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**ANALYSIS OF ONLINE SALES DISTRIBUTION CHANNELS IN
INTERNATIONAL COMPANIES IN SOUTH AMERICA AND THEIR
PROFITABILITY AND COMPETITIVENESS**

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DEDICATION

To my family, an important part of my life and my motivation for moving forward. In especial to my parents, Raúl and Cristina, who have made a big sacrifice so that I can finish this phase of my life and taught me to work hard for reaching my goals.

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GENERAL INDEX

I.	THEME	1
II.	ABSTRACT	1
III.	RESUMEN	2
IV.	RIASSUNTO	3
V.	INTRODUCTION	4
	CHAPTER I	
	SALES DISTRIBUTION CHANNELS	10
1.1.	Evolution of sales distribution channels	10
1.1.1.	Traditional sales distribution channels	10
1.1.2.	Web 2.0 emergence	13
1.1.3.	Online sales distribution channels	15
1.2.	Online sales distribution strategies	17
1.2.1.	Disintermediation	18
1.2.2.	Re-intermediation	20
1.2.3.	Multichannel strategy	21
1.3.	Types of online sales distribution channels	23
1.3.1.	Business to Business (B2B)	24
1.3.2.	Business to Customer (B2C)	26
1.3.3.	Customer to Customer (C2C)	28
	CHAPTER II	
	E-COMMERCE AS STRATEGIC BUSINESS AND THE CONSUMER AS MAIN ACTOR	30
2.1.	E-Commerce strategies	30
2.1.1.	General approaches for strategies	31
2.1.2.	Mass media advertising	33
2.1.3.	Diversification of online platforms	35
2.2.	Organizational perspective	37
2.2.1.	Competitiveness and profitability as strategic advantages	37
2.2.2.	Challenges for companies implementing online channels	39
2.2.3.	Effective management and sales process	41
2.3.	Consumers' perceptions as main actors	44
2.3.1.	Acceptance of online sales distribution channels	44
2.3.2.	Factors influencing consumer behavior	46
2.3.3.	Technological and online penetration among users	48
	CHAPTER III	
	INTERNATIONAL COMPANIES WITH PRESENCE IN SOUTH AMERICA WITH ONLINE SALES DISTRIBUTION CHANNELS	53
3.1.	General overview in South America	53
3.1.1.	Current situation	53
3.1.2.	Sales distribution channels tendencies	55
3.1.3.	Regions' potential	58
3.2.	Ecuador development regarding E-commerce	60

3.2.1.	Sales distribution channels tendencies	61
3.2.2.	International companies applying E-commerce in Ecuador	63
3.2.3.	Consumer behavior perspective and reception in the Ecuadorian market	65
3.3.	Case study: Adicto AI Fitness	67
3.3.1.	Company's description	67
3.3.2.	Online sales distribution system	69
3.3.3.	Real and perceived benefits from E-commerce	71
VI.	ANALYSIS	76
VII.	CONCLUSIONS	79
VIII.	RECOMMENDATIONS	82
	REFERENCE LIST	84

FIGURE INDEX

Figure 1:	Marketing channels framework	11
Figure 2:	A typical portrayal of channel structure for consumer goods	12
Figure 3:	Factors influencing the decision making-process in an information-based marketplace	15
Figure 4:	The distribution channels of technical professional beauty products of non-selective brands	17
Figure 5:	Traditional vs electronic markets: disintermediation hypothesis	19
Figure 6:	Disintermediation and re-intermediation on the example of the book industry	21
Figure 7:	5 types of b2b e-commerce	25
Figure 8:	Information systems success	42
Figure 9:	ROI formula	43
Figure 10:	TAM	47
Figure 11:	Consumer online transaction process	48
Figure 12:	Millennium development goals	50

GRAPHIC INDEX

Graphic 1:	B2C e-commerce sales in South America from 2013 to 2018	27
Graphic 2:	Number of monthly active Facebook users worldwide as of 4 th quarter 2017	34
Graphic 3:	Global digital population as of January 2018	49
Graphic 4:	Global internet penetration rate as of September 2017, by region	50
Graphic 5:	Global mobile data traffic from 2016 to 2021	51
Graphic 6:	Brazil e-commerce sales	54
Graphic 7:	Most popular online retailers in Latin America as of January 2016, based on number of unique visitors	55
Graphic 8:	Social network penetration in Latin America from 2013 to 2018	59
Graphic 9:	Annual retail e-commerce sales growth in Latin America from 2014 to 2019	60
Graphic 10:	Penetration rate of selected social networks in Ecuador in 2016	62

TABLE INDEX

Table 1:	Internet usage and population statistics for South America December 31, 2017	27
Table 2:	Three basic markets	29
Table 3:	Characteristics of successful e-commerce implementations	33
Table 4:	Top 10 Ecuadorian YouTubers	74

I. THEME
ANALYSIS OF ONLINE SALES DISTRIBUTION CHANNELS IN INTERNATIONAL COMPANIES IN SOUTH AMERICA AND THEIR PROFITABILITY AND COMPETITIVENESS

II. ABSTRACT

Over time, the Internet has changed the way people communicate, and not only that, but also how they make different transactions to acquire goods, transfer money, and entertain themselves. In this matter, distribution channels play a substantial role on strategies companies develop so as to revolutionize how business is made. With the application of informatics tools and the use of Internet and technology, companies can implement online channels that will make them gain competitive advantage and increase profitability. These new digital channels such as web pages, mobile apps, and social networks will help companies to interact directly with their customers, bringing the opportunity of reducing costs, improving their brand reputation, and reaching wider audiences. Moreover, it is important to mention that customers became main actors with the evolution of web 2.0, so it is imperative to comprehend how human behavior works and how companies can develop strategies around it. In this sense, this dissertation project aims to analyze the South American context regarding the development and implementation of online sales distribution channels, as well as the relation with the region's potential and the impact on companies and their customers. In order to achieve this, Web 2.0 Theory, E-commerce, Distribution Channels as part of a Marketing Theory and Consumer Behavior are used as the theoretical framework, and the selected methodology is based on descriptive and exploratory premises to analyze theoretical concepts and relate them to empirical data from a real case.

Key words: Internet, e-commerce, online sales distribution channels, profitability and competitiveness, consumer behavior.

III. RESUMEN

Con el tiempo, el Internet ha cambiado la forma en que las personas se comunican, y no solo eso, sino también cómo hacen diferentes transacciones para adquirir bienes, transferir dinero y entretenerse. En este sentido, los canales de distribución juegan un papel importante en las estrategias que las empresas desarrollan para revolucionar la forma de hacer negocios. Con la aplicación de herramientas informáticas y el uso de Internet y la tecnología, las empresas pueden implementar canales en línea, los cuales permiten obtener una ventaja competitiva y aumentar la rentabilidad. Estos nuevos canales digitales, como páginas web, aplicaciones móviles y redes sociales, ayudan a las empresas a interactuar directamente con sus clientes, brindando la oportunidad de reducir costos, mejorar la reputación de su marca y llegar a un público más amplio. Además, es importante mencionar que los clientes se convirtieron en actores principales con la evolución de la web 2.0, por lo que es imperativo comprender cómo funciona el comportamiento humano y cómo las empresas pueden desarrollar estrategias a su alrededor. De esta manera, esta investigación tiene como objetivo analizar el contexto sudamericano en relación con el desarrollo e implementación de canales de distribución de ventas en línea, así como la relación con el potencial de la región y el impacto en las empresas y sus clientes. Para lograr esto, la Teoría Web 2.0, E-commerce, Canales de Distribución como parte de una Teoría de Marketing y el Comportamiento del Consumidor se utilizan como el marco teórico y la metodología seleccionada se basa en premisas descriptivas y exploratorias para analizar conceptos teóricos y relacionarlos con datos empíricos de un caso real.

Palabras clave: Internet, comercio electrónico, canales de distribución de ventas en línea, rentabilidad y competitividad, comportamiento del consumidor.

IV. RIASSUNTO

Nel corso del tempo, l'Internet ha cambiato il modo in cui le persone si comunicano, e non solo quello, ma anche come fanno transazioni diverse per acquisire merci, trasferire denaro e divertirsi. In questa materia, i canali di distribuzione svolgono un ruolo sostanziale sulle strategie che le aziende sviluppano in modo da rivoluzionare il modo in cui vengono realizzati gli affari. Con l'applicazione di strumenti informatici e l'uso d'Internet e della tecnologia, le aziende possono implementare canali online, che li faranno ottenere un vantaggio competitivo e aumentare la redditività. Questi nuovi canali digitali come pagine web, app mobili e social network aiuteranno le aziende a interagire direttamente con i propri clienti, offrendo l'opportunità di ridurre i costi, migliorare la reputazione del marchio e raggiungere un pubblico più ampio. Inoltre, è importante ricordare che i clienti sono diventati attori principali con l'evoluzione del web 2.0, quindi è imperativo comprendere come funziona il comportamento umano e come le aziende possono sviluppare strategie attorno ad esso. In questo senso, questo progetto d'investigazione mira ad analizzare il contesto sudamericano per quanto riguarda lo sviluppo e l'implementazione dei canali di distribuzione delle vendite online, nonché la relazione con il potenziale della regione e l'impatto sulle aziende e sui loro clienti. Per raggiungere questo obiettivo, la Teoria del Web 2.0, l'E-commerce, i Canali di Distribuzione come parte di una Teoria de Marketing e il Comportamento del Consumatore sono usati come quadro teorico e la metodologia selezionata si basa su premesse descrittive ed esplorative per analizzare concetti teorici e metterli in relazione con dati empirici da un caso reale.

Parole chiave: Internet, e-commerce, canali di distribuzione online, redditività e competitività, comportamento del consumatore.

V. INTRODUCTION

The Internet has had a continuous growth since its creation and different industries have had an impact throughout the last decade all along with the development of informatics tools. It permits people not only to communicate better and faster, but has changed almost every process companies have to fulfill, adapting them to online means. Its impact has extended to individual, social, and organizational levels, making it a relevant tool on almost every aspect. On the one hand, concerning companies, the Internet has impacted on different organizational aspects, being sales one of the most important ones. Online advances have such an important role on companies' sales, taking into consideration the possibilities and challenges in regard of existing distribution channels and the development of new online ones. Moreover, Internet has been an influential factor on transactions, online purchases, and financial processes, among many others. On the other hand, technological advances have permitted individuals to have permanent access to computers, mobile devices such as smartphones, and online tools, having the possibility of carrying out different processes and transactions through online means. Consequently, the development and application of e-commerce is becoming every day more popular, reaching a wide-ranging use and acceptance among individuals.

Considering these facts, the Internet can be stated as a new distribution channel, besides all the other advantages and facilities it provides. In fact, companies utilizing Internet as part of their sales distribution channels are able to obtain profitable results. Processes become easier to develop and more efficient as they can be fulfilled faster. Thus, companies can deliver an improved and differentiated service to the desired target among the entire market. However, in the same way as it provides benefits to companies, certain difficulties and challenges are also present when implementing an online channel or system. One of the most relevant issues refers to traditional distribution systems, which are being replaced by the Internet. As a result, a distribution channel centered on online means can become the main competitor for intermediary companies. Furthermore, customers' perception and acceptance of online distribution channels is determined by the regional and local consumer behavior. Resulting sometimes, in a market place that mistrusts and feels insecure participating in the

e-commerce system. Many Internet users have previously had failed experiences with their online transactions; and many others, haven't even had the chance to participate online, due to their inaccessibility to Internet. Therefore, shaping consumers' perception, and thus, affecting online distribution channels' efficient performance.

Even though certain challenges are still present when developing online distribution strategies such as the ones mentioned previously, international companies with presence in the South American region continue to develop their business strategies implementing new and varied online channels. This is mainly due to the fact that Internet permits permanent and direct consumers' access since it is present in their daily lives. For example, in their daily activities as they go to school, use the computer to work or simply try to find a store. Based on this and relating it to the continuous and extensive progress of Internet all along the region, international companies need to perform taking into consideration new global trends. In this way, companies can generate an overall understanding of how to implement and adapt to the online distribution mechanisms. Likewise, companies need to be aware of the relevance of formulating different strategies that respond to consumers' demands, global tendencies, and desired results for the company; such as reaching new targets, easing and accelerating specific processes, and consequently becoming more competitive within the market and obtaining more financial benefits.

Considering these facts, the present research is centered on demonstrating the hypothesis that modern sales systems based on online distribution channels would influence the development and growth of e-commerce and the level of trust among consumers in South America which would directly impact on companies' competitiveness and profitability. In order to provide evidence and prove the stated hypothesis, one general objective and three specific ones have been formulated. The general objective aims to analyze the impact of implementing an online sales distribution channel on a company's business strategy in South America in the last decade. To complement it and contribute on the hypothesis ascertainment, the first specific objective refers to identifying the current sales systems and the most common online distribution channels in the international companies in South America. Moreover, the second one intends to define the

influence of Informatics Tools at a sales level for companies, as well as for consumers. Lastly, the third specific objective proposes to determine the impact between the implementation of online distribution sales channels and the company's competitiveness and profitability.

So that the stated objectives can be achieved and demonstrate the established hypothesis, the present research is based on a descriptive and exploratory investigation, taking into consideration specific variables and conceptual elements in order to develop and explain the present research in an overall way. On the one hand, since it is a descriptive methodology, all along the research, conceptual and theoretical elements will be explained and analyzed, identifying their relevance and role towards sales distribution channels within a company. On the other hand, taking into account that it also involves exploratory standpoints, besides the information gathered from theoretical and academic sources, some other data will be obtained from field search and practical cases. In this way, information concerning international companies in South America implementing or developing online sales distribution channels will be included.

To develop the research, the first two chapters will be theoretical and the last one will contain information from the region and the case study. Information will be gathered from different sources and data will be taken from online statistics, market research and analytics portals such as Statista, INEC, Internet World Stats and other organizations to compare it and analyze it with the company chosen for the case study. In this manner, a complete analysis can be fulfilled, and the information will help to verify if the hypothesis is proven true or false. So as to complement, the investigation method states a theoretical and empirical approach within the present research. In this sense, different concepts will be identified and developed, whereas evidence and additional data will be obtained from investigative sources. As a result, a deep analysis will be carried out, encompassing general approaches to end up with particular features.

In fact, the present research will be developed centering on a specific and delimited time and space. The former will focus on an analysis of the last decade, from 2007 to 2017, including historic data such as online channels' evolution, as well as indicators that measure its applicability and efficiency. The latter determines the South American countries as the selected spatial context to be

researched and analyzed, since during the last decade, the region presents continuous growth and acceptance, denoting a remarkable potential for online channels as competitive business strategy.

In order to clarify concepts and establish a structured research organization founded on academic support, four theories will be included on the development and analysis of all the information presented. The first one refers to Web 2.0 theory that explains the evolution of the Web throughout the last decades, permitting users to not only access to different information sources, but also to contribute on the generation of shared content, through the different tools and resources. In addition, it denotes the importance and influence of the Web on international companies looking to develop competitive business strategies. The second theory refers to E-Commerce, which presents the relation of informatics tools and electronic advances with the growth and development of international companies. In this sense, this theory analyzes the emerging approaches that companies can reach regarding online sales so as to reach and expand desired targets, reduce financial costs, and become more competitive in the growing market.

In addition, distribution channels as part of a Marketing Theory are included in the research. This one centers on the possible effects that distribution channels could exert upon companies' development, depending on the way they are implemented. Furthermore, this theory denotes different strategies concerning online distribution channels and remarks on the specific benefits of the applying online direct channels. The fourth and last theory refers to Consumer Behavior. This involves different perspectives, mainly including socio-economic and psychoanalytic factors, which directly influence on individuals' perceptions, conduct, and acceptance, or rejection towards a product, service, or process. In this way, several authors explain that social and biological demands, fixed preferences and lacks, contextual ideas, emotions, personal and collective identity, among many others, represent the most influential elements that shape and determine consumer behavior on a delimited population.

The present research methodology has been designed this way, in order to gather, analyze, and provide information concerning sales distribution channels and their implementation in international companies present in South America. In

this way, it is possible to measure and demonstrate the impact that these channels and strategies can have over companies' profitability and competitiveness. Moreover, this research will present sufficient information concerning the impact that online and electronic sources, as well as informatics tools, have over online users. At the same time, the way they influence their behavior towards the development and implementation of online channels; in this way, it can be possible to determine the importance of involving consumer behavior analysis with Internet and technological advances, so as to denote the regional potential for implementing these online systems. Likewise, the practical focus that this research has will permit the understating of international companies' performance on the South American context regarding the current and existing distributions channels, but mostly on developing online ones as part of the strategic development.

Specifically, in regard to the Multilingual School of International Business and International Relations, this dissertation denotes a relevant framework since it permits a more integrated and complete understanding of e-commerce on the region. This involves the importance of developing a business strategy based on global trends, contextual matters and demands, consumer behavior, and present challenges in order to structure a competitive and profitable plan concerning online sales channels. Its main input refers to the relevance of executing business strategies, but taking deeply into consideration global, contextual, and cultural aspects. In this way, it is possible to determine a specific and well-structured approach for international companies to develop, acquiring competitiveness and profitability on the South American market.

As a result, the present research will center its development on the following aspects: the first section of the dissertation will explain the information regarding sales distribution channels. It will include a description of the traditional ones, the evolution to online means, as well the most relevant strategies and the types of online sale channels; the following section, regards e-commerce as business strategy and the participation of consumers as main actors. Making reference to e-commerce strategies while integrating it to the organizational and consumer perspectives, denoting competitiveness, profitability, and social acceptance as the most representative factors surrounding its overall application;

moreover, the third section will develop a case analysis centered on the company Adicto AI Fitness, evaluating its approach, performance, and strategies on e-commerce matters within the specific contextual market. Lastly, an integrative analysis, conclusions, and recommendations will be presented, so as to demonstrate the obtained results, challenges, and limitations.

CHAPTER I

SALES DISTRIBUTION CHANNELS

1.1. Evolution of sales distribution channels

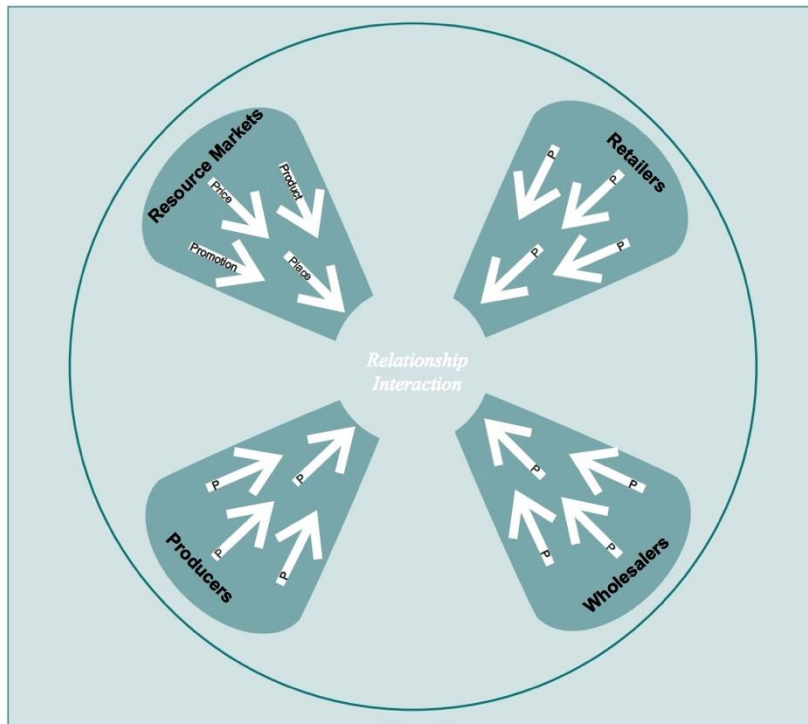
Internet is a powerful tool that connects every single person and organization in the world. Since Web 2.0 emerged, the distribution channels have evolved into a more systemic, efficient and influential channel. These channels not only have the capability of reaching any part of the world in seconds but can adapt easily to the human behavior as well as be influential when it comes to the decision-making process. In this way, companies have the opportunity to implement this new channel by using all the informatics tools available to reduce costs, increase profit and be more competitive when talking about international markets (Watson, Worm, et al, 2015: 546-547).

Subsequently, this section will explain the traditional distribution channels and the evolution of Web 2.0 in order to understand how online distribution channels developed and the importance and benefits of implementing this channel into any company in the world. Specific elements from traditional and online distribution channels will be explained, so as to differentiate conceptually and understand how firms could benefit from the implementation of the marketing channel and the technological resources and informatics tools.

