegioiello.net

For the moment, this site only contains news and information but, we have been informed, will soon be extended to real e-commerce.

The site is also available in English and, with the speed permitted by the internet, provides news and previews regarding: products and markets; new Italian collections and the creations of the most prestigious international designers; and initiatives from the main Italian and foreign manufacturers.

In the future Vogue plans a set of interactive showcases in which companies from the sector can promote their range; sell or source stocks of products and raw materials; recruit staff and come into contact with international suppliers.

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Elio Catania, President of IBM Italia, has spoken on several occasions about the operation of the new technologies (particularly those regarding communications). Among other things, Catania has emphasised that the district conformation exalts the application of modern technologies to a maximum, "because the Internet lowers the entrance barriers and reduces the imperfections of the market, leading to greater, more competitive, dynamic and crowded markets. Information technologies are profoundly changing

relationships between companies and the breakdown of the market, in the sense that individual companies no longer need to directly manage all the phases of their value chains, but can outsource them."

Pervasiveness and continuous change are the two catchwords. "This revolution concerns everyone and does not make a distinction between the economy of the factory shed and laboratories on one hand and the Internet on the other: the real difference is between those who use the available technology effectively and those who do not avail of it at all.

"The new challenges of the future are based on the exploitation of human capital, the correct use of technology, the central position of the customer, and the flexibility and company integrality. These are factors which can only be exalted if the various companies place professional training, at all levels, at the centre of their strategy."