1.1.1. Traditional sales distribution channels

In order to have success, companies need to have a connection with its current and potential customers (shown in figure 1) because that is the only way they can create and establish a relationship with them. Thus, forming long lasting brand loyalty through meaningful services and quality products (Pelton, Strutton & Lumpkin, 2016). Otherwise, customers will choose one company over another, since the competition will ultimately satisfy their needs and wants in a better and more complete way as they already established this relationship. That is the essence of success, because a business without constant customers purchasing their products is not going to succeed as competition arises from distribution channels (Kotler & Armstrong, 2003: 61).

FIGURE 1
MARKETING CHANNELS FRAMEWORK



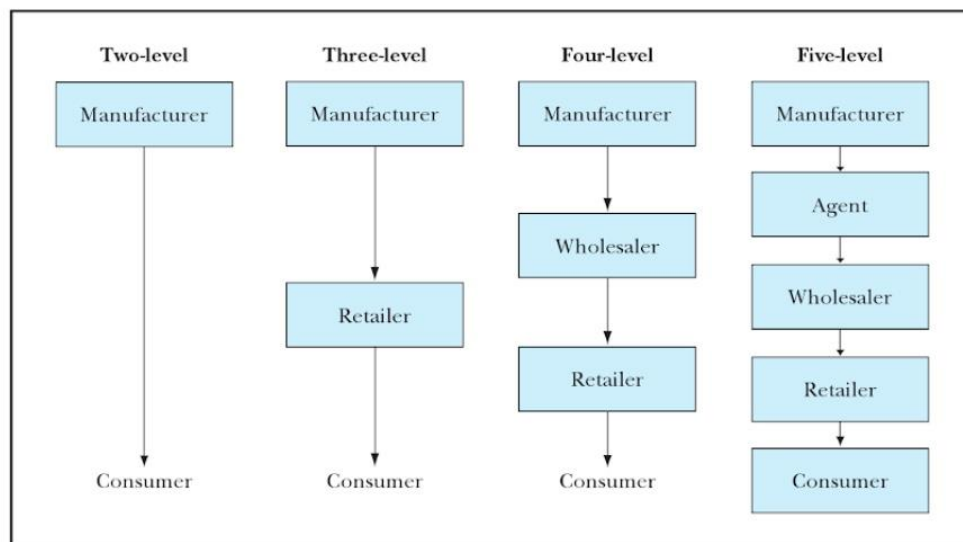
Source: Pelton, Strutton & Lumpkin, 2016.
Elaboration: Pelton, Strutton & Lumpkin, 2016.

Since companies and customers are geographically separated and it is difficult (almost impossible) for companies to build factories practically next to them, organizations had to implement the transport of the products or services they sell so that they can go from the factory or company to the client or end user. This is referred to as distribution. This process goes way back in time as well as commerce, but it has been evolving and transforming due to new tendencies, advancement in technology, globalization and the customers' evolution of needs and behavior (Castro y García, 1997: 3-5). Actually, the first time the “*marketing channel*” term emerged was to explain a trade channel which connected producers with consumers (Pelton, Strutton & Lumpkin, 2016: 4). Furthermore, distribution channels or marketing channels are described as the way or path through which products and services move to go from the producers towards end users or customers. (Pelton, Strutton & Lumpkin, 2016: 4).

Distribution channels are strategic due to the fact that they have an impact on the final price of the products or services sold by an organization. Companies find it difficult to oversee the task of having control over the product distribution

and how it is presented to end users. It is also considered a strategic factor because it can be modified in the long term, but it is important to mention that any implementation or change on the use of marketing channels takes at least 1 year (Castro y García, 1997: 5-6). Just to make it crystal clear, distribution channels are essential for companies from an organizational and strategic perception. These channels can be agents, wholesalers and retailers, among others; but, why do they have an impact on final prices? Each actor of the distribution channel has to charge, not only for paying the costs of operation and distribution, but also to profit from the transaction. In that way, the more intermediaries there are, the more prices raise, and the product becomes more expensive for consumers (Rosenbloom, 2013: 22-27).

FIGURE 2
A TYPICAL PORTRAYAL OF CHANNEL STRUCTURE FOR CONSUMER GOODS



Source: Rosenbloom, 2013.

Elaboration: Rosenbloom, 2013.

As figure 2 shows, the channel structure for consumer goods can go up to a five-level channel, which means that those products will be the most expensive when compared to the other levels (Rosenbloom, 2013: 23). By applying this strategy companies can predict how and when to get into a market. At the same time, companies benefit from knowing how much time it will take for the customer to have the product or service on their hands; affecting not only companies in terms of control, profitability and competitiveness, but also end users in their economy (Bush & Hunt, 2011: 54-57). That is why companies have

to be precise when implementing a marketing channel strategy as they can choose from distributing in an exclusive way, which means selling the product directly to the customer or with a mass strategy, that consists on selling through a big number of intermediaries (Vibhash & Lakshmi, 2008: 1).

In addition to this, companies have to consider that with the development of Internet and informatics tools, distribution channels have evolved during time into a more efficient strategy that will help firms to be more competitive, more profitable and interact with customers directly. This evolution, not only brought new channels but also the way in which customers participated has changed during the years. Clients have become the most important factor to consider when implementing a marketing distribution strategy. In such manner, their behavior has to be analyzed in order to succeed on the application of the channel (Watson, Worm, et al, 2015: 547).

1.1.2. Web 2.0 emergence

The creation and evolution of Internet, permitted the change of many things worldwide. Especially in terms of communication, technology, transactions, commerce and entertainment. With the speed that information travels interaction among Internet users (people) and companies (organizations) has eased in all aspects, making most of the processes more efficient in terms of timing, costs and working force (Webb, 2002: 92-100). The last one is because IT now automatizes almost every process that can be done by a computer, without the intervention of humans. Additionally, Internet opens many possibilities for companies to expand, interact, reduce costs, to be more competitive, to increase their profit and getting into markets in no time. That can happen thanks to the emergence of new distribution channels, which translates into a new chain supply (Ma, 1999: 1).

Moreover, until now there is no complete definition of what Web 2.0 is. This is due to the fact that Web 1.0 evolved into Web 2.0 just in the last decade, bringing with it new features which transformed completely the idea of Internet as just a portal to display information. In this way, Mata and Quezada (2014) mention that this opens the possibility for users to contribute by getting involved on the creation and generation of content. This would make Web 2.0 the second

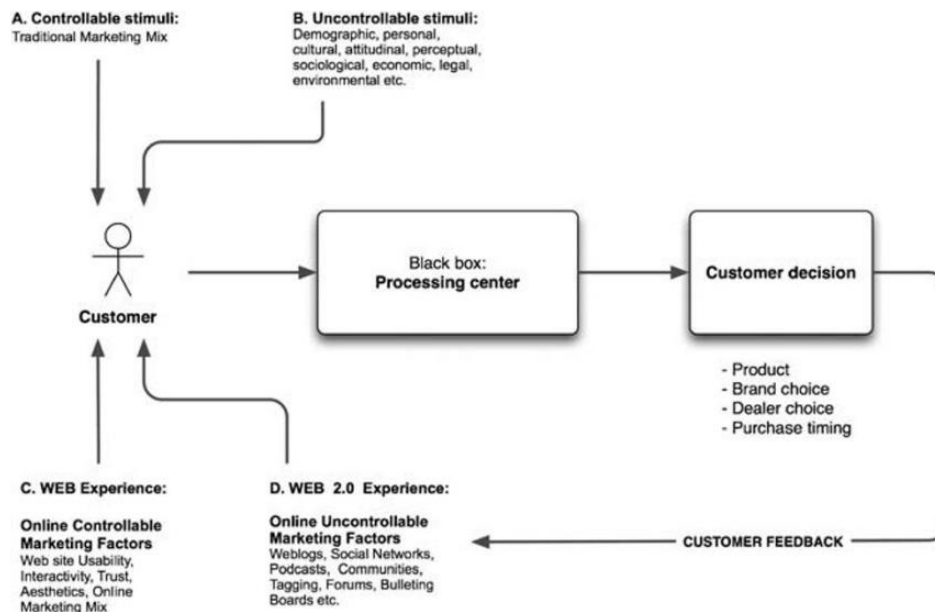
generation of Internet, which is used to display information and create applications for the users and by them as well (Mata & Quezada, 2014: 1). All this creation of content and applications are possible thanks to the different resources Internet provides such as social references, apps, content communities, social networks and blogs. These help users to contribute, making unlimited information for the Web that every single person, with access to Internet, can get its hands on (Donelan, Kear & Ramage, 2010: 219-222).

Likewise, as it was mentioned before, Web 2.0 is not just an information database which displays the information created by organizations, but a database that is in constant expansion as it is permanently being updated. Nevertheless, this huge database needs to be managed by both sides, users and organizations, all the time. Both sides benefit from the creation of new content while keeping relevant up to date information and improving the one that has been already created. Resulting in the participation of more agents or actors into the Web 2.0, that allow the growth of the community of organizations, customers and users (O'Reilly, 2007: 22-27). To contrast this information, another author, Leadbeater (2009) states that even though there is still no concept to define in a precise way the term Web 2.0, it embraces the full potential of Internet, the new informatics tools and resources. Giving the opportunity for companies to reach the worldwide audience and start implementing new business models and new channels. Therefore, their products or services can be reached elsewhere without any problem (Leadbeater, 2009: 29-30).

Lastly, it has to be said that the influence Web 2.0 has is based on three principles. First, it is an open-source, very simple to use and focused on a service kind of solution comprised in an application. Then, it is a permanent application development, which keeps growing due to the participation of users. The third principle is a kind of service that focuses on new business models (Constantinides & Fountain, 2007: 234-237). In fact, the evolution of Web 2.0 not only has changed that, but also the way companies use Internet as a direct marketing tool. As it was mentioned before, with the advancement of technology and the evolution of Web 2.0, users or consumers became the most important asset for businesses. Thanks to the fact that with the Internet being a two-end tool that permits the direct interaction between customers and companies and also lets

people edit or create content, they became main actors, and, with this, their behavior and preferences became the base for any business model (Constantinides & Fountain, 2007: 239).

FIGURE 3
FACTORS INFLUENCING THE DECISION MAKING-PROCESS IN AN INFORMATION-BASED MARKETPLACE



Source: Constantinides & Fountain, 2007.
 Elaboration: Constantinides & Fountain, 2007.

As it is shown in figure 3, Web 2.0 can be reflected into peer reviews, blogs, referrals, social networks, among others, which will definitely influence the customers' final decision towards buying a product or service. So, what Web 2.0 did is add these features to the traditional marketing mix. Making it harder for companies to influence customers directly if they do not provide the users with the best Web experience and if they don't have a good reputation among Internet communities (Constantinides & Fountain, 2007: 240).

1.1.3. Online sales distribution channels

After analyzing the traditional distribution channels and going through the evolution of web 2.0, the online distribution channels can be explained. This new distribution channel arises with the improvement and development of Internet and its applications, changing the way companies do business, penetrate new markets, communicate with customers, make transactions and get feedback from the audience. In addition to this, companies have a new tool that helps them distribute

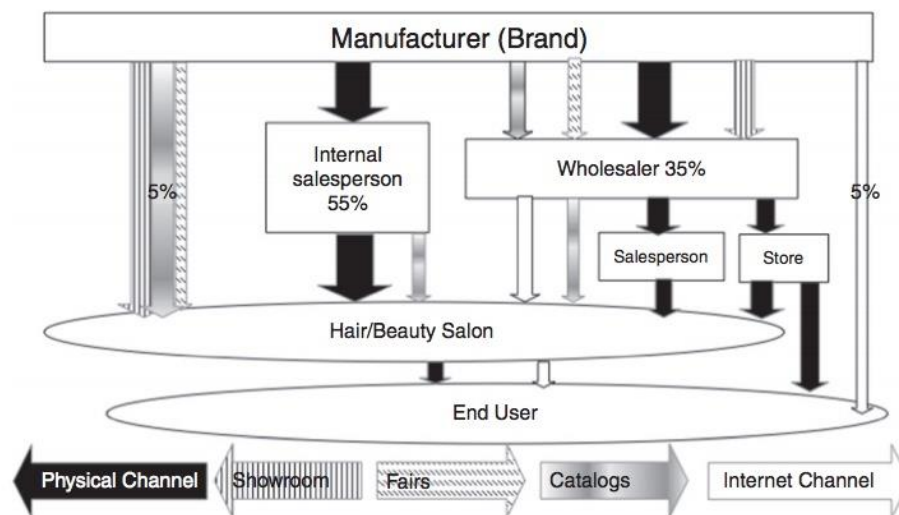
their products and display relevant information to promote their business. This tool is a web page, in other words, an online distribution channel, with the power to shorten distribution channels, internationalize in a more efficient and aggressive way and penetrate new markets faster than ever. All this can be done thanks to the versatility and outreach of the online tool, which basically any person in the world, with access to Internet, can interact with (Segetlija, Mesaric & Dujac, 2011: 793-797).

Furthermore, it can be said that this channel is the cheapest among other traditional channels. That is possible because the costs of maintenance to host the web page are really low if compared to having a store. Actually, the cost to host a web page on a popular site like Godaddy.com, is about \$ 95.88 a year, but of course, this can vary depending on which company provides the hosting service (Godaddy.com, 2018: 1). In fact, if the comparison is made with a traditional store, costs of operation and distribution are much more expensive. With an online system companies wouldn't have to incur in paying rent, water, electricity and staff. So, if companies start to implement this online distribution channel they will reduce costs substantially in terms of distribution, marketing and sales. Their competitiveness will improve since they could sell their products at a better price. By doing so, they can gain more market share and increase profitability as well, without forgetting that the system will work for them the 24 hours of the day without stopping (Rosenbloom, 2013: 438-441).

Moreover, and talking about the traits online distribution channels have, it can be said that it's a two-end tool with which companies and customers can communicate directly as it uses only digital information. At the same time, it is efficient in terms of time and location because it can reach anywhere in a matter of seconds as long as the customer has Internet. As it is a two-end tool, it permits the interaction between companies and customers in a way that companies can adapt faster to customer behavior. Since the system is completely on the cloud it can be easily edited, consequently it is going to be always up to date (Bloch, Pigneur & Segev, 1996: 2). Likewise, as figure 4 shows in the example of the distribution channel of professional beauty products, intermediaries get the most percentage of the market and that is because they need to cover the costs and make a profit of each transaction. Although, when sold through an online channel, the

percentage is just 5% but the profit is higher due to distribution and sales costs. Nevertheless, if we take into consideration all the online channels implemented by this company, Internet sales go up to 15% of the whole sales and increasing, which shows the real potential of implementing it (Lapoule & Colla, 2016: 255-256).

FIGURE 4
THE DISTRIBUTION CHANNELS OF TECHNICAL PROFESSIONAL BEAUTY PRODUCTS OF NON-SELECTIVE BRANDS



Source: Lapoule & Colla, 2016.
Elaboration: Lapoule & Colla, 2016.

1.2. Online sales distribution strategies

Online sales distribution strategies have been poorly used for a long time. Despite this, it was just when the new channels appeared that they became important. It is a must for companies which want to stay doing business to implement these strategies as they are not an option anymore. Companies and consumers can benefit from them at the same time, but the sector of intermediaries is affected when implementing the first two. Moreover, this opens the path for companies to develop in a more interconnected way and provides them with options when talking about business strategies. All of the chosen strategies have similar traits and directly influence the impact on the market segments that companies will have by implementing one of these. Outreach is the essence of these, due to the fact that customers can reach the company through its preferred channel and not only that, but companies that implement them and create an

interconnected network that can reach market segments even across the borders, in no time (Sharma & Mehrotra, 2006: 1-22).

In the next section, three chosen online channel strategies will be explained, which are relevant in terms of market penetration, business efficiency, lowering costs, and outreach. Moreover, it is important to mention that these strategies can be taken as a cycle or a set of steps. Nevertheless, companies have to implement them at their discretion in a way that they help their business to grow and achieve the company's final objective. The strategies will go in the next order so as to help the reader understand in a better way the concepts and how they can be applied.

1.2.1. Disintermediation

As the WWW (World Wide Web) continues to expand and improve, distribution channels and the interaction between companies and potential customers will be in constant evolution. According to the Internet World Stats (2018) there were 4.1 billion Internet users around the world until 2017 and the growth from 2000 until 2018 was of one thousand and fifty two percent (Internet World Stats, 2018: 1). In this way, Internet will become the ultimate tool that interconnects people and organizations around the globe and help simplify structures like the supply chain of companies. Moreover, distribution channels are intended to help companies reach their target audience in order to sell and deliver their products at an average low cost. Nevertheless Internet, as it is growing exponentially, is replacing or bypassing intermediaries. Consequently, not only firms benefit from the informatics tools but also buyers in terms of lower prices, better service, instant access to information and time saving (Young, Tudor & Capozzoli, 2016: 2).

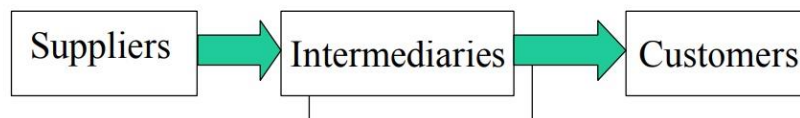
That is what is called disintermediation, which is the process of getting out of intermediaries and start selling or providing a service directly to consumers. According to Alba, et al. (1997), the disintermediation process by implementing an online distribution channel will let consumers shop from their homes or any other place, with the access of Internet. They will be able to find any product or service they need as well, making easy and fast the process of shopping and getting information (Alba, J., et al., 1997: 38-53). In this sense, the constant

interaction between companies and end users by using this direct channel and IT will contribute to the elimination of intermediaries from the chain supply on the long run. So, in order to apply correctly this strategy, companies need to create an online channel and start working on it while they still distribute their products through traditional channels. This has to be done in order to get to know the new channel to customers so that they don't just stop buying the products because they don't know where to find them (Giaglis, Klein & O'Keefe, 1999: 1).

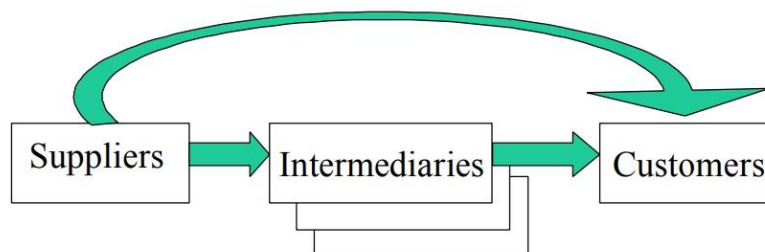
Moreover, as figure 5 presents, organizations at first need to implement and start working on the online channel (website) so that eventually intermediaries get eliminated (Giaglis, Klein & O'Keefe, 1999: 2). Once done that, the value chain gets reduced and the process to get to the customers becomes more effective and efficient. Hence, generating positive incentives for sellers and buyers, in an economic manner, as companies' sales and distribution costs decrease, giving companies the option of lowering prices in order to attract more clients (Gaski, 1984: 12-18).

FIGURE 5
TRADITIONAL VS ELECTRONIC MARKETS: DISINTERMEDIATION HYPOTHESIS

TRADITIONAL MARKETS: INTERMEDIATION



ELECTRONIC MARKETS (INITIAL EXPECTATIONS): DISINTERMEDIATION



Source: Giaglis, Klein & O'Keefe, 1999.
Elaboration: Giaglis, Klein & O'Keefe, 1999.

Furthermore, an important aspect when implementing this strategy is that there can be channel conflicts. This means that in the process of creating and starting to use the new channel, intermediaries which still have business with the

company are going to see the new online distribution channel as a threat. In fact, big intermediaries like wholesalers and distributors will eventually see the online means as a direct competitor, even when intermediaries have exclusivity of the product or if it's the same company who is selling their own products. No matter what they do, online distribution channels will eventually eliminate them completely unless they evolve or change their strategy (Clemons, Gu, & Row, 2003: 1-3).

1.2.2. Re-intermediation

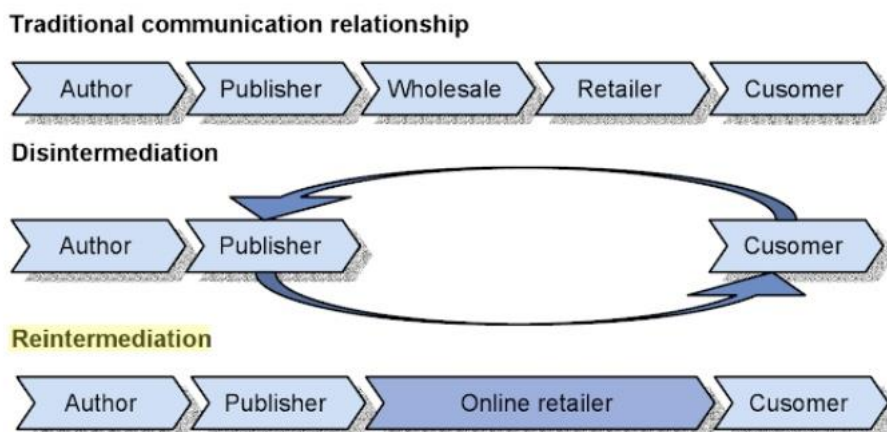
As Internet is taking over the market place and pushing out intermediaries on its way, online distribution channels are gaining territory and transforming the whole supply chain. This takes the investigation to the next topic, re-intermediation, where is going to be exposed the new role of intermediaries if they don't want to go out of business and the new intermediaries that emerged and are developing new strategies in order to satisfy the market needs. Just to make it crystal clear, it is important to mention that sooner or later, intermediaries are going to disappear unless they evolve their business. Having to adapt to the new tendencies and the market circumstances in order to be present within the transactions, distribution and communication that companies are intended to do in order to reach customers and grow the business (Bakos, 1998: 42).

Moreover, all the changes due to technology and Internet give organizations opportunities to evolve and improve their processes, their service and management. But this specific change in the structure of businesses is a real concern for traditional intermediaries such as vendors, retailers and big wholesalers as they can or cannot be part of a re-intermediation strategy because it depends on their ability to adapt to the new conditions of the market tendencies (Sen & King, 2003: 1). Now that all the background was explained, re-intermediation can be defined. It refers to the process of reestablishing intermediaries for an organization that implemented a disintermediation strategy (Domowitz, 2001: 1-3). But now the question is why would a company disintermediate to re-intermediate later? The answer to this question is easy. The strategy of re-intermediation consists, of course, in working again with intermediaries. However, the difference is that at this point the company or organization, which already has implemented an online distribution channel, is

not searching for traditional intermediaries but online ones (Chircu & Kauffman, 2015: 1).

In this sense, as shown in figure 6, in order to reach re-intermediation, a company needs to pass through disintermediation first or at least they had intermediaries once in the past. But the fact here is that companies will re-intermediate with new intermediaries, which are going to help the company expand its business and not with traditional intermediaries. Consequently, the company wouldn't have just one channel but the ones they need in order to accomplish their goals. The graphic below is showing just one online retailer which the company re-intermediated with; nonetheless, as explained before, companies could choose the number of intermediaries they need as long as it doesn't incur in the rising of prices. Additionally, it is intended that companies will look forward to re-intermediate with online intermediaries just to support their online channel. That is how companies build a distribution network so as to penetrate a bigger proportion of the market and to provide to their customers many channels through which they can access to their products (Burgis, 2002: 75-79).

FIGURE 6
DISINTERMEDIATION AND RE-INTERMEDIATION ON THE EXAMPLE
OF THE BOOK INDUSTRY



Source: Burgis, 2002.
 Elaboration: Burgis, 2002.

1.2.3. Multichannel Strategy

Taking into account the definitions and information presented before, the multichannel strategy can be explained. This marketing strategy has been used for years in different sectors. In spite of that, it became relevant and a topic to

discuss since the appearance of new distribution or marketing channels, specifically with the online ones. This strategy consists in having the number of channels necessary to achieve the organization's goals and satisfy in every aspect the necessities and wants of customers. In order to provide with the best customer experience there is in the market, companies implement this strategy to create, as mentioned before, a distribution network, which helps in terms of the scope the company is going to have in the market. Its main goal is to reach as many customers in market segments as the company can from different channels, all at the same time (Stojković, Lovreta & Bogetić, 2016: 1).

For example, companies who have stores tend to incorporate to their strategy an online channel and then they work along with other intermediaries. That is how they end up having two or more channels. But that is not the only option, companies could have as many channels as they need, and they can be all online as well as having variety. That depends on each company case and how they are managing and implementing strategies. Moreover, as companies are the ones choosing among which intermediaries they will work with, they are going to use the channels as they want depending on the objective they have. This is said, since each channel has its own characteristics, permitting customers to interact as they want. That is how companies benefit the most as they can reach potential customers depending on the customers profile and their preferences. Some will want to go to a store and others just shop online but at the end they are going to buy (Urriza & Cebolla, 2012: 109).

Likewise, the strategy consists in combining the traditional channels with online ones in order to benefit and have more impact on the market, growing in that way their businesses. Thus, there are a number of benefits when talking about multichannel strategy. The first, which has been already stated, is that companies can have a better impact in market segments as they use more than just one channel. Then, customer wise, it becomes convenient as they can use any of the channel options the company provides to interact and purchase the products. Additionally, with the new online channel people can interact at any time the 365 days of the year as it never closes, making it more profitable for the company. Another benefit for companies is that as they have a vast

number of channels, they can decide on which of them to focus and in that way, they are diversifying the risk (Stojković, Lovreta & Bogetić, 2016: 109-111).

Furthermore, by implementing this strategy companies acquire competitive advantage, crucial not just in terms of lowering costs, offering better prices and efficiency, but also in terms of preference. However, it is relevant to state that in the globalized and interconnected world in which companies have to compete in order to stay in the market, it is not a matter of competitiveness and outreach anymore, but a necessity. A necessity for companies to implement it in order to survive and keep their business up and running because nowadays almost every company is working with multichannel strategies. If not just imagine an airline that doesn't offer the option of buying online tickets or a bank which doesn't have an app for checking your statements. Imagine a newspaper that doesn't use social networks or just Internet to display their information. They wouldn't be in the market anymore (Bruce, Bondy, et al., 2009: 1).

1.3. Types of online sales distribution channels

As electronic commerce is referred to all kinds of transactions between any actors with the access to Internet, there was the need to create or classify these models in order to identify and differentiate them as well. For the purpose of this investigation there were chosen only three as the most relevant for the topic. Moreover, when talking about the types it is necessary to classify them according to their type of relationship or interaction. In that way, all the models will be understood (Nemat, 2011: 100). Thus, by understanding the different modalities it will become implicit that the traditional marketing channels have a vast number of limitations in terms of exchange and the idea of value creation by the implementation of a bigger supply chain (Vargo & Lusch, 2011: 1).

In this matter, the next section will get through the three most important types of online distribution channels so as to differentiate among them and be able to analyze which is the best option to implement. Within these models the B2B (Business-to-Business), B2C (Business-to-Customer) and the C2C (Customer-to-Customer) will be covered. Moreover, it can be said that companies could apply the two first types at the same time, due to the fact that they can work together in synergy. The last one is just for intermediaries or third parties who want to offer

a service to let users interact with each other and offer any product they want to sell through the tool.

1.3.1. Business-to-Business (B2B)

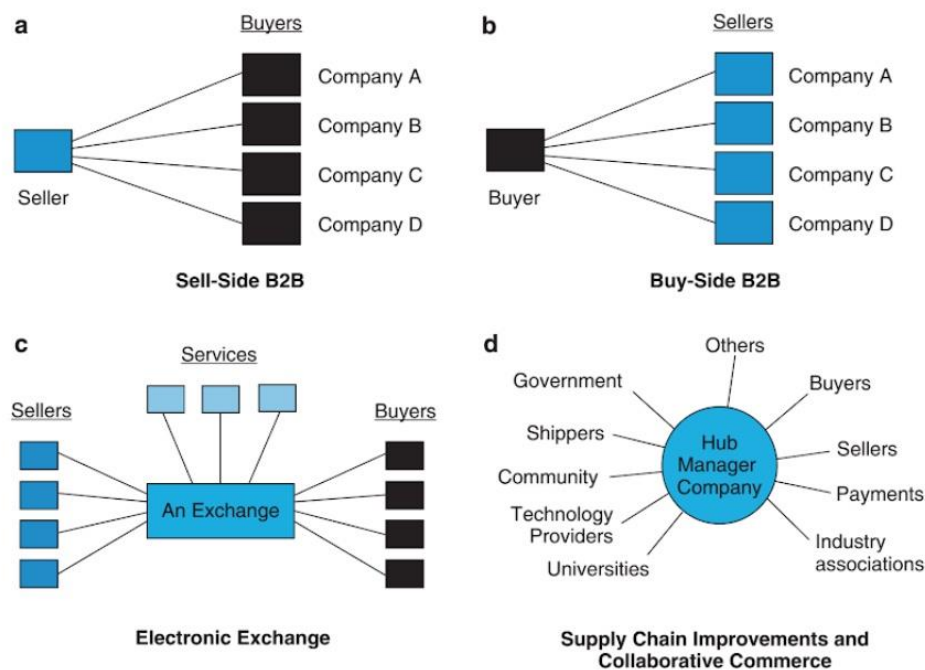
Transactions have been taken into another level through the use of Internet and the Web. Actually, they have improved in such a way that companies have been able to lower costs, decrease timing delivery and have more control over what they sell or buy. In this matter, the B2B model is fundamental for the competitiveness and growth of firms. This model refers to all the commerce transactions made between businesses so as to benefit from each transaction in order to be more efficient, competitive, and get better results from their business. These transactions can be between wholesalers and retailers, producers and wholesalers, among others. But the importance of this type of online distribution channel is bigger than what has been exposed before. The importance lies in how companies can purchase or sell raw materials or components to stock up and produce value-added products (Nemat, 2011: 100).

Moreover, it is vital to mention that this type of transaction, because of the volume companies manage, is much higher when compared to other types. In addition to this, companies don't buy just one sub component to produce goods, so business-to-business transactions rely on several purchases or sales involving a higher volume of products which will be processed to transform them into the final product; in consequence, the company can profit from its sale and distribution. Nonetheless, B2B doesn't stop there. With the adoption of new technologies in order to go with the current tendencies and development of Web 2.0 usage, companies use B2B also for cooperating and communicating. Organizations get the chance to do this through the use and implementation of different informatics tools, which assist firms in the process of connecting with other businesses and even letting employees connect with each other (Nemat, 2011: 100-101).

As companies search for new strategies to be more competitive and increase their annual profit, the B2B model becomes essential within the process. It embraces all commerce transactions between organizations along all the chain supply. It also allows, by using the potential of Internet, the interaction with other

organizations around the world, breaking the barriers that limited companies years ago (Nagendra, 2000: 1). Moreover, when talking about B2B, companies are looking forward to being more efficient and effective as they automatize every process regarding cooperation, transactions and communication between them and their suppliers or other organizations which make part of their network. In fact, those are incentives for companies to adopt this electronic B2B type and the most relevant is that companies are seeking for cooperation between the different organizations. As a result, electronic B2B decreases delays of transactions and distribution among the supply chain members. This translates to costs reduction for all of them. Thus, the only thing they need to do to accomplish this is to merge IT with the implementing of an online channel and start applying the model (Turban, Outland, et al., 2018: 126-127).

FIGURE 7
5 TYPES OF B2B E-COMMERCE



Source: Turban, Outland, et al. 2018.
Elaboration: Turban, Outland, et al. 2018.

Furthermore, the five types of B2B transactions are exposed on top, in figure 7. This include the seller side in section (a), the buyer side in section (b), the marketplaces or exchanges, which consist on the model of many sellers to a vast number of buyers in section (c), and the supply chain improvements and the collaborative commerce, both in section (d). The first two (a & b) follow the

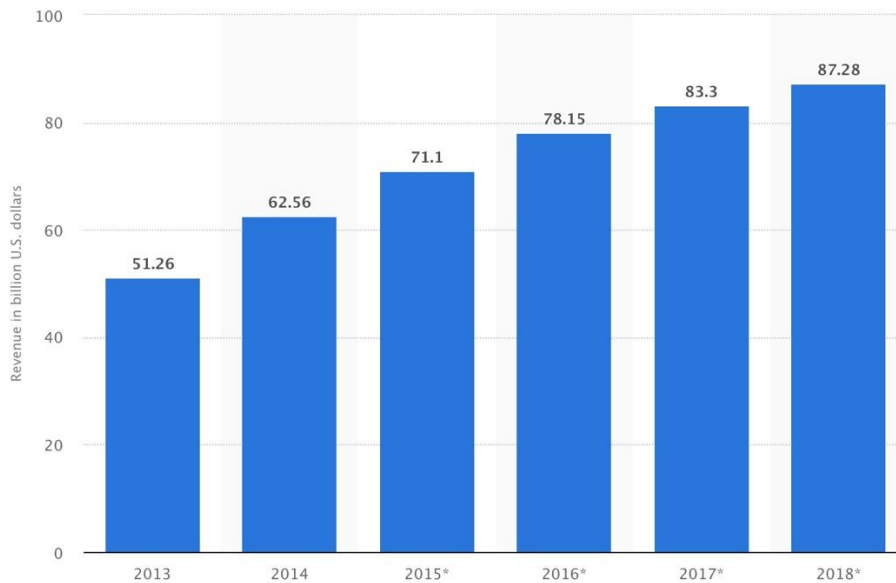
model of a “*company-centric*” electronic commerce as there is just one company buying or selling from or to other companies. The third, which corresponds to section (c) follows the concept of a vast number of buyers and sellers that interact through electronic means in order to exchange between each other. And last but not least, the section (d), which follows the model of interaction between all actors of the supply chain in order to coordinate all transactions (Turban, Outland, et al., 2018: 127-128).

1.3.2. Business-to-Customer (B2C)

As explained above, this type of online distribution channel does not generate the kind of transactions, referring to money, as the B2B type. However, that doesn't mean it is not important. In fact, B2C and B2B are the two types of online distribution channels that continue to grow potentially and the ones which are going to transform the way companies offer products and services. Moreover, B2C, also called business-to-consumer, is defined as the process through which companies offer and sale products or services directly to customers. In this way, companies have more control over how the product is presented to the buyer and how much time it will take to get to the customer. Benefiting the other side because they get the best customer experience and get to know when the product will arrive to his or her house (Nemat, 2011: 101).

To contrast this, it is of relevance to mention that B2C electronic commerce brings certain characteristics with it that differentiates the way customers buy physically in a store. Within the characteristics, it can be said that there is more efficiency in the market as the transaction is easier to make and doesn't take a lot of time to finish it. Customers have more power as they became main actors and are who decide to browse a specific product on the website of their choice (Moreno & Vacas, 2004: 8-9). Some authors even mention the process through which potential customers go in order to make a purchase on Internet. There are about seven steps before making an online sale. The first two, of course, are the product search and comparison, then they have to select the product and place the order. After that comes the payment authorization and they get the receipt. Finally, customers get after-sales support and get an email showing when the product will be delivered (Singh, 2002: 436-437).

GRAPHIC 1
B2C E-COMMERCE SALES IN SOUTH AMERICA FROM 2013 TO 2018



Source: Statista, 2018.
 Elaboration: Statista, 2018.

TABLE 1
INTERNET USAGE AND POPULATION STATISTICS FOR SOUTH AMERICA DECEMBER 31, 2017

SOUTH AMERICA	Population (2018 Est.)	% Pop. Table	Internet Usage, 31-Dec-2017	% Population (Penetration)	% Users Table	Facebook 31-Dec-2017
Argentina	44,688,864	10.4 %	41,586,960	93.1 %	13.6 %	30,000,000
Bolivia	11,215,674	2.6 %	7,570,580	67.5 %	2.5 %	6,100,000
Brazil	210,867,954	49.2 %	149,057,635	70.7 %	48.7 %	139,000,000
Chile	18,197,209	4.2 %	14,108,392	77.5 %	4.6 %	13,000,000
Colombia	49,464,683	11.6 %	31,275,567	63.2 %	10.2 %	29,000,000
Ecuador	16,863,425	3.9 %	13,476,687	79.9 %	4.4 %	10,000,000
Falkland Islands	2,922	0.0 %	2,900	99.2 %	0.0 %	3,100
French Guiana	289,763	0.1 %	120,000	41.4 %	0.0 %	110,000
Guyana	782,225	0.2 %	395,007	50.5 %	0.1 %	360,000
Paraguay	6,896,908	1.6 %	6,177,748	89.6 %	2.0 %	3,300,000
Peru	32,551,815	7.6 %	22,000,000	67.6 %	7.2 %	20,000,000
Suriname	568,301	0.1 %	340,000	59.8 %	0.1 %	310,000
Uruguay	3,469,551	8.0 %	3,059,727	88.2 %	1.0 %	2,400,000
Venezuela	32,381,221	7.6 %	17,178,743	53.1 %	5.6 %	13,000,000
TOTAL SOUTH AMERICA	428,240,515	100.0 %	306,349,946	71.5 %	100.0 %	266,583,100

Source: Internet World Stats, 2018.
 Elaboration: Internet World Stats, 2018.

The question is why is B2C (also called business-to-consumer) so important? The answer is going to be explained with the following graphics. As the graphic number 1 shows, B2C sales in South America have been in a constant growth since 2013. In a one-year period, sales went from \$ 51.26 billion in 2013 to \$ 62.56 billion in 2014 and it is expected to grow up to \$ 87.28 billion by 2018 (Statista, 2019: 1). Moreover, as it can be evidenced in table 1, Internet penetration

in South America until 2017 was of 71.5%. That is why B2C adoption is so important, especially in South America as Internet usage is still growing. In this way, the data exposed shows the potential of the region in terms of e-commerce implementation (Internet World Stats, 2018: 1).

1.3.3. Customer-to-Customer (C2C)

This type is one of the most used among people in South America. The C2C model refers to the process through which consumers make transactions with each other. In this sense, the company provides with the service of a web page that contains the information of the products sold by other people. The tool not only connects people so as to get them to make a transaction but also provides them with the best web experience and lets them edit the content. That is how, consumers can upload the picture of the product they want to sell, choose among a variety of categories to put to their product and promote it through that web. Setting the price they want, in order to sell the product as fast as they can (Moreno & Vacas, 2004: 9).

Likewise, this type is characterized by using third-party websites in order to sell and reach other people who are going to buy the product. Usually, in this type, auctions are used, making it possible for other users who are looking for similar products to set a bid. But how do businesses profit by offering this type of service? Usually, they charge a set fee for each transaction made through the online tool, although businesses don't profit just from that. They also have plans for users to upgrade too, which lets them promote their products inside their system so as to sell the product faster. In addition to this, companies also profit from publicity as they get paid from other companies or brands to put their logo or advertisement somewhere inside their webpage. Companies charge depending on the amount of Internet users that visit their site on daily bases (Nemat, 2011: 102).

Additionally, it can be stated that this type of online distribution channel has great potential to develop as it eliminates completely the costs of other company or intermediary. In the other two types the C2C model can coexist with the company's own online distribution channel. It allows people to buy or sell products from their homes or wherever they have an Internet connection, making

the process easy and fast for them to start making business and interacting among other users who are in the search of a product or service they need (Nemat, 2011: 102). Lastly, it has to be clear that there are other types of online distribution channels which weren't exposed in this investigation as they are not as relevant as the ones chosen towards the topic of the investigation. These other types are shown in table 2.

TABLE 2
THREE BASIC MARKETS

	To Business	To Consumer	To Government
Initiated by business	Business-to-business (B2B) <i>The Idea Factory</i> ideafactory.com	Business-to-consumer (B2C) <i>Classmates</i> classmates.com	Business-to-government (B2G) <i>State Supply Commission</i> ssc.wa.gov.au
Initiated by consumer	Consumer-to-business (C2B) <i>Better Business Bureau</i> bbb.org	Consumer-to-consumer (C2C) <i>eBay</i> ebay.com	Consumer-to-government (C2G) , <i>U.S. Department of The Interior</i> govworks.gov
Initiated by government	Government-to-business (G2B) <i>U.S. Small Business Administration</i> sba.gov	Government-to-consumer (G2C) <i>State of California</i> state.ca.us	Government-to-government (G2G) <i>USA.gov</i> usa.gov

Source: Strauss & Raymond, 2014
Elaboration: Strauss & Raymond, 2014

Once analyzed the evolution of sales distribution channels, taking it from the start with the traditional ones and all the concepts regarding this matter, it can be stated that with the emergence of Web 2.0 these evolved or made it possible for the online distribution channels to raise. Hence, providing companies with new channels that are revolutionizing how they make business. Additionally, by going-over the online sales distribution strategies and the types of online channels, it is possible to affirm that the international South American companies can choose among a variety of online channels to implement as well as the strategies in order to accomplish new goals. That is how companies, by choosing among the most common online distribution channels and applying the best strategy that suits their companies core business can make them improve their processes, reduce the chain supply and interact directly with their customers. Therefore, the first specific objective, which is to identify the current sales systems and the most common online distribution channels in the international companies in South America is fulfilled.

CHAPTER II

E-COMMERCE AS STRATEGIC BUSINESS AND THE CONSUMER AS MAIN ACTOR

2.1. E-commerce strategies

In the past decade, Internet and technology have changed how companies carry out business. Three aspects of how business works have already been changing. The first change is seen within the interaction of companies and customers. The second change can be found on how information flows inside and out of companies. Finally, businesses have changed the way they intrinsically operate. In this matter, e-commerce takes part of the first element where the implementation of informatics tools and the creation of some strategies can lead up to the development of this new online channel. Several characteristics have to be considered at the time of developing an e-commerce strategy. By developing such a strategy, it will lead the company to be more competitive in the international market. At the same time, it allows the company to increase their profits. This can be achieved as several costs go down due to the implementation of the automated channel. Further, this process of implementation has to be taken care by the top executives of the company who will change the culture of the organization to achieve success at the end (Trepper, 2000: 1).

In this section of the research, the general approaches for strategies in the matter will be described. Accordingly, the general idea will be addressed so as to have a better understanding of what characteristics a successful e-commerce implementation needs to have. Moreover, the strategy of mass media advertising will be analyzed taking into account the new Internet applications which serve as tools to get to wider audiences in a more segmented way to have more coverage and reach as much customers as organizations can. Finally, the strategy of diversification of platforms will be explained in order to comprehend the benefits of applying a multichannel strategy and diversifying the platforms to provide a better service for customers. At the same time an explanation will be provided about the different paths that companies need to have in order to take the Internet user to the same intended destination, which is the company.

2.1.1. General approaches for strategies

Most people know what Internet is. Many have used it to search online, send emails, interact with friends and family through social networks or simply to text someone over the web. Yet, none of them have truly used its full potential. As the Internet applications keep growing at a fixed, kind of slow rate, companies are starting to implement several strategies in order to have the capacity of getting in the new trends. Moreover, one of these applications is e-commerce and every year more and more products and services are being sold through this channel. Though, not every single person really takes advantage of this incredible tool as they continue to shop at their closest retail store; but why is it so important for companies to apply this? Because it's a global trend now and other companies are applying it. So, if companies don't start analyzing its strategies within a global perspective, they will not be prepared when their competitors start increasing their market share and reducing theirs by using Internet (Costa, 2001: 1). This could even make companies go out of business as what happened with Blockbuster when Netflix emerged (Satell, 2014: 1).

In this sense, there must be present several characteristics in an organization strategy in order to have success when implementing an e-commerce channel. The first one is leadership. Within this, it is intended that the company's top executive managers understand and are willing to implement this channel as it is necessary to have an intense leadership to carry on with the process. In addition to this, there must be an analysis to set the situation of the company when compared to their competitors, in terms of e-commerce. After doing this, the managers along with the board of directors, have to take action and decide what is the role of this online channel in the company. Their task is to set a budget for its implementation, to then pass to the phase of cultural transformation, where they may demonstrate to all the personnel how the new channel works. The board of directors need to change their managerial style in order to adapt to informatics tools and benefit from e-commerce (Epstein, 2004: 6-9).

Then, the second trait has to do with the strategy itself. There must be a clear idea of what the Internet has already changed. In that context, companies need to build their strategy upon a strong brand by building strong social network communities. As a result, the organization will be able to generate trust among its

users as they will be interacting from now on directly through this new channel (Lee, 2001: 354). Furthermore, they need to establish which products they will be offering online and which not, if the company has some products that cannot be offered through this channel. Subsequently, the company needs to offer a trustworthy customer service so as to create the loyalty needed among customers as they are the main actors in the process of acquiring goods. Lastly, the company needs to have a strong channel coordination as the traditional and online channels have to be taken as one and not as totally different organizations which sell the same products (Zott & Amit, 2000: 6).

The third characteristic a company must implement in order to have success with e-commerce has to do with implementing the new online channel to the structure of the company. Once a strategy is created, the company has to be ready to confront the challenges and friction caused by the original organization structure and the objectives regarding the online channel. Hence, the company needs to have a clear goal in terms of investment in order to implement the necessary informatics tools. This will lead companies to provide their employees the mechanisms through which they will be executing their tasks and provide the users with the best customer experience to achieve success. In fact, they will need to train employees to get to know how the new system will work in order to reach efficiency. Likewise, there must be an integration between the company's departments so that they can work seamlessly with the new goals the company has set towards its distribution channels. Finally, they need to create strategic alliances with other online companies in order to take advantage of the diversification and creation of new channels within which customers will reach the company's products (Epstein, 2004: 13-16).

As the last trait, there must be synergy when talking about the implementation of this channel. In this matter, there must be some adjustments in some areas where the company needs to modernize its internal processes in order to work smoothly along with the system. Generating like this, incentives to promote the growth of the new channel to be implemented. That is how, employees will take control over the process as if it was their own business. Then, the performance monitoring takes place, which will help the company achieve the long-term goals, which are the most important to obtain success. Once that has

been taken control of, the company is in the need of checking their customer management process so as to improve all the areas and internal processes in charge of delivering the best customer service or customer experience, because they need to coexist along with e-commerce (Epstein, 2004: 16-19). Additionally, just to see it graphically table 3 will illustrate what was covered above.

**TABLE 3
CHARACTERISTICS OF SUCCESSFUL E-COMMERCE
IMPLEMENTATIONS**

LEADERSHIP	STRATEGY
<ol style="list-style-type: none"> 1. Commitment at the top 2. Thorough competitive analysis 3. Significant financial investment 4. Cultural transformation 	<ol style="list-style-type: none"> 1. Well-positioned online brand 2. Online-friendly offerings 3. Reliable customer service 4. Cross-channel coordination
STRUCTURE	SYSTEMS
<ol style="list-style-type: none"> 1. Internal investment 2. Integrated management teams 3. IT know-how from within 4. Strategic partnerships 	<ol style="list-style-type: none"> 1. Modernized internal processes 2. Incentive-laden HR practices 3. Aligned performance measures 4. Improved customer management

Source: Epstein, 2004.
Elaboration: Epstein, 2004.

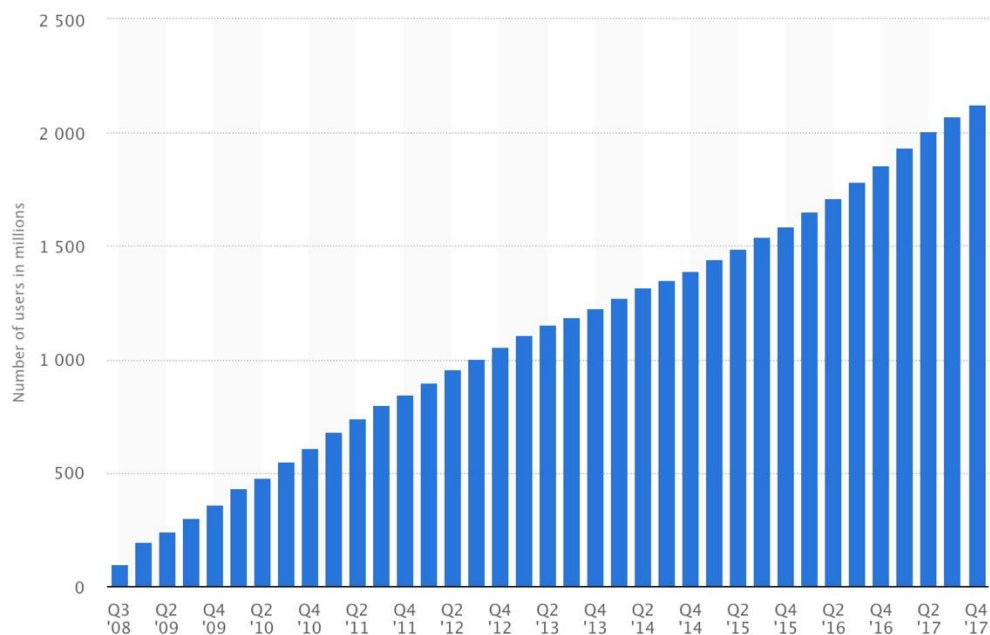
2.1.2. Mass media advertising

Media refers to the technologies through which information moves towards consumers. This could be the radio, television, printing, and sound recording. In this way, it can be established that traditional media companies are related to those mentioned above, which comprise television broadcasters or channels, radio stations and newspapers or magazines. However, with the emergence of new technologies, several sectors have evolved and transformed their businesses with the implementation of IT (Küng, Picard & Towse, 2008: 7). Advertising comprises a vast variety of elements that changed with the modernization of communication, changing, at the same time, advertisement per se. Moreover, it is important to mention the definition of advertising, which, for some authors is the process of selling in print. Thus, companies look forward to implanting an idea in peoples' brains by promoting their product or service so that they start buying (Richards & Curran, 2002: 63).

The evolution of Web 2.0 and the increasing of Internet applications, has resulted in the emergence of social networks; changing in this way communication

and how people interact, making it a more interconnected world. As follows, the use of Internet for promoting and advertising products or services have increased its importance. If numbers are analyzed, they show the potential of the tool and, not just that, but also the results it has given in certain sectors. By investigating Internet and investment for promotion or advertisement, it can be seen that in 1999, \$ 3.1 billion was addressed to that specific task and by 2003, the investment was estimated to reach \$ 15 billion. Now, that the potential of the usage of Internet as a tool to promote businesses and products is covered, the results get even better. Just taking the example of e-retailing, it took a dramatic jump from 1998 to 1999, when talking about income, generating \$ 8 billion to \$ 18.6 billion, respectively. In this way, a prediction was made, stating that by 2003 the sector was going to generate \$80 billion (Joines, Scherer & Scheufele, 2003: 90).

GRAPHIC 2
NUMBER OF MONTHLY ACTIVE FACEBOOK USERS WORLDWIDE AS OF 4TH QUARTER 2017



Source: Statista, 2018.
 Elaboration: Statista, 2018.

Moreover, it is relevant to mention that with all this technological evolution social networks came to change the game. Companies can now advertise their business or products in a much easier way than before, and it is way cheaper than traditional media advertising. For companies, this represents a really good trait and not just that, but these social tools help them to get information to their market target in a much specific and personalized way. By doing that, companies

are increasing the potential of getting a sale after the promotion. In fact, just by seeing the following figure, the advantage of using Internet applications for mass advertising will be understood. Graphic 2 shows the growing trend of online Facebook active users, which until 2017, the social network had reached 2.2 billion active users a month. That means that companies using just this social network will have the potential of getting the information they want to send delivered to 2.2 billion people around the globe at an affordable price, a thing that cannot be done with traditional media advertising (Statista, 2018: 1).

Furthermore, when talking about e-commerce strategies, mass media advertising opens the door to a new way of getting people to know about any business. As companies try to be more profitable and gain competitiveness, these tools get them the chance to get to their targeted audience in a more efficient way with a lower cost. Mass media opens the possibility of having many channels between customers and the company. Consequently, making the company more competitive in the market as it aligns each channel with their online one. With this, organizations aim to seeing advertisement as part of a service rather than a task companies need to fulfill. By doing this they will start delivering the best customer experience in a way that (advertising) becomes more of a way of informing people so as to smoothen each transaction and augment customer engagement, which would be translated into a sale (Rappaport, 2007: 3).

2.1.3. Diversification of online platforms

By taking a position where the customers stand on the center, the initial goal of an organization searching to sale any goods or services is reaching as much people as they can. The company's desire is to transmit all the information needed in order to influence potential customers to make the transaction. In this sense, what is going to be a determinant factor to reach success in the application of e-commerce is the use of different platforms in order to provide with the best service possible. It has to be clear that not every customer is the same, especially when talking about the use of a channel to interact with companies. Therefore, organizations need to implement a multichannel strategy to look for the diversification of its online platforms, which in turn is what customers look for when they use distribution channels. In this way, customers will enjoy the benefits of having a vast number of channels to choose among and use the one best fits

their profile and preferences to be comfortable at the time of interacting with the company or organization (Brown & Dant, 2013: 1).

The constant evolution and growth of Internet applications, has set companies to come to the necessity of applying different platforms for transmitting and searching information. This occurs as they have to control and process all the transactions made across e-commerce platforms. However, with the development of this online channel, customers are dealing with a lot of product choices to pick from and an avalanche of information that constantly hits their server. Consequently, companies have to provide, with the diversification of online platforms, new ways in which people can contact or interact with the organization. That is how companies will help customers on getting the key information they need. At the same time, helping them find, in a more efficient way, the products they are looking for and really need, without losing time passing through all the information that hits their computer. Thus, by having coverage, companies will be more competitive and will satisfy one more need customers have, offering the best online experience in the market (Ma & Wei, 2012: 560).

Additionally, in an interconnected era as the one we are living today, markets are becoming very competitive and companies are implementing IT in order to adapt with the new international tendencies. Hence, local markets tend to be international as there is the presence of companies from other countries, which are applying e-commerce in order to penetrate the market. However, this doesn't just help multinationals but also small and medium companies who are seeking on going global (Savrul, Incekara & Sener, 2014: 35). At the same time, with the growing of companies using e-commerce as a distribution channel, the strategy of using different platforms is getting more and more popular as companies start diversifying their channels. Thus, having more coverage to provide with a better service to customers (Jin, Kong & Cui, 2011: 1).

Within this process of growth and the constant evolution of Web 2.0, social networks came along to be used as a new channel for diversification. The most important and influential in this area are Facebook and Instagram. These two channels give the opportunity for companies to reach their potential customers in a more detailed manner so that the targets who are going to receive the information will be well segmented. In fact, they not only do that but also, they let people

interact with each other as well as with other organizations in a way that everything is integrated (Holzner, 2009). These social tools can let companies into the world of mass media but ten times cheaper than traditional media. Moreover, apart from the benefits of having more coverage to get more customers, social networks have different traits which are useful for companies. For example, they let companies have their own fan pages and start creating groups or communities around their products, they help monitor their audience with a statistics tool, they help in the diffusion of events and, of course, they have a chat with which people can reach organizations easily (Ramsaran & Fowdar, 2013: 73-80).

2.2. Organizational perspective

From the company's perspective, there must be factors that show the management area if the new channel to be applied is viable or not and all the benefits they will acquire if implemented. Moreover, it is important to mention that there are advantages and disadvantages or in this case challenges when talking about online channel implementation. So, companies have to see if the creation and application of the new channel will be advantageous for the business or not. The main goal of implementing it is to increase competitiveness and profitability of the company (Chaffey, 2002: 1).

In the next section, competitive advantages and profitability will be analyzed. Each factor which leads to either of them will be addressed. Additionally, the challenges regarding the systems' implementation will be introduced as well and explained why they are bad for the company and why organizations have to eliminate them. As the third and final topic, the investigation will mention how the companies can have an effective management and which factors they have to consider in order to implement the new online distribution channel seamlessly and without any problems.

2.2.1. Competitiveness and profitability as strategic advantages

From the company's perspective, e-commerce is translated in terms of competitiveness and profitability. This is because with the implementation of the channel, several tasks and processes get done in a more efficient way, cutting costs and timing. Hence, companies try to implement and update the online channel and the informatics tools available in order to get all the benefits and advantages the

channel provides. As it reduces processes, making more efficient the operation of the company, it reduces operation costs. Meanwhile, the reputation of the company or brand improves. As it has been mentioned several times, the online channel opens the possibility of expanding and entering to new markets as there are no boundaries and the coverage that the access to Internet provides makes it easy to reach customers all over the world. At the same time, it reduces and even can eliminate completely the presence of traditional intermediaries, cutting the supply chain and making the process of distribution more efficient, while reducing costs (Balado, 2005: 16).

In addition, the channel lets the company have a communication and interaction without friction with the customer or simply with other enterprises in the case of B2B. This is reflected in the reduction of operational costs. Likewise, it permits keeping the information updated and instead of printing publicity or catalogs, it can be just updated on the web, which is cheaper and takes less time. In fact, it eliminates traditional marketing or publicity, which reduces marketing costs dramatically. Furthermore, e-commerce cuts the cycle of production, letting the company be more competitive in the market by being more efficient. As it permits to have direct communication with the customers, it creates other added value services that go along with the channel. Fulfilling in this manner the customers' expectation and delivering an end to end customer experience. By diversifying the platforms, it permits companies reaching a bigger audience and having a more personalized marketing strategy and publicity (Balado, 2005: 17).

According to Hernández & Espitia (2004) e-commerce reduces more costs as it provides a better service for customers and its open 24/7. Furthermore, the tool can lead to inventory reduction and the possibility of applying JIT (Just In Time) techniques for the management of stock, which again, is reflected in costs reduction. In this matter, a vast of advantages have been stated until now, but how can companies gain competitiveness and profitability? Actually, all the benefits stated before have to do with that. When referring to competitiveness, it can be said that just by being present on the web and having the capability of entering any market abroad or having the ability to reach more customers with the use of Internet, the company is more competitive in the market. Nevertheless, other factors also improve the company's competitive advantage. For instance, cost

reduction is a competitive advantage as the organization can start offering better prices to sell to a wider audience (Hernández & Espitia, 2004: 14-18).

Equally, by offering a good customer service and providing with the best customer experience across channels, loyalty is achieved. Therefore, competitive advantage increases. Also, the automation of processes, the direct interaction with customers and having the business open 24/7/365 gives competitive advantage to any company which implements this online channel. From an organizational or managerial perspective, by eliminating traditional intermediaries and stopping the publicity and marketing through traditional means, the company can have more control over its budget and its products. This translates later on into competitive advantage as they can reduce costs of distribution and inventory as well as using social networks to promote its business, having a more precise tool to reach their audience at a lower cost. Now that competitiveness has been covered, the next topic to be addressed will be profitability (Srinivasan, Andreson & Ponnnavolu, 2002: 41-43).

In terms of profitability, with all the costs reduction, the profit margin increases. Even if the company starts lowering prices to offer more competitive prices in the market, the profit margin will be higher than a traditional business. This is because traditional businesses have to take into account the costs of work force, office or store rent, water, electricity, among other factors, which at the end of the chain, reduces the profit margin and raises the costs of operation and distribution, that customers end up paying. In other words, if companies apply the online sales system along with the update of IT, they will be more profitable and achieve competitive advantage that will let the organization experiment in other markets across boundaries (Molla & Licker, 2001: 131-138).

2.2.2. Challenges for companies implementing online channels

As e-commerce has been growing since its emergence, it has become one of the most important distribution channels for different goods and services provided by enterprises for consumers. Consequently, in the transactions between customers and companies, limitations like geographical areas, business hours, and high transaction costs are not present anymore. Nonetheless, the implementation of this channel has some limitations that can make the process harder in some

cases. As the main characteristic and objective of this channel is to have high traffic when talking about Internet users getting into the company's webpage, the interactivity is elevated. So, companies need to improve and transform their logistics in order to satisfy the demand. In this matter, there are three main challenges that companies have to address if they want to succeed on implementing the channel. The first one has to do with the efficiency of delivery, the second with returns on any product and the third is about home delivery (Schöder, Ding & Campos, 2016: 1-2).

Moreover, this is one of the most important challenges for e-commerce implementation as customers have had problems with logistics several times. In fact, if this challenge is not taken care of, customer loyalty will decrease as a consequence. This is not just talking about fast and efficient delivery processes but also it refers to reverse delivery, which means the return of any product back to the company because of any problem with it. Furthermore, there are other challenges related with prices. In this sense, some people have had problems as to being charged more than what was priced on the website, reducing, in this way, customer loyalty. That's the main problem, as customer loyalty is crucial for the online business model. A problem linked to this is the lack of trust on the payment systems used, which definitely needs to be counteracted if the organization wants to sell. Likewise, there are other challenges like Internet access and knowledge when referring to how to use technology and the Internet to make any transaction on the web (Balado, 2005: 13-15).

In addition to this, another big challenge regarding the implementation of the online channel is security, as there is a lot of data flowing through the server (personal, financial, information of companies, etc.). Actually, consumers are the most concerned when entering this topic, as they are filling and sending not only personal information but financial too; such as credit card numbers, addresses, among other things, that if stolen, could represent a significant loss to the customers. Additionally, data security within companies is important, as it represents the customers' loyalty and trust. These two factors have to be protected as consumers are the main actors of the channel. So, data has to be protected while being transferred and when stored on the cloud; in that way, it will be difficult for hackers tampering and stealing important information that could harm customers

in the first place. Therefore, by doing that, the organizations' image and reliability would be damaged too (Singh & Singh, 2015: 1578-1579).

Likewise, as seen before, not only security is presented as a challenge, but also data privacy, which consists of the protection of confidential information regarding the company or organization and its customers' as well. In addition, service performance or service quality is another challenge as many companies are implementing the tool and entering into new markets, which makes having competitive advantage over other organizations harder. Furthermore, companies seeking on implementing the channel have the challenge to brake the lack of trust and improve their reputation if they want to accomplish the goals set to launch the new online distribution channel. In order to do so, organizations have to fight back all the challenges mentioned above. They have to be aware of new ones that could threaten companies' operation, reliability, brand, reputation and customer loyalty (Al-Jaberi, Mohammed & Al-Jaroodi, 2015: 2-3).

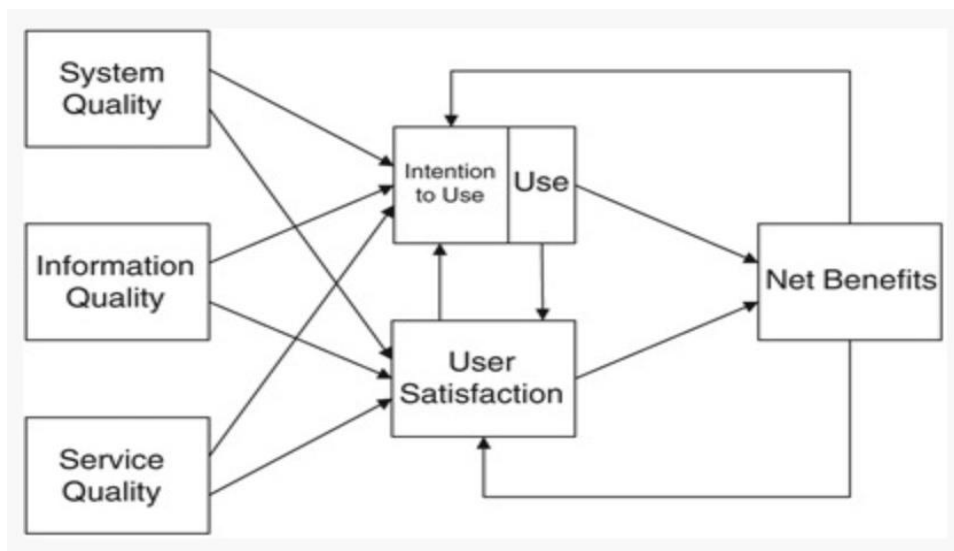
2.2.3. Effective management and sales process

Online distribution systems permit organizations to reach out for new and constant customers, cut the chain supply process to gain efficiency and lower costs, and a vast number of other capabilities. Creating as an outcome a competitive advantage that increases the company's revenue. Therefore, it is evident that as e-commerce has certain capabilities to create new opportunities, it also has some challenges that force companies to put all their effort into addressing them not to let them take the business down. As a result, companies need to measure results in a certain way so as to know if the implementation is going in the right path or if there must be some changes. Furthermore, they measure performance by analyzing certain indicators to manage the channel and all the processes that e-commerce entails in an effective way. This triggers flexibility when talking about the company's core strategies, which is good for its performance and the correct implementation and application of the new online channel (Saini & Johnson, 2005: 360-363).

Furthermore, with the constant growth and improvement of e-commerce, an important question came to light. In terms of management, what are companies doing for achieving success with the use of online channels? In this matter, critical

factors that will determine success on e-commerce implementation should be analyzed and measured in order to know where the company is positioned. That is how companies can control and monitor the activities regarding the channel implementation. Within the topic, several authors have suggested a range of factors which, when analyzed, can show if the channel is working or not and the phase where the company is at implementing it. Some of these factors can be disintermediation, re-intermediation, value of the information, price, segmentation and acquisition of technology, among others. Though the factors that are going to be analyzed and explained are the ones in common among the different authors that have experience in the field. These comprise technology, service, branding, site metrics and the financial impact, specifically the ROI, which stands for, return over investment (Sung, 2006: 1161-163).

FIGURE 8
INFORMATION SYSTEMS SUCCESS



Source: DeLone & McLean, 2003.
Elaboration: DeLone & McLean, 2003.

The first two are crucial due to the fact that they are the heart of the system. Without technology, e-commerce wouldn't exist and without a good service, customers wouldn't buy from that company. That is why, the correct implementation and use of the last advanced technology is vital so that the automated processes don't fail. This can be measured by monitoring if the system is always online, if it crashes or not, if there are any errors at the moment of a transaction, etc. Moreover, service can be measured while operating the channel as customers can interact directly with the company and vice versa. Organizations

can create polls or simply check the reviews customers and other users upload to any of the online channels available from the company. As figure 8 shows, the system quality (technology), the information quality, and service quality are variables that influence customers directly. Consequently, these have to be working above average in order to make the customer try to use the channel and when used, they will be provided with the best customer experience. Satisfying them at the end, which will be translated into the success of e-commerce implementation and application (Petter, DeLone & McLean, 2008: 1).

Talking about the next two factors, branding and site metrics, it is possible to mention that they are important factors that can show managers how well the implementation of the new channel is working. Talking about branding, it has to be stated that as companies start selling their products and providing a good service through online means, the company's brand reputation will rise. In this sense, not only customers are going to see the brand and logo of the firm, but also other Internet users browsing the web. That is how organizations add value to the company by just implementing and promoting their products on the Internet (Plant, 2000: 33-41). Moreover, site metrics can serve as useful information because they can go as specific as the management of the channel decides. The metrics can show which product is selling the most, how many visits the page has a day, or the time lapse the company's management wants, how many failed transactions occurred, conversion rates and many more. Hence, companies can analyze and have control over the process of implementing e-commerce (Plant, 2000:144-154).

FIGURE 9
ROI FORMULA

$$\text{ROI} = \frac{
 \begin{array}{l}
 (\text{Current process cost} \quad - \\
 \text{New process cost} \quad + \\
 \text{Other benefits}) \\
 \text{per year} \\
 \times 3 \text{ years}
 \end{array}
 }{
 \begin{array}{l}
 \text{Initial investment} \quad + \\
 (\text{Operation and} \\
 \text{maintenance per year}) \\
 \times 3 \text{ years}
 \end{array}
 }$$

Source: Mogollon & Raisinghani, 2003.
Elaboration: Mogollon & Raisinghani, 2003.

The last and most important factor, if talking about investment, is ROI. If considered the principal objective of implementing this new channel, companies are looking how to improve processes in order to be more efficient and effective so as to reduce costs. In this way, firms will get more revenue. ROI (Return Over Investment), will help organizations to decide whether they implement the new channel or not, depending on the result. As figure 9 shows on the previous page, to calculate the ROI, it is necessary to know the costs of operation and distribution of the process before the online channel was implanted, the new process costs plus the benefits the channel provides and divide that by the cost of the initial investment plus the operation and maintenance costs. Therefore, firms will know how much time it will take to recover the initial investment and if the implementation is viable or not in order to take action (Mogollon & Raisinghani, 2003: 66-70).

2.3. Consumers' perceptions as main actors

As e-commerce comes into the conversation, consumers or customers are the main actors in each transaction and this has to do with several facts. As they are the ones deciding to browse or navigate on the web, they are the ones choosing which channels to use and which websites they like or not. Like this they become main actors. Apart from that, there is the power that they have now with the emergence of social networks and web 2.0 as it is an end to end tool, which lets them interact directly with other people and organizations. In consequence, the information they post or deliver will shape how other Internet users act and make decisions (Oshchepkova, 2017: 19-22).

Once explained this, the next section will include the factors that influence consumer behavior as they are main actors, the acceptance of the online distribution channels as its crucial for the development of this new channel in companies and the technological and online penetration among the Internet users as it is the base of how and why e-commerce appeared and is still growing.

2.3.1. Factors influencing consumer behavior

Consumer behavior can be influenced by a wide variety of factors that are directly or indirectly associated to either individual or collective elements. These features, in one way or another, determine the conduct and performance of

different actors, especially as users or consumers of a certain service or product, ending up with positive or negative attitudes. In order to understand what elements are related to consumer behavior, it is important to consider three main approaches developed by different authors on three theories that vary among them with certain concepts, but ultimately complement each other. The first one, which has an overall perspective of consumer behavior, is the traditional theory of choice. It emphasizes on the fact that any consumer, of either a product or service, will always look the possibility of maximizing utility, once it has been acquired or obtained from the market (Michael & Becker, 1973: 378). So as to support this affirmation, other approaches have considered elements that are present in the consumers' environment, being the most relevant ones, the socio-economic and psychological factors.

On the one hand, the socio-economic consumer behavior theory explains that any individual conduct is always based on its own rationality, which later on will determine its choices. This is as consumers try to reach expectations and satisfaction from the obtained service or product. All of this taking into consideration the available options. This approach is directly related to Michael's and Becker's statement regarding maximizing utility, since any user's expectation cannot be reached if the obtained value does not boost satisfaction. Likewise, from the socio-economic perspective, it is not possible to determine a completely rational explanation for an entire consumer population, since all individuals have autonomous benchmarks concerning their already fixed preferences and needs. These individual necessities and inclinations are determined by the degree of utility, directly responding to conscious lacks (Stone & Desmond, 2007: 44-45).

In addition, other authors such as Leavitt (1988), affirm that all individuals are autonomous actors who respond to already determined preferences and desires. Nonetheless, all individuals are part of the whole society, which makes them interdependent actors related to each other and influenced by the overall context. Especially regarding social and economic matters; hence, it is possible to affirm that certain elements could be considered as collective when defining a shared and interrelated performance of autonomous individuals and society as an entire unit of analysis. Hence, establishing a more precise explanation of consumer behavior (Leavitt, 1988).

On the other hand, but also complementing the previous theories, the psychoanalytic consumer behavior approach describes a broader number of elements directly influencing on how individuals react and perform towards products, services, and even processes on the market. On a first attempt to identify these elements, Freud (1920) analyzed the impact that biological and social needs and requirements have upon consumers, either independently or jointly. It is necessary to denote that from the psychological perspective, individuals as consumers, are completely influenced by both conscious and unconscious thoughts from society, as well as demands and requirements. Consequently, consumers can develop thoughts as a compensation or threat based on how they have performed and acted as consumers on the market (Freud, 1920).

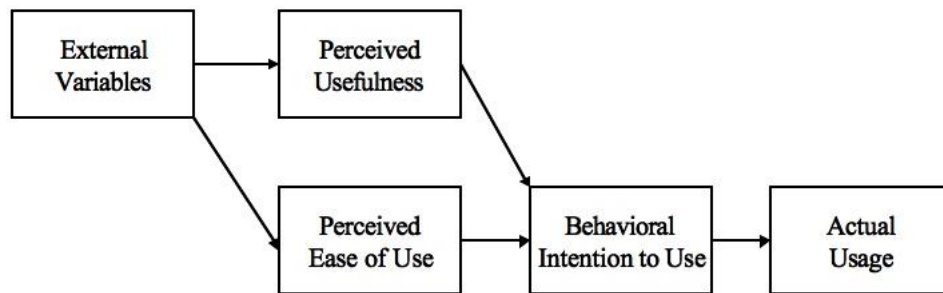
So as to complement Freud's initial explanations, authors such as Dichter (1960) explain that individuals do not only react to social and biological needs, or even both, but they also take into account fixed preferences and personal identity. This is due to the fact that consumers will opt for the option that projects their needs and desires in order to achieve satisfaction. Therefore, consumer behavior can be understood as a response to biological and social demands responding to rational factors on the consumer decision-making process. However, it is necessary to take into consideration other elements that, as Freud explained, can make a rational decision or conduct into a non-logical behavior and performance (Freud, 1920). Lastly, Damasio (2005) affirmed that besides all the mentioned factors, emotions play a significant role on individuals' acting and behavior, and not only as consumers, due to the fact that every human action is expected to generate certain emotions, either of gratification, satisfaction, threat, or even regret (Damasio, 2005: 336).

2.3.2. Acceptance of online sales distribution channels

The understanding of why individuals use, interact and accept e-commerce or online distribution channels is essential for organizations to know so as to keep their businesses running. In order to analyze the acceptance of the new channel from the customer perspective, companies need to take into account the TAM (Technology Acceptance Model). (Bhattacharjee, 2000: 411). But what has driven people to accept this whole new idea of transacting through or across the World Wide Web? This can be answered with the model mentioned before, which was

created to respond to the idea of human behavior related to the behavioral intention of individuals as the principal determinant for the use and acceptance of technology. Therefore, it is possible to encounter the facts that influence individuals to use technology as a tool to pass information, interact with people and make transactions (Tavera, Sánchez & Ballesteros, 2011: 11-12).

FIGURE 10
TAM



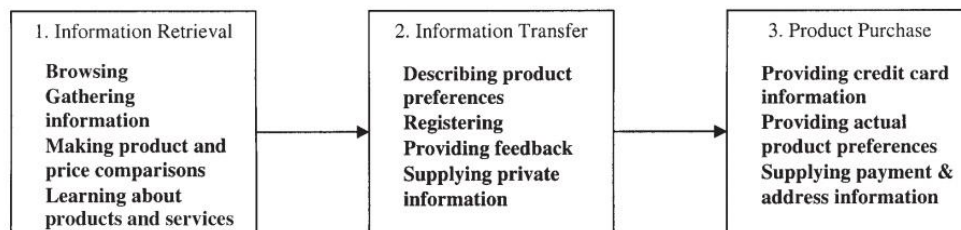
Source: Davis & Venkatesh, 1996.
Elaboration: Davis & Venkatesh, 1996.

Furthermore, in order to understand the model, it has to be clear that TAM works with two external variables that are perceived usefulness and perceived ease of use. The first refers to a person's belief that the use of a particular system or technology will increase performance when talking about functions or tasks and the second refers to a person's belief that this usage of the tool will be effortless. As follows, the figure above shows the Technology Acceptance Model. As it can be seen, the external variables influence the Behavioral Intention to Use the tool, thus ending in the actual use. Within these two variables, there are some factors that have to be considered. The quality of the information provided by companies towards users, the customer experience while using the online system, online tools to interact with the organization and try to make a transaction, and finally the risk they are going through due to the fact that they have to provide with personal data and information like credit cards, email and addresses (Klopping & McKinney, 2004: 35-37).

As figure 11 presents on the next page, the process through which each transaction has to go in order to influence the user to buy the product has to do with the information quality provided and the service. In this sense, it is a must for companies to offer the best customer service and support for Internet users as they become the key element or main actor in the process of making transactions

through e-commerce (Pavlou, 2003: 69-72). Likewise, trust, security and satisfaction are critical when talking about the acceptance Internet users have towards the use of a new online distribution channel. This is because personal and financial information is being disclosed during the process of the transaction, so customers need to be sure that their data is going to be secure in order to trust any company with it. Additionally, satisfaction not only has to do with security and trust, but also with customer experience while using the channel. That is why, the webpage technology has to be user friendly, efficient, secure and nice to use in order to have as many customers as possible interacting through the new channel (Kim & Ferrin, 2009: 1-5).

FIGURE 11
CONSUMER ONLINE TRANSACTION PROCESS

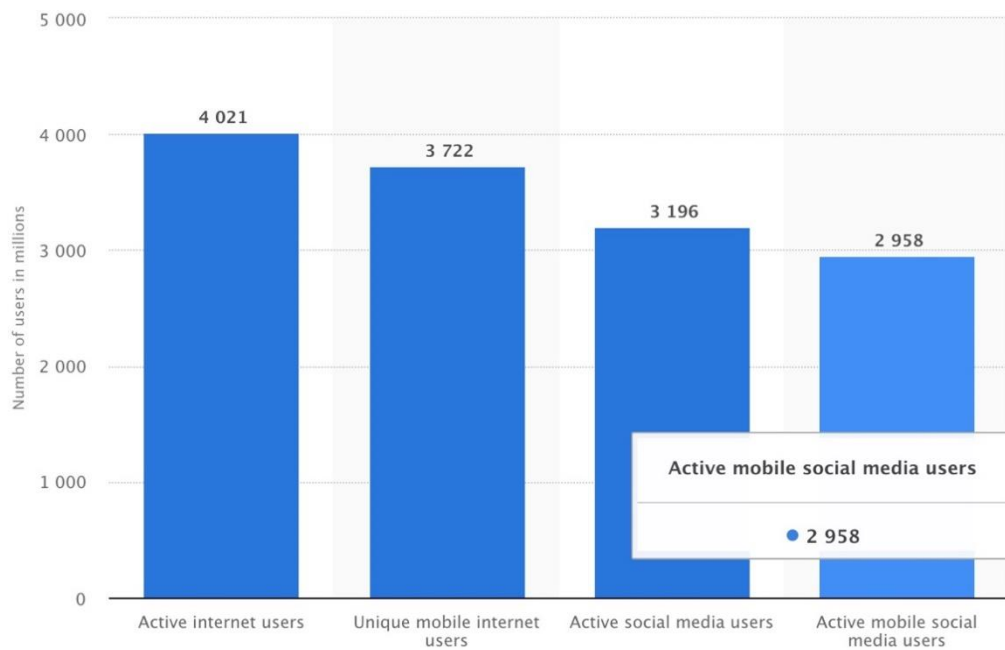


Source: Pavlou, 2003.
Elaboration: Pavlou, 2003.

2.3.3. Technological and online penetration among users

Although until now the investigation has covered the benefits and challenges that an online distribution channel can have and bring with its implementation along its trajectory. As well as the strategies to be applied with the objective of having success at its implementation, important factors haven't been analyzed yet. These will lead to the answer of what makes e-commerce possible and why is it a good idea to invest in it, at least for companies seeking an increase in their competitiveness and profitability. Being them Internet and technology, both essential for the development and creation of this new distribution channel, which is revolutionizing the world in terms of not just commerce but also communication, information transference and storage, entertainment and transactions between people and organizations (Kalakota & Whinston, 1996 :144-145). In this way, these factors are going to be analyzed in the form of numbers to understand them in a more effective and simple way.

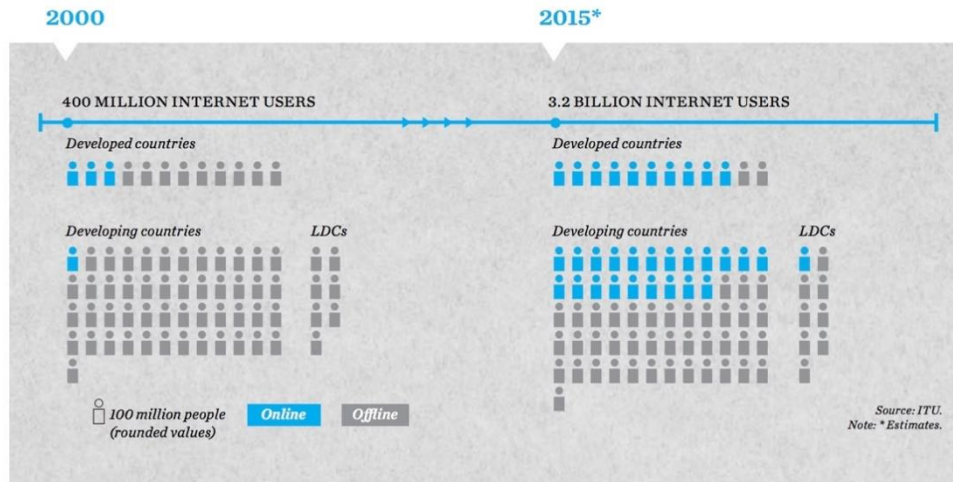
GRAPHIC 3
GLOBAL DIGITAL POPULATION AS OF JANUARY 2018



Source: Statista, 2018.
 Elaboration: Statista, 2018.

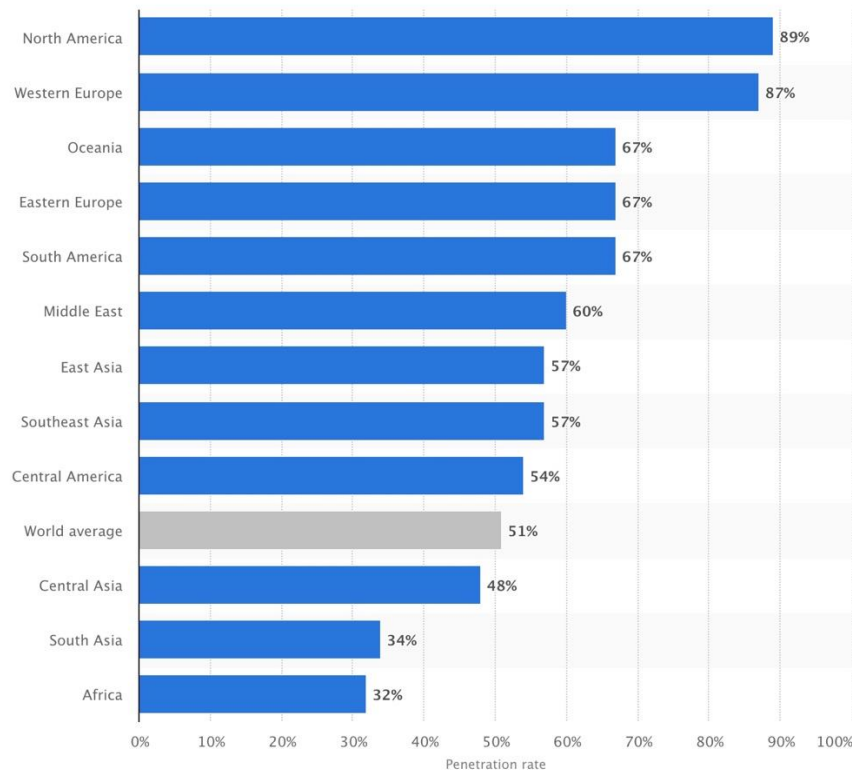
Moreover, graphic 3 and figure 12 will be analyzed to understand why e-commerce is possible and the potential it has. In the figure above, is shown the global digital population until January 2018. As it can be seen, there were 4 billion active Internet users, which shows the importance of having an online channel as you can reach and be reached over this tool. Additionally, there is another fact, which companies need to have in mind. Technology is evolving fast and people are constantly updating, so mobile users are even more important than actual Internet users as they navigate on their smartphones all the time. In this sense, there were 3.7 billion mobile Internet users, that have to be considered potential customers. Also, social networks have to be considered as they serve as another channel to interact directly with customers, and these had 3.2 billion active users (Statista, 2018: 1). Likewise, as shown in figure 18 on page 50 the growth of Information and Communication Technologies (ITC's) has gone from 400 million Internet users in 2000 to 3.2 billion in 2015, which shows the rising tendency and the potential the developing and least developed countries have, as they are lagging behind developed countries (ITU, 2015: 1).

FIGURE 12
MILLENNIUM DEVELOPMENT GOALS



Source: ITU, 2015.
Elaboration: ITU, 2015.

GRAPHIC 4
GLOBAL INTERNET PENETRATION RATE AS OF SEPTEMBER 2017, BY REGION

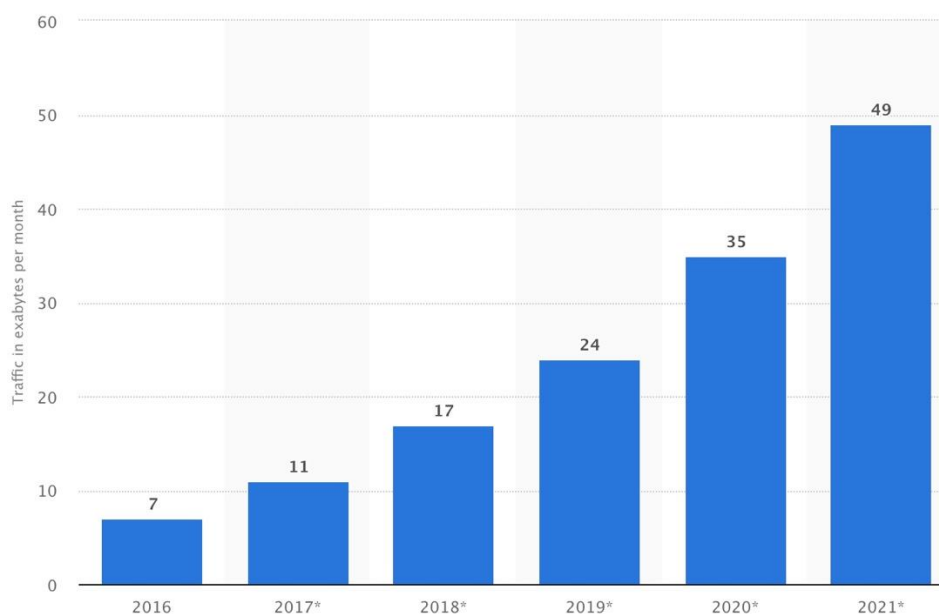


Source: Statista, 2018.
Elaboration: Statista, 2018.

In fact, there are 2 Internet users in the developing world for every user in the developed world, which is increasing with the passing of time (ITU, 2015: 1).

Furthermore, by analyzing the graphic number 4 on the preceding page it can be said that Internet penetration in 2017 shows how regions have adopted this tool along with a technological update in order to have access to information. It can be seen that South America has 67% of penetration, which demonstrates the potential of the region as e-commerce has still not developed to its full capacity there. In this sense, it is imperative to mention that South America has the potential and the technology to implement this type of channel. Consequently, what companies need to do is to start developing strategies to implement the new channel and start migrating their customers from the traditional channels to the online one (Statista, 2018:1).

GRAPHIC 5
GLOBAL MOBILE DATA TRAFFIC FROM 2016 TO 2021



Source: Statista, 2018.
Elaboration: Statista, 2018.

To continue, the next graphic (5) shows the mobile data traffic prediction. This is not only showing how Internet usage is increasing over time but also how customers or Internet users have migrated from using a computer to get access to the web to using smartphones or tablets in order to have access and interact within their community. In fact, they are going from using 7 exabytes, with 1 exabyte corresponding to 1 billion gigabytes, to 49 exabytes, expressing with these values the potential of smartphones. Besides acknowledging the power of Internet, companies need to take into account the growth of social networks as well, because most of the people, especially from South America, use them as channels

to interact with different organizations, which on turn creates, interconnectivity. All the facts mentioned before are indispensable when trying to implement a new online distribution channel as Internet and technology serve as tools to achieve the goal of transacting through online means. Now that this was explained, companies have to start building their business strategy embracing these tools to succeed (Statista, 2018: 1).

After recognizing the e-commerce strategies and seeing the implementation of informatics tools and the use of new technologies along with Internet from an organizational perspective it can be sustained that companies can take advantage of the creation of these new channels. Meeting the second specific objective that aims to define the influence of informatics tools at a sales level for companies, as well as for consumers. In fact, with the implementation companies can adapt to the new tendencies, created due to technology evolution and its constant change, and see an increase in sales as they can have access to bigger audiences. Thus, the use of new channels will provide the best customer experience. Furthermore, it is important to mention that by analyzing human behavior as a matter of how they accept new online channels, the factors that influence them to take action and the technological penetration among users, it is possible to ascertain the real impact of informatics tools within the transactions made by customers. Therefore, companies are not only going to measure the impact that informatics tools have, but also how they can achieve success with the understanding of their customers' behavior.

CHAPTER III INTERNATIONAL COMPANIES WITH PRESENCE IN SOUTH AMERICA WITH ONLINE SALES DISTRIBUTION CHANNELS

3.1. General Overview in South America

As several factors affect how e-commerce is implemented and developed within each company, the potential of the region has to be considered in order to have the sufficient elements to develop a strategy that embraces them. In this way, organizations are going to have a clear panorama as to in which conditions and towards which target the online distribution channels are going to be aligned to. In essence, by analyzing how e-commerce is developing in South American countries companies can have a general idea of how their business is going to grow and how long it will take for the channel to be working at its full capability (Smith, 2016: 1).

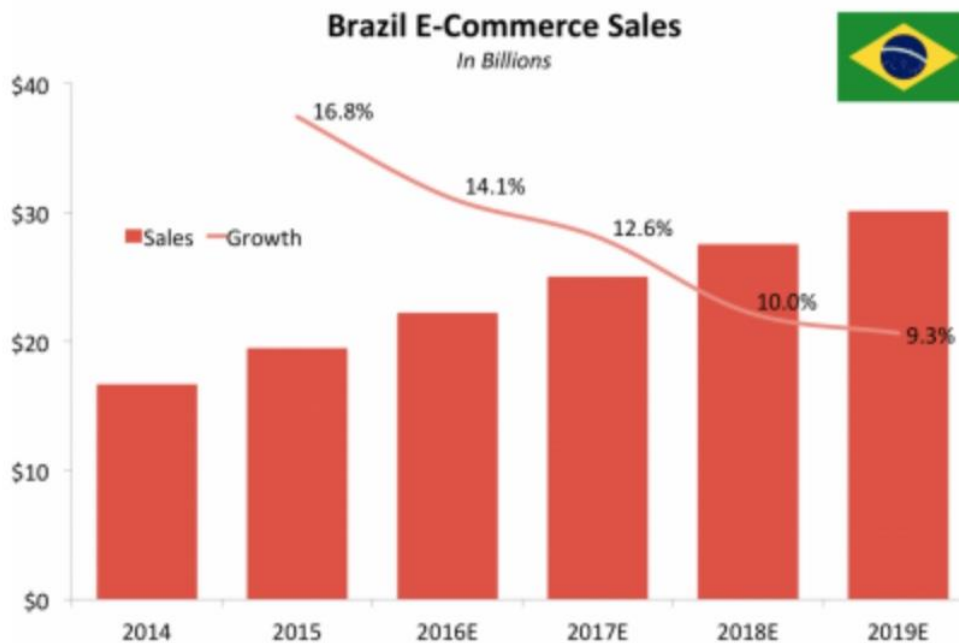
That is why, in the next section of this investigation, the current situation of the South American region will be analyzed as well as the tendencies towards the application of new online channels. This information, along with the region's potential is fundamental for obtaining the expected results and understanding how the implementation of online sales distribution channels and e-commerce strategies have an impact on the performance of international companies in the region.

3.1.1. Current situation

South America is currently considered one of the regions with more potential for e-commerce growth. The region is growing fast, regardless of the lag that exists with the online payments infrastructure. Moreover, each year more and more people are starting to use Internet to search for different products and services as they see the efficiency of the channel (Benson, 2017: 1). Actually, the regions e-retail or online retail presented a growth of 22.9% in 2015, as there were major improvements on online payments systems and the way logistics work within each company. Consequently, with the constant expansion of Internet and the present penetration in the region, companies are more likely capable of achieving constant growth. Even though the region has some challenges when it comes to implementing the new online channel. Companies are following the

growing trend of moving their business to Internet or at least to modernize certain processes with the use of informatics tools (eMarketer, 2015: 1).

GRAPHIC 6
BRAZIL E-COMMERCE SALES



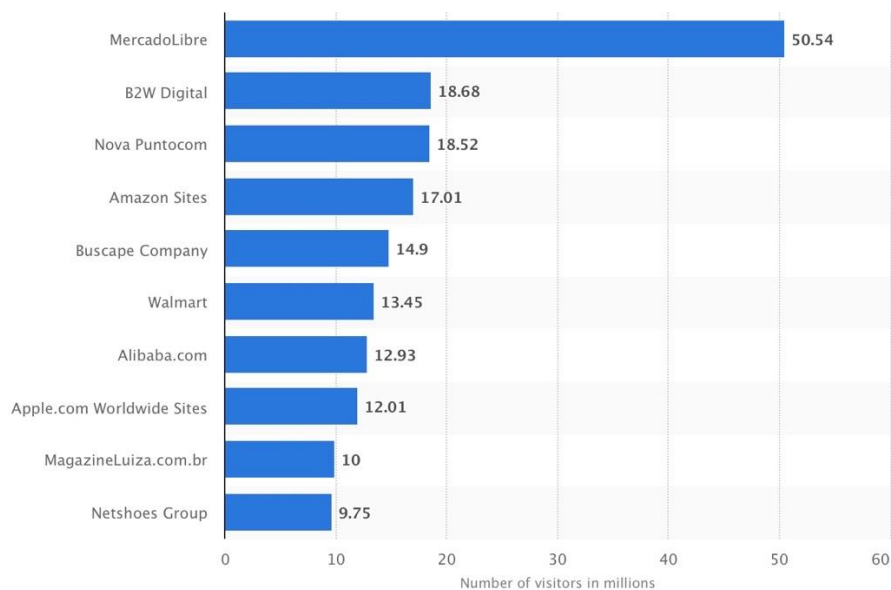
Source: Business Insider, 2016.
Elaboration: Business Insider, 2016.

Furthermore, it can be said that despite the regions slowing economy, e-commerce is developing in many sectors. South America's situation is in great shape so major retailers from the United States of America like Walmart and Amazon are investing to increase its presence in the region. In fact, Brazil is one of the countries that is receiving all this heavy investment as it is one of the biggest online markets of the region. Actually, only that country accounts for 42% of e-retail sales made in South America, taking \$ 19.9 billion from the \$ 47. 4 billion that the whole region generates. As graphic 6 shows above, e-commerce has been growing each year, and despite the growth rate slowdown, Brazil's online sales in 2018 are still rising at a 10% approximately. But this is not the only big market in the region. In fact, Argentina is currently accounting for 8.9% of the sales made through online means and it is projected to increase that in 5.7% (Smith, 2016: 1).

Additionally, taxes and trade barriers are not preventing e-commerce from growing in South America, but what is essentially giving it a big boost is the increase of middle class people, which in the last decade has grown in 50%. In

addition to this, the construction of new airports and the improvement of the transportation as well as the increasing number of warehouses in the region have facilitated the implementation of new online channels as the logistics of the South American countries are more efficient and secure (Medium, 2018). Moreover, the Internet penetration in the region, which gets to 60%, indicates the number of people with access to the World Wide Web. That can be translated into potential customers of the online market as they are usually connected and navigating. Accordingly, as the graphic below (7) illustrates there are several companies with presence in the region that are already taking advantage of its potential and looking forward to investing so as to get a bigger percentage of the market share (Statista, 2018).

GRAPHIC 7
MOST POPULAR ONLINE RETAILERS IN LATIN AMERICA AS OF JANUARY 2016, BASED ON NUMBER OF UNIQUE VISITORS



Source: Statista, 2018.
 Elaboration: Statista, 2018.

3.1.2. Sales distribution channels tendencies

With the Internet penetration in the region and all the improvements countries have made so far in order to facilitate the adaption of companies to new trends, South American countries are changing how they make different transactions. Even though the region was known for having a major group of traditional shoppers, meaning that there is a vast number of people who shop in physical stores, things are starting to change. The reasons to do so are certainly

because of the new tools and opportunities that Internet, along with informatics tools and technology can bring. It is true that there are some risks when shopping online, but those factors can be overcome. The key to having success with online selling is logistics, due to the fact that customers in today's era are not willing to wait several days to receive what they have bought. So, companies are in the need of improving this additional service that has to come with the online channel implementation (Riveros & Silva, 2007: 269-273).

Moreover, the lack of trust among Internet users in the region due to the several times they have ordered something, and it never arrived, has been also changing (Arango, 2013: 16-17). Talking about this it can be stated that 38% of people are scared of fraud within the web and 17% are scared of not making the transaction correctly. If adding that up, it comprises the 53% of people who don't use Internet to buy any product or service (Arango, 2013: 27). However, this fear of fraud and of not completing the transaction accurately is being addressed by companies in the region. Organizations are updating their sites to a more user-friendly web page and protecting it with certifications so that people can make a secure transaction without having to worry about putting their personal and financial information. Accordingly, it can be seen that South Americans are starting to prefer the use, each time more, of online channels in different sectors such as the banking sector with the mobile transactions or the entertainment sector with the different web pages that offer movies to watch online (Arango, 2013: 27-29).

Furthermore, it has to be stated that the region is characterized for their preference to establish direct contact and make personal relationships. In consequence, the Latin culture tends to buy products or services from the people and companies they already know (Nagle, 2001: 869-870). In this sense, loyalty plays an essential role along with the brand reputation of companies. A study made over 1 100 people from the region, within countries like Brazil, Argentina, Chile, Colombia, Ecuador and Peru, found that online shoppers bought the items directly from the retailer's web page. That showed their preference to establish a direct interaction with companies. In fact, of every 10 people 7 went directly to the company's web page. Moreover, it is relevant to mention that the categories with more importance among the people of the region, when it comes to online

shopping, are clothing and electronics. Actually, the former is the number one category with 43% of South Americans having bought items from this category. In second place comes the latter with 41% of customers acquiring this type of products and last, with 36% the people who are buying movies, videos and music (Digital Strategy Consulting, 2013: 1).

Likewise, another interesting fact from the research was that most of the people from this region are buying things abroad on international retail sites. This is because there is not a complete implementation of the new channels as companies are starting to notice the potential of e-commerce and implementing it (Digital Strategy Consulting, 2013: 1). Talking about another issue, even though the credit card holders were a factor for the South American region not to develop its online market, it is not an important one as it was before. This is due to the fact that new companies that offer tools to make transactions over the Internet and payment methods are constantly emerging. These new options can be the use of PayPal, Pioneer, Stripe and many more. Even if there weren't any of these, the growth of e-commerce in the region wouldn't be compromised as the card industry in South America has had an incredible growth over the last ten years (Price & Lehr, 2018: 3-11).

The tendency towards online distribution channels, is to use sales platforms that display merchandise. The most popular online sales channel in South America is Mercado Libre, which is the Hispanic version of eBay. This online retailer is a C2C type of channel with presence in Brazil, Colombia, Argentina, Chile, Ecuador, Peru, Panama, Uruguay and Venezuela. As it can be deduced, this company has an impressive reach. In fact, its presence is greater than the presence of Amazon in the region, as it had over 50.5 million visitors in 2016. Furthermore, it has to be stated that the South American people tend to use not only that platform to purchase goods or services, but also other web sites or apps like Amazon, a B2C enterprise, OLX, which is another type of C2C channel, Linio, being a B2C company with presence in the region and many more, as well as local online companies (Statista, 2018: 1).

3.1.3. Region's potential

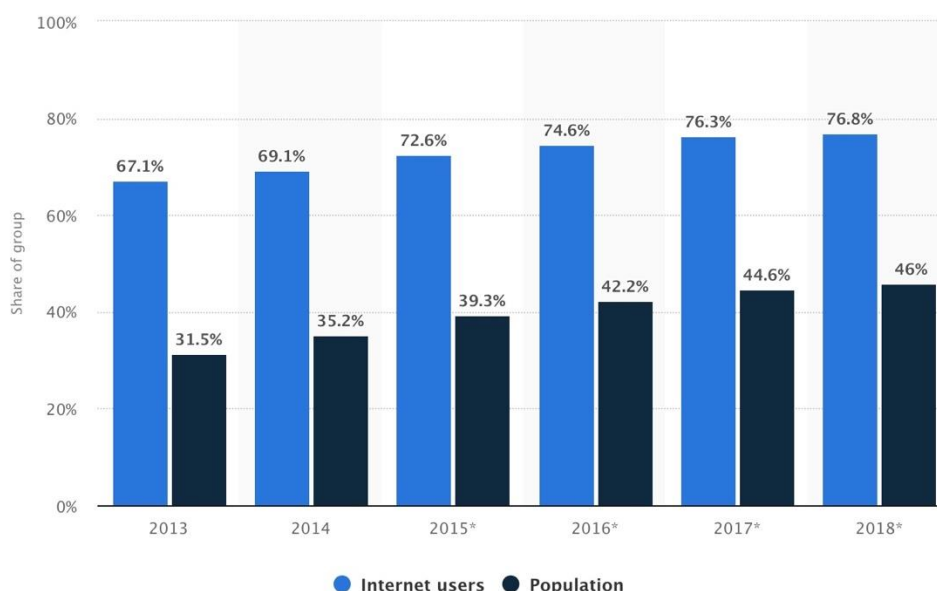
As seen before, South America is constantly developing in the Internet area so that the regions lag doesn't get worse. As this region is starting to implement online distribution channels, it is the best moment to start the transition for companies. In this manner, they can benefit from the large market with almost no competition. The infrastructure in terms of logistics has been improved in the last 5 to 7 years, giving the opportunity for organizations to be more efficient and effective at the time of distributing and delivering their products. Moreover, the use of technology to automatize processes has been increasing over the years, permitting companies to take advantage of the use of this informatics tools. Even the local payments have been developing and the card users have been growing, which permitted generating the projection for the e-commerce shoppers in the region. Thus, it can be said that online shoppers will rise from 121.1 million in 2016 to 151.1 million in 2019 (Schmitz, 2017: 1).

The biggest market of goods, as the region is considered, has definitely a huge potential when it comes to e-commerce implementation. The four top countries within this field are Brazil, Argentina, Colombia and Chile. Each one has its top online products that differ from each country and can go from books and subscriptions to food and even technology or appliances. In this sense, it can be said that South America is the golden region as it is an emerging market that can offer a wide variety of sectors to sell to owing to the fact that there is a vast number of needs to be satisfied in the best way possible. It represents a potential growing market because of their demographics trend, which if contrasted with Europe shows the growth the region has (Travica, 2002: 1-35). Talking about communication, it is evolving hand by hand with e-commerce and if presented into numbers, it can be perceived that mobile traffic towards e-commerce web pages has raised from 3% to approximately 37%. Therefore, companies have more ways in which they can interact with customers directly, showing the importance of mobile connectivity and social networks (Schöder, Ding & Campos, 2016: 2).

As graphic 8 illustrates on page 59, the social networks penetration in the region have an upward trend and it is constantly increasing. In 2013, the penetration of social networks was 67.1%, but with the evolution of technology and as the penetration of Internet in the region also raised it came up to 76.8%.

This not only demonstrates the power of Internet and social networks but also how important it is for companies to implement this type of channel. To have an idea, in 2015 5% of all the income generated by online selling came thanks to social networks, which if put into numbers, would reach a sum of \$ 14 billion. Additionally, companies have to take advantage of this tool as its advertisement within social networks is the cheapest in the market, with a capability of reaching a wider target with a more segmented and specific campaign that will bring better results if compared to traditional marketing means (Statista, 2018: 1).

GRAPHIC 8
SOCIAL NETWORK PENETRATION IN LATIN AMERICA FROM 2013 TO 2018

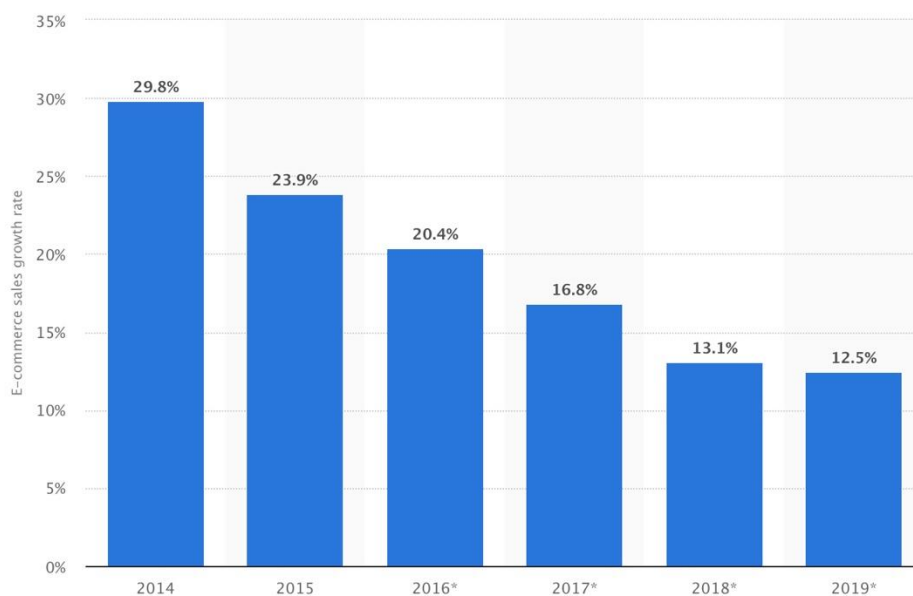


Source: Statista, 2018.
 Elaboration: Statista, 2018.

Additionally, the potential of South America can be supported by analyzing the next graphic (9) on the next page, in which, despite the slowdown and decrease of the retail e-commerce sales growth, still has a two-digit growth. Since 2014, there has been a reduction of the e-retail sales, going from 29.8% to 13.1% in 2018; nonetheless, the sector will still be growing at a 12.5% rate by 2019, which denotes the potential of the region. Likewise, there is more than just the growth rate for demonstrating the capacity of South America within online sales distribution channels. In fact, if sales across borders are taken into account, it can be stated that online sales for the year 2013 generated \$ 104 billion as there were 94 million Internet users constantly purchasing products and services from international sites. Hence, the prediction for 2018 was that the income will

increase in 200% approximately, generating \$ 307 billion worth in cross-border sales (Statista, 2018).

GRAPHIC 9
ANNUAL RETAIL E-COMMERCE SALES GROWTH IN LATIN AMERICA
FROM 2014 TO 2019



Source: Statista, 2018.
Elaboration: Statista, 2018.

3.2. Ecuador development regarding E-commerce

As being part of the region, Ecuador has potential in terms of e-commerce implementation. This is because the new channel is practically new to all the sectors of the economy as it hasn't been implemented to its full capacity. Moreover, these new online channels are starting to develop in the country, even though there is already a presence of international companies that do business through this means. Companies in Ecuador have been investing in new informatics tools and systems to start adapting to the global tendencies and merge their business with this new online distribution channel. Therefore, seeking for an increase in competitiveness and profitability (Buendía, Salas & Calero, 2015: 1).

In this sense, the following section will address issues such as the tendencies towards the use of online distribution channels, which will set the investigation on the context. Then, the International companies applying the channel in Ecuador and the consumer behavior perspective and reception will be analyzed. Like this, the development of new channels as well as its application

can be measured and put into contrast with the potential of the country and its consumers, revealing the viability for companies to invest on the implementation of e-commerce.

3.2.1. Sales distribution channels tendencies

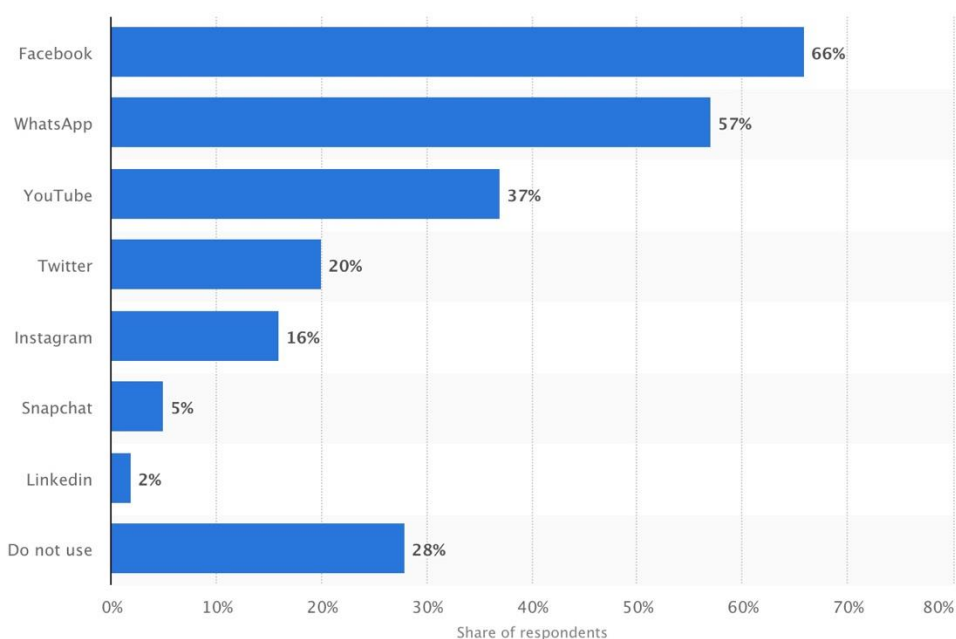
In Ecuador, as in the rest of the South American region, the tendencies towards the use of online distribution channels are growing and they are practically the same. According to INEC (2015), Instituto Nacional de Estadísticas y Censos, in 2015 the 74% of companies dedicated to commerce invested in information and communication technologies, demonstrating the trend towards automation of processes and the use of Internet as a distribution channel. Moreover, 98% of the companies studied by the institute have access to Internet and from that, 43% use Internet to develop their everyday tasks related to the industry. From the companies analyzed, 16% buy products or services from Internet in order to do business and 11% sale their products through online means. (INEC, 2015: 10-33).

Companies in this sector use different media channels in order to interact with their customers; from this perspective, the most important are social networks. Since 2012, there has been a growth of 12.1% regarding the use of social networks until 2015, being the former 48.3% and the latter 60.4%. This bull trend is not only showing the increase of the use of these tools, but also the tendency in Ecuadorian companies to implement them as part of a multichannel strategy, which helps them reach as much customers as they can in order to increase sales or simply improve the service. In addition to this, there is also the use of smartphones within the companies, which has also increased from 13.1% in 2012 to 25.5% in 2015, growing in 12.7% in just three years. Similarly, the use of tablets and other devices have increased during this period, going from 10.2% to 22.9% respectively. This data supports the idea of company's adaption to new trends, specially to e-commerce and the use of informatics tools (INEC, 2015: 34).

The use of social networks and technology have a great impact on company's performance. This is because they can use them to promote their business through the different platforms of social media in an effective and more efficient way saving money. By doing that, they can have a better conversion ratio

for creating and reaching potential new customers. Furthermore, the use of these tools benefit companies in the creation of online communities that interact in favor of the organization, increasing its brand value and reputation. Additionally, by having a correct social media management, companies are able to connect distribution channels and social media to make them work as one, making it possible for customers to reach the organization's products from their preferred channel. By doing that, companies are providing a really good customer service since the channels work seamlessly without generating any communication problem between customer and company (Tejada, Aguirre, et al., 2018: 1).

GRAPHIC 10
PENETRATION RATE OF SELECTED SOCIAL NETWORKS IN ECUADOR
IN 2016



Source: Statista, 2018.
 Elaboration: Statista, 2018.

Graphic 10 above shows the penetration rate of some social networks in Ecuador. On the one hand is Facebook, among the most common social network within businesses, as it permits companies to have their own company fan page and even a store inside. Nevertheless, that specific social network is used for promoting businesses with paid ads. On the other hand, there is Instagram, which makes it possible to have an organic impact, meaning that companies don't need to pay to have a lot of traffic on their company's profile (Statista, 2018: 1). To get more into detail, it can be stated that 39% of Ecuadorians using Internet to buy things use WhatsApp to order or communicate directly with the customers, 36%

use Facebook and 13% Instagram. This shows the top trends on the use of social networks as a multichannel strategy (Aquino & Del Rocío, 2017: 1). Lastly, it has to be clear that the Ecuadorian tendency towards e-commerce is more likely the same as the region, so customers buy from the same companies that have presence in South America. Therefore, these companies are going to be addressed on the next section.

3.2.2. International companies applying e-commerce on Ecuador

Now that the Ecuadorian tendencies regarding e-commerce are covered, the top international companies with presence in Ecuador are going to be analyzed. As the number one e-retail company, being in the market for 19 years, with presence not only in Ecuador, but in the region, is Mercadolibre.com. The Argentinian company has operations in 18 countries of Latin America and has an online catalog store where users can search for almost any kind of product they need or want to acquire. Furthermore, the company has over 50 million users and employs approximately 8 200 people, with their type of business being C2C. In this way, any person can upload information of the product or service they are selling so that the buyers can find it. But how does the business work? Mercado Libre charges for different plans in order to promote the product that the person wants to sell and that is how they generate their income, acting as intermediaries. Moreover, this company is the Latin version of eBay, which develops the same business model (Mercado Libre, 2018: 1).

The next company to be analyzed is an American e-commerce company that employs 150 100 people and generates approximately \$ 34 million in revenue. Amazon.com was founded in 1994 by Jeff Bezos, with the idea of selling books online. Eventually, after some years in the market, the company went public and started selling other types of products through their website. Their business model is B2C, so, the company interacts directly with their customers. In addition to this, it is important to mention that it also can be considered an intermediary, as other companies can sell their products through Amazon.com as well. The company gets its income by charging a commission for each sale made and also has set some plans for the promotion of the products. Another important fact is that it has set independent web pages for the US, Canada, Germany, Australia, UK, Austria,

China, France, Italy, Spain, Japan, Netherlands, Mexico, India and Brazil, having more or less a base of 30 million customers (Amazon, 2018: 1).

Despite the fact that Amazon doesn't have an independent site for Ecuador or any other country that wasn't mentioned before, it has presence in the different markets. Actually, they sell around the whole world and they manage to do so by centralizing their operations depending on the country. As the company has a base in Brazil, Mexico and Spain, for example, it uses its infrastructure to deliver the products to Ecuador. Additionally, customers from the region can navigate, depending on the language, on the Spanish, Mexican or Brazilian website. That is how Amazon can deliver the best customer experience across channels by unifying all the logistics infrastructure into one, making the interaction develop flawlessly. Therefore, the company can expand its reach and offer their products almost anywhere, being more efficient in the way they operate in order to increase its presence and income (Amazon, 2018: 1).

Another company with the type of C2C e-commerce is OLX.com. The company has 3 900 employees and an annual income of \$ 20 million, being the biggest platform for online classifieds for emerging markets in the world. OLX.com acts as an intermediary between people, letting its users interact with each other in order to make transactions. People can buy and sell new or used products throughout the platform and promote them so that more people can see them. Their way of making money is by charging different prices for promoting the user's products so that they can be sold faster. OLX is an Argentinian company founded in 2006, which has operations in 87 countries around the world and the most part in developing economies. They have invested in informatics tools along its history in order to adapt to new trends; in that way, the company was able to create their own app, which in 2014 generated more than 240 million monthly visits. Hence, OLX generates 54 million listings and has more than 1.9 billion visits every month, which lets them expand and keep connecting people from different countries (OLX, 2018: 1).

The last international company to be analyzed is a Mexican e-commerce retailer, Linio.com. The organization started to operate in 2012 in Mexico and now it is developing its business in 8 countries. These are Mexico, Panama, Argentina, Ecuador, Chile, Peru, Colombia and Venezuela. The company has

more than 6 000 monthly visits, consequently it has been able to duplicate its sales and process more than 1 000 transactions per day. Linio also serves as an intermediary with a B2C type of e-commerce and the process to start doing business with them is easy. First of all, a registration is needed so that companies can start uploading their products. Once done that, businesses can start receiving orders, dispatching them and issuing the invoice. Then, they can receive their payment. The core business relies on charging a commission per sale. Therefore, companies can use the platform to reach new potential customers directly at a reasonable price (Linio, 2018: 1).

3.2.3. Consumer behavior perspective and reception in the Ecuadorian market

Social, economic, and psychological elements are necessary to understand the behavior of customers on a specific context. As previously explained, fixed preferences, social and biological demands, conscious and unconscious influential ideas, and even emotions determine individual features concerning consumer behavior. However, it is necessary to take into consideration the tendencies involving the use of informatics tools and electronic resources that directly and indirectly influence on how users perceive a certain service or product. Moreover, in order to understand a collective conduct and attitude to certain actions or services, specifically e-commerce in this case, cultural aspects are fundamental in order to determine common and social elements shaping the behavior, either positive or negative, towards the development of online sales systems.

In this way, a general overview of how digital consumers act and react towards online sales systems must be taken into consideration. The extensive growth and implementation of informatics tools, have permitted users to be more and more informed regarding products and services. Especially the ones concerning online sales, since with the use of the Web 2.0, users have a broad access to information. This makes online consumers more selective and consumerist. Like this, online consumers are exposed to new marketing campaigns and advertisement, so companies using online sales mechanisms can reach the target and expand it (Guaña, Alvear, & Ortiz, 2015: 230-231).

Complementing it, as previously stated, cultural analysis is necessary in order to understand, in a general and collective way, what elements are the most

relevant and influential on consumers' conduct, leading them to accept or reject certain product or service. In the case of the South American region, and specifically the Ecuadorian population, certain cultural features are largely attached to the way in which users react to several or specific trends being initially applied. In fact, the consumer behavior in Ecuador, and in the entire South American region, is substantially founded on two main elements, that according to Elvira and Davila (2005) conform a hybrid system. It is called this way, since global trends are extremely influential on the business sector in order to become competitive on the international context. However, concerning South American countries, historical and circumstantial factors are combined to these global influence, without leaving aside social structures, traditions, or processes (Elvira & Davila, 2005: 3).

Among the Ecuadorian cultural features towards online sales processes, local idiosyncrasy forces global online sales procedures to partially adapt, respecting local culture. As follows, taking into consideration that the Ecuadorian culture has a high uncertainty avoidance (Hofstede, 2010: 188), it is possible to affirm that online consumers and in general the entire population, do not feel completely secure when executing online transactions. This happens even more when they have to provide personal and financial information on an online platform to acquire a service or product. This indicator shows that high levels determine the degree in which the society or individuals tend to opt for established structures. This evidences that the Ecuadorian population prefers services in which they have certainty that their information and transaction is safe (Elvira & Davila, 2005: 4-5).

Furthermore, personal contact is a determinant factor on Ecuadorian consumer behavior, as well as the one in the other countries of the South American region. Customers feel that whenever a transaction is executed, either for acquiring a product or service, as well as if it is carried out through traditional channels or online ones, personal communication influences on perceived security and trust. Therefore, generating a partial challenge, since online sales systems do not involve personal contact (Elvira & Davila, 2005:9).

Lastly, a significant factor that can also represent an opportunity for online sales distribution channels in the Ecuadorian market with positive perceived

results by consumers, refers to rewards and recognitions. This is considered as extremely important, since Ecuadorian and South American customers raise the value of specific products or services. Thus, incrementing the perceived maximized utility whenever they receive recognition or rewards. Relating it to online sales systems, it is an opportunity, since certain strategies center on offering and providing customers with an initial incentive, that eventually generates motivation to acquire a product or service. Hence, leaving aside certain other elements that might drive them away of online sales systems based on negative perceptions (Guaña, Alvear, & Ortiz, 2015: 232-233).

3.3. Case Study: Adicto AI Fitness Enterprise

In order to apply all the knowledge acquired during the development of this research, a case study is going to take place to relate theoretical and descriptive information to a practical and real case. That is how, it will be possible to determine which elements are the most relevant and influential on the implementation and development of an online sales distribution system that brings a vast number of benefits to companies and their customers, in this specific case, on the Ecuadorian market.

Hence, the subsequent section will encompass the company's description as an overview of their history and how their business works. Furthermore, their online distribution sales system is going to be analyzed in order to identify the different elements that make possible its implementation and understand how it works. Finally, the real and perceived benefits that e-commerce brings to the company from the owner's perspective. Consequently, after analyzing and passing through all this it will be possible to identify if the company, by applying online means, can increase its competitiveness and profitability.

3.3.1. Company's description

Adicto AI Fitness, is an Ecuadorian company funded by Fabio Vallejo and Esteban Nicola. The idea of the business came after developing a project of their University as they wanted to help and transform as many lives as they could by using the benefits of exercising and training. After the idea was crafted, the company's goal was to be the biggest YouTube channel (in terms of subscribers) in Latin America and they are getting there. The e-commerce company was

founded in 2013 when the webpage was already online, but that is not how it all started. In fact, the business began with social networks, which were used as an online distribution channel, and as they started having a positive impact in people, they built their web page. Nowadays, the company has a traditional distribution channel which is a gym called Beast Fitness and an online channel which is AdictoAlFitness.com, with a type of B2C online distribution channel (Vallejo, 2018).

The company's core business relies on offering their services, making their main product a training and nutrition program, with a set price of \$57. The product comprises a set of videos and documents that will guide the customer on how to train and what to eat according to their body type. Once they buy, it's up to them if they follow the process or not in order to obtain the expected results. Their second product is called "El Reto", having a set price of \$97. The product consists on a set of videos and documents which include the training they have to do according to their body type, as well as the nutrition they have to follow and a motivation package. This training plan takes 45 days as it is a 360-degree program, where customers are going to change their life. In addition to what is offered within the product, the program has a follow-up so that each customer gets the expected results (Vallejo, 2018).

The second product is the strongest right now and it is the one they are selling the most as it comes with a more complete service. But why was the price of the products considered as a set price? The answer to this is based on the costs it represents to offer the product. It is true that every business has costs of operation, distribution and even inventory, but in this type of business, costs are really low. In this sense, Adicto Al Fitness doesn't have to carry with inventory or any distribution costs as what they sell is information, distributed by online means (e-mail). Therefore, prices can be set as the costs of operation are low and there is almost no cost of production due to the fact that they worked once. They had to make the videos and gather the information for the nutrition, to sell the same program infinite times (Vallejo, 2018).

As their type of e-commerce is B2C, the company focuses on interacting with their customers through the online distribution channels, selling the products directly, reducing the steps of the chain supply by not selling through

intermediaries, while reducing distribution costs. Being in this way, more effective and efficient. Moreover, it is important to mention that not only the company is benefiting from this type of transactions. Their customers also benefit from this as the price doesn't rise. The use of the channels provides the best customer service in the market, and the efficiency of the new distribution channels transforms into time saving for customers. Thus, customers can take advantage of the multiple channels in order to interact and communicate with the company to satisfy their needs and obtain a really good service for a reasonable price (Vallejo, 2018).

Furthermore, it is imperative to mention that the company is currently applying a multichannel strategy, with which they can reach more people making the same effort in almost no time, while offering a complete service. In order to apply this type of strategy, the company has to have more than one distribution channel, being in this case the traditional one (the gym) and the online channel, the website AdictoAlFitness.com. Additionally, the company takes advantage of the new trends, using in this manner social networks as additional distribution channels. That is how the company increases its reach by unifying its processes so that the different channels act as a whole, providing with an end-to-end channel that helps the interaction between the company and customers to develop seamlessly. Consequently, the company's operation is based on the correct and efficient use of social networks like YouTube, Instagram and Facebook. Throughout the process of reaching people and selling their products they can have a complete distribution channel, deliver the best customer experience, and improve their brand reputation (Vallejo, 2018).

3.3.2. Online sales distribution system

When talking about the company's heart it is definitely going to be the online distribution system as it is the channel that lets the business run. Without the informatics tools and Internet, the company wouldn't be able to have a wide reach as it has, and would never be able to have such prices as the system is what makes the business so efficient in terms of costs. Moreover, taking into consideration how the system works, it has to be explained that they use a funnel technique, which consists in putting their customers into the different funnels as they come along the process of buying. In this way, customers enter the first funnel

by clicking on a post, video or add on any of their social networks to be redirected to the company's site, AdictoAlFitness.com. Once they get to the web page, a hitch must be made in order to obtain the customers e-mail and information. Accordingly, the company gives a free evaluation so that the user puts his or her information in the web form for the company's data base (Vallejo, 2018).

This has to be done as the e-mail is the tool that will keep the company connected with the customer from this point, as their sales process has to do with sending e-mails to each customer to make offers throughout the process. All these processes are made by informatics tools, so everything is automated. That is how the company manages to interact with a wide target of potential customers in an efficient way. In fact, whenever the customer puts the information in, the system already knows what product he or she is looking for according to the needs of the person. The system then puts them into the correct funnel to send, in the future, automatic offers of that exact product, securing, in that way, the sale. What Adicto Al Fitness does to have a better impact when reaching potential customers is setting quotas within an established period of time, letting the company have a better conversion ratio. In addition to this, they diversify their platforms to offer a better service and different options from which customers can pick fitting to their preferences and needs (Vallejo, 2018).

Likewise, the company uses the informatics tools and the capabilities of Web 2.0 when implementing social networks. In this sense, with the use of the Facebook pixel, which is a tool that permits companies to succeed in remarketing, they can set specific ads that will appear everywhere when users go on the web, just showing the product they needed or wanted to purchase. That is the most important thing of online channels. Once people give in their information, the system stores all the data necessary to know all the basic information of the customer, from gender to his or her preferences. Thus, the social networks the company uses the most are: YouTube, where they already have 977 000 subscribers, which are generating a variable extra revenue for the company, Instagram as it is the best one to have a bigger reach and start seeing organic results, meaning that there wasn't the need of paying for ads to reach the targeted audience, and Facebook, which permits to have a Fan Page of the company (Vallejo, 2018).

So, referring to their strategy to get customers to buy, the company focuses on the creation of content as that is the main reason why they have such a big audience (977 000 subscribers). Moreover, the only way of achieving success is by building the business around its brand. Hence, the organization needs to create a link by sharing 97 to 98 percent of the information for free. If that information is sufficiently good, customers will eventually buy the 2 or 3 percent left, which the company sells. One way or another, the company ends up creating value for the brand by delivering high quality information to customers and by using the different channels in order to reach more potential buyers. As the Co-founder said, by adding brand value, the company is creating credibility among its customers. Therefore, the social network is built, generating positive reviews for the company, which, in consequence will be translated into an increase in sales (Vallejo, 2018).

Lastly, to have an overall understanding of how the online system works, there is one more thing that has to be considered and that is the payment platform. Adicto AI Fitness uses Click Bank to charge its customers so that they can pay with credit or debit cards on the website. By using this platform, they are able to offer a secure payment method for their customers. Generating like this trust among them and influencing on their final decision to disclose their personal and financial information on the web page in order to purchase one of the products they offer. This is essential because consumer behavior affects how customers take action when navigating on the web. An important fact to consider is the customer's trust and security as it can become a major problem when trying to implement the channel. However, Click Bank is not the only payment platform provider, there are several like Pay Pal, Stripe or Payoneer which can deliver the same or even a better service. Their application will only depend on the company's preference (Vallejo, 2018).

3.3.3. Real and perceived benefits from e-commerce

The first benefit that Adicto AI Fitness has from the use of this online system is how their traditional channel is linked with their online one. In this matter, all the pictures and videos used to post on any of their social networks are taken in the gym (Beast Fitness). Therefore, linking the traditional with the online channels, as people see and recognize the place. By doing this, the company is

building its social presence, which at the end of the path will bring more customers, generating new sales. That is how, if the company can be found in Google, Facebook and Instagram, following a multichannel strategy where the organization diversifies its platforms and uses mass media to reach their potential customers, the company will increase their sales. Aside from that, the company is establishing new relationships, which are going to help build their brand (Vallejo, 2018).

Following this idea, the company, by building its brand on the Internet will increase its credibility, making people publish and also see positive reviews about the business. Besides this, if the company adds the conversion generated by posts with quality content, the final sale will come easier. That is how the company managed to start earning a variable extra income from YouTube. As the more subscribers they have, the more views and the more views ends up in more clicks and that in the generation of money (Vallejo, 2018). The next benefit that the company perceived was that the business can be open 24/7 the 365 days of the year with a minimum cost of operation. So that readers can have an idea, the costs to maintain the online system of Adicto AI Fitness working are \$70 a month. That can be broken down in \$30 for the server to host the webpage on Internet (service provided by bluehost.com), \$30 more to pay for e-mail marketing and \$10 to pay for private video hosting (the videos that are going to be sold). Therefore, low operation and distribution costs can let companies increase their profit margin and achieve efficiency (Vallejo, 2018).

The succeeding benefit is automatization, so Adicto AI Fitness lets the system do all the hard work. The owners don't need to worry about sending e-mails, ads or even selling the products to their customers or the people who are interacting on the business website, as all this is done automatically. Actually, while the owners are sleeping, the company is constantly making transactions and generating new sales, which are produced over and over again by the application of informatics tools along with the Internet. Like this, the company can have a greater reach and accomplish their main goal, which is helping as many people as possible with their programs. Moreover, as they are in the World Wide Web, their market is wider (being able to offer their products in the whole world). So that the idea can be understood, it is imperative to mention the case of the company, which

has already sold their programs to people in Mexico, Colombia, Peru, Australia, the United States of America, and of course, Ecuador. (Vallejo, 2018).

This brings us to the next benefit, the low presence of competitors. People would say the opposite of this as they may think that with the emergence of Internet companies will have more competition, but in the business model applied in Adicto AI Fitness, that is not how it works. They don't have direct competition due to the fact that their strategy with respect to the building of the brand helps them increase customers loyalty. This grows to such a degree that people start following the company and buying just from it as they provide a quality service and deliver the 98% of content; reducing and almost eliminating the chance of competitors selling products to their market target (Vallejo, 2018). Furthermore, another benefit described by the Co-Founder of the company is the growth potential companies can have by implementing these new channels forasmuch as in Ecuador these systems are underutilized. In this context, Adicto AI Fitness, being sponsored by Adidas and Natural Vitality, is focusing on re-launching its website in May 24th, 2018 to start selling tangible products like clothes for training and supplements (protein) as well as to provide with a membership service of sports coaching (Vallejo, 2018).

Just imagine if the company gets to sell to 1% of their total audience (977 000 subscribers) a supplement to gain muscle that costs around \$60. Adicto AI Fitness will make \$ 586 200 over the transaction. That is the perfect example to show how competitive and profitable any business that implements an online channel can become. Moving on to the next and the last advantage the system brings, the company definitely has an increase in terms of competitiveness and profitability. A weakness Adicto AI Fitness has is that the company has had its website down for a couple of months. The business started having lower sales as they didn't have an established image online. In this sense, businesses need to have a website that works seamlessly without any problems and that has the best UX (User Experience) design. The company noticed the problem and they are fixing it by relaunching AdictoAIFitness.com. As Fabio stated (2018), the potential of any business that has this type of channel is five times more than the ones based on traditional channels. Linked to this is the idea of managers being able to focus on innovation so that the company can grow and offer better products

and services, as they are not performing daily tasks and working to sell or communicate with customers. To close this, the potential the system has can be understood with the last case example. When the owners decided to open the gym, they held an expectation bell and within 1 week they were able to cover the total costs for 2 months of the traditional channel. Therefore, the new channel does increase profitability and competitiveness (Vallejo, 2018).

TABLE 4
TOP 10 ECUADORIAN YOUTUBERS

Rank	YouTube Channel	Uploads	Subscribers	Video Views	Market Share (%)
1st	Rapto Gamer	425	1,368,647	144,650,922	18.05
2nd	APOCALIPSIS TOPS	516	1,115,066	90,933,515	14.71
3rd	Adicto Al Fitness	504	977,870	83,988,318	12.90
4th	TopMan	147	783,788	147,770,333	10.34
5th	Rebal D	615	671,616	75,431,932	8.86
6th	NAYLA Vlogs	116	633,476	58,825,881	8.36
7th	Deriam Studios	656	541,638	178,580,823	7.14
8th	Anthony Swag	240	526,936	89,604,944	6.95
9th	EL INCREIBLE MUNDO DEL VINE	141	494,146	68,875,777	6.52
10th	Alejandro Diem	142	468,680	403,146,856	6.18
TOTAL			7,581,863		100

Source: Socialblade, 2018.
Elaboration: Salvador, 2018.

To have a better idea of the potential that Adicto Al Fitness has, the table above shows the top 10 YouTubers in Ecuador. The company is ranked as the third biggest channel in the country and there is no presence of any direct competitors. The company has 504 videos, which have reached almost 84 million views and almost one million YouTube Subscribers, which are increasing every day. Thanks to this, information can be contrasted with the other YouTube channels, making it easier to understand the potential the company has for growing and generating revenue that will increase each year. If the Ecuadorian market was considered the only place where Adicto al Fitness sold their products, they would have 13% of the market share, being the biggest portion 18% and the lowest 6%. In consequence, it can be stated that the company is well positioned

and that it will keep growing as long as people keep subscribing to their channel (Socialblade, 2018: 1).

Finally, by understanding the general overview of the South American region and Ecuador's development regarding e-commerce, it is possible to state that the implementation of new online distribution channels as well as the offering of the best service organizations can provide, can lead to a growing of any organization. Complying with the third specific objective, which intends to determine the impact between the implementation of online distribution sales channels and the company's competitiveness and profitability. This can be said after it was analyzed in the case study of the company Adicto Al Fitness how the online channel permits the company to have an increase in its competitive advantage as it makes processes more efficient and reduce costs along the company's main business tasks. Consequently, making the company increase their competitiveness and profitability along the way.

VI. ANALYSIS

Once explained all the contents included in the present research, the following analysis will be centered on the general objective, which aims to analyze the impact of implementing an online sales distribution channel on a company's business strategy in South America in the last decade. Taking into account the research done concerning e-commerce and online distribution channels in South America, the four most relevant elements for a correct and efficient implementation have been defined. The analysis focuses on each one of these, as well as on the integration and relation of them all, determining the relevance of including these elements on a complete structured business plan.

The first element to be analyzed refers to the impact that the Internet and the Informatics Tools have at different levels concerning its use when applying online channels as part of the sales strategy. At an individual level, Internet becomes an elemental tool for interaction and communication between people. Regarding a collective and social aspect, the Web relates and permits users to search, find, and even generate content that is jointly shared, making the Internet a double channel source. Moreover, at an organizational level, companies are in the need of implementing the Internet as a strategic tool in order to continue to be or become competitive, since more users use this technological mean as a research resource. Referring to the South American region, the Internet penetration and the use of mobile devices and ITs demonstrate that the regional and local market tend to adapt to these technological advances; however, even if it has a great potential, it is a sector that has not been fully explored, nor exploited. Therefore, taking the case of the company Adicto Al Fitness, it is possible to evidence that its organizational structure adapted to local market demands, by relating global tendencies with the specific context.

The second element, defined as one of the most relevant factor surrounding the implementation of online distribution channels and e-commerce approaches, corresponds to online strategies. In order to achieve efficiency with an online sales system, it is necessary to formulate and establish a general strategy that integrates a variety of distribution channels, the sales model, and e-commerce strategies. This refers to the fact that companies need to choose which channel permits them to achieve the desired outreach, reduce costs, increase efficiency, and reduce

procedural and operative times. Moreover, the sales model helps companies to determine a specific target and the core business. If a sales model is not correctly developed and defined, the company wouldn't be able to formulate the strategy, resulting in difficulties concerning the company's control.

A company is utterly concerned in maintaining a customer following based on their cultural branding, which in return defines a company's relevance. Keeping customers, as a result, involved and interested in what the business offers them. For example, any store, in today's context, will have to form an integrated experience for the user to keep him or her compromised with the business' economic activity. In other words, a company has to have a physical experience, many times presented in the form of a retail store. As well as, an online experience that entails the store's core beliefs and products all in one tidy accessible portal. This permits the user to choose and pick freely from the competition without the hustle of physically going to the store if it is not required; thus, making the customer's experience easier and more enjoyable. Finally, what integrates everything together, in order to make the experience worth having is the participation the public and the company has through the social platforms. This is ultimately what lets the market place and its participants keep a relevant stance amongst competitors, allows businesses to improve customer service through back and forth feedback, and along the way personalize the experience in such a manner that allows businesses to provide lifestyle defining products and services; instead of disinterested and indifferent corporations that no longer communicate to the core values and interests of the current public. Consequently, from either an individual or organizational perspective, the market is constantly changing. Since it is not completely defined, international companies are susceptible to failure without a well structure strategic planning.

The third, and possibly one of the most important factors of all, centers on consumer behavior. This specific element determines how customers react towards e-commerce processes and services. Consumers are the main actors in the decision-making process, because they are the ones interacting in the market place. Therefore, defining whether to buy a product or not, depending on the available options on the market. Besides all the social, economic, and psychological features that shape individual consumer behavior, and partially the

collective one, two other elements are influential on this conduct. The approach that companies execute by adapting to the local context and responding to social demands can possibly shape the consumer behavior on a specific population, still, it cannot be changed. Furthermore, culture plays a relevant role on how consumers perceive and accept certain procedures or trends. Precisely the South American and Ecuadorian culture is characterized by certain features such as personal contact, security, and trust, and thus, international companies are required to adapt, by planning and carrying out strategies that respond to these elements. For example, Adicto AI Fitness adapted to these cultural challenges by using secure payment platforms or social networks as a more direct mean to reach people. Hence, generated trust and somehow personal contact with users and customers. However, these specific strategies did not remove or eliminated the challenge, but partially diminished it.

The last factor relates to different organizational approaches. This refers to the fact that companies that plan to implement new sales strategies or online channels, need to have a deep comprehension concerning new online sales and distribution models. Consequently, having certain different features from the competitors on the market. It is necessary at all the organizational levels, to have a clear understanding and relation within the company, in order to perform different functions and activities based on the new online system. In this way, the new strategy can integrate organizational operations and functions, generating different benefits in terms of costs, efficiency, outreach, and automation. Thus, not only functions and strategies need to adapt and change, but the entire organizational culture has to develop according to the established sales system.

VII. CONCLUSIONS

- After having made the analysis of the present investigation, it is possible to assert that the proposed hypothesis has been proven as true. Modern sales systems based on online distribution channels influence in the development and growth of e-commerce. At the same time modern sales systems influence the level of trust among consumers in South America. Having a direct impact on the international companies' brand, improving profitability and competitiveness. Along these lines, four conclusions are going to be developed that are crucial for understanding the main statements that shape the hypothesis.
- First the use of Internet and informatics tools is indispensable for business growth. In fact, if people and companies do not adapt to the use of these, they will have a lag compared with other organizations and societies from developed countries. Thus, making businesses lose opportunities and decrease their profitability and competitiveness. In the era of Web 2.0, Internet use for individuals is optional as they can choose how, when and for what to use it. Taking the same statement from a collective point of view, it can be said that its use becomes kind of a necessity as all the information is there and they need it to communicate, interact and contribute on the generation of content. But at an organizational level, Internet use is a must since the market tendencies have direct influence. Actually, it can be stated that either organizations use it or simply start losing market share, and even they could go out of business, as explained along the research. Especially in South America where Internet's penetration is high and increasing. Therefore, Internet and informatics tools are essential for the growth of companies. That is why organizations must adapt to global trends, the regions context and to the customer behavior in order to get benefits from the potential of the region.
- The formulation of a well-structured strategy is essential for the correct implementation of an efficient online distribution channel in a new market. In this manner, deciding among disintermediating, re-intermediating or applying a multichannel strategy, choosing a type of online distribution channel model such as B2B, B2C or C2C, and selecting an e-commerce strategy such as mass media advertising or diversification of platforms,

becomes a fundamental process prior to the implementation of the channel. Therefore, it is important to work along the strategy so that the company can accomplish the correct application of the online sales system with a clear focus and goal, which will lead to success. Hence, in the regional and local context, being a new and unexplored market, it becomes a necessity since there is no pattern that demonstrates a trend in terms of the application of an online sales distribution system.

- Consumer behavior is critical when implementing e-commerce based on cultural elements that cannot be changed but shaped. One of the most important factors is culture, because companies have to create their own identity and adapt to customers response. Companies can generate and implement strategies, embracing the culture of the market they are trying to enter. In the case of the region studied and the local market the company needs to generate trust and credibility among consumers, so they use this channel to interact directly with their customers and start making transactions. Consequently, international companies need to adapt to the cultural context, establishing a new relationship that responds to social demands and preferences, and thus, generates acceptance by partially shaping consumer behavior but not changing it.
- The following conclusion, centers on the fact that international companies ought to develop an integrated system within the organization in order to increase competitiveness and profitability. International companies must develop their online sales distribution system, integrating all the functions of the organization to meet the purpose of the company, which is selling directly to customers through online means. When doing this, they have to take advantage of the electronic and informatics tools, creating its strategy based on the new business model and adapting to the consumer behavior. In consequence, international companies will adjust all their processes and operations so that they work seamlessly with the implementation of the new channel. Therefore, being more effective, efficient and increasing the company's competitiveness and profitability.
- Finally, the analyzed company has partially utilized the potential that the Internet provides by establishing a compound strategy. Moreover, the company has adapted to the context by integrating cultural elements that

define the South American and Ecuadorian consumer behavior. Thus, taking into account local features such as personal contact, direct communication, and generated and perceived trust among the users' community. Lastly, Adicto AI Fitness is still a growing and developing company on the South American region, however, its potential to expand is demonstrated by its capacity of mitigating challenges and risks present in the market. By adapting to the social and customer demands, implementing global trends, and specially including a strategy with unique approaches, which differentiates them from competitors. As a result, the company acquires competitiveness, and hence, increases its profitability, customer acceptance and use.

VIII. RECOMMENDATIONS

- It is important to develop new research regarding e-commerce in the South American region as well as in Ecuador. There is not enough information regarding the implementation, application and the results generated by online distribution channels within companies. Taking into account the potential of the region in this matter, the market would benefit from having a more and deeper research about the different aspects of the application of the online distribution channels so as to have a better acquaintance of the overview and possible development in the region.
- From a professional approach, it is relevant that companies or entrepreneurs execute specific and detailed market research in order to determine the degree of applicability of online sales distribution channels on the region. Moreover, it is necessary for the company to focus deeply in the analytics that the system provides to measure the potential of the region. Therefore, defining current and future opportunities, risks, and challenges.
- From an organizational point of view, international companies in South America as well as in Ecuador should start using Internet as a tool to develop market research, new strategies to reach potential customers and to increase brand value. In addition to this, international companies should also start innovating and updating their informatics tools in order to reduce costs, timing and cut the chain supply. Consequently, growing the business and achieving success by having competitive advantage and greater profit margin.
- International companies unavoidably have to determine and establish within its strategy the three most important aspects for reaching success, which include: the channels to be utilized, the type of online distribution channel model and the e-commerce strategy such as mass media advertising and diversification of platforms. Therefore, organizations will be able to provide with the best customer experience, reaching new potential customers and completing a correct implementation of the online channels.
- One key element when implementing new sales channels is culture. International companies must take into account all the relevant aspects of culture to adapt and embrace the characteristics of the regions culture so that the company can have direct contact with customers. Furthermore, companies

should consider new alternatives to strengthen consumer trust, secure user's personal information and help users interact in the online community.

- As the Web 2.0 brought with it new tools such as social networks, it is relevant for international companies to start learning how to use them. In this way, they can save money, build their brand on Internet, have a wider reach, generate credibility among users and automatize advertisement in a way that the system uses remarketing to increase the sales by sending well segmented and specific adds to each potential customer.
- It is essential that managers participate actively during all the processes to implement this new online sales distribution channel so that the strategy merges within all the departments of the company. Hence, every employee will understand where the organization is going by implementing the strategy correctly, linking all departments so as to make them work as a whole along with the online channel.

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