

# ECOMMERCE IN COLOMBIA: EXPLODING OPPORTUNITIES?

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## ABSTRACT

eCommerce in Colombia has recently experienced an atypical growth in comparison to a common trend observed in Latin America in recent years. Colombia can be seen as a late starter in terms of transactional and connectivity growth. However, its market has been evolving rapidly due to government policy, banking penetration and individual efforts to create trust in the eCommerce sector. With a promising market, Colombia may be set to outpace the development of pioneering Latin American countries such as Brazil. This analysis is then used to provide a set of entrepreneurial recommendations for actors involved in the eCommerce sector.

**Keywords:** eCommerce, connectivity, Colombia, electronic commerce, Internet.

## RESUMEN

El comercio electrónico en Colombia ha experimentado un reciente y atípico crecimiento comparado con la tendencia latinoamericana de las últimas décadas. Colombia puede ser vista como un competidor tardío en términos de crecimiento de su conectividad y sus transacciones. Sin embargo, su mercado ha venido evolucionando rápidamente a través de políticas gubernamentales, bancarización y esfuerzos individuales enfocados en la creación de confianza en el sector del comercio electrónico. Con un mercado prometedor, Colombia puede llegar a superar el ritmo de desarrollo de otros países latinoamericanos pioneros en este sector, tal como Brasil. Esta base es usada para proponer recomendaciones de tipo empresarial para actores que se desempeñan en el sector del eCommerce.

**Palabras clave:** eCommerce, conectividad, Colombia, comercio electrónico, internet.

**JEL:** M00, M1.

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## Introduction

eCommerce activities in Colombia have experienced an atypical process of development in recent years. When the eCommerce boom was emerging as a shopping alternative in neighboring countries a decade ago, the Colombian market did not seem to follow the same dynamic. This situation has changed considerably. Today, eCommerce is one of the fastest growing business domains in Colombia (Dinero, 2014), having not only caught-up with but also being set to outpace many Latin American countries in the near future (yStats, 2014).

This paper attempts to discuss theoretical and business-related aspects that are relevant for digital entrepreneurship in Colombia in order to provide entrepreneurial recommendations. We begin this paper by providing an overview of the Colombian eCommerce environment. As a next step, we review the literature on Colombian eCommerce as well as some theoretical aspects and further analyze the evolution of the Colombian eCommerce market based on national and international research. This analysis is then taken as the base for a set of recommendations that target entrepreneurs intending to embark in or expand eCommerce activities in Colombia.

## Initial considerations

While five years ago, eCommerce transactions played only a minor role in national commercial activities with less than 600 million dollars billed online (Dinero, 2014), B2C Internet sales already surpassed 3,5 billion dollars in 2014 (Orrego-Garay, 2015, p. 94). In other Latin American markets such as Brazil, Chile or Peru, eCommerce activities had not only attained higher absolute levels in the past, but have also played a more significant role in total retail sales, pointing to higher levels of consumer acceptance than in Colombia (eMarketer, 2015).

Colombia appears to be a late starter and still has a long way of catching-up ahead. With eCommerce representing only 0.2% of GDP, Colombia falls behind Latin American averages (0.6%) and the global average of almost 2% (Cámara Colombiana de Comercio Electrónico [CCCE], 2014; Ecommerce Foundation, 2014). In spite of having one of the highest internet penetration rates in Latin America of around 60%, only one out of ten Colombians shops online (El Tiempo, 2014), whereas every third Brazilian or Chilean uses the Internet to purchase goods and services (Ecommerce Foundation, 2014). Given that Colombia's share in Latin American B2C-eCommerce sales barely surpasses 5%, while being the third largest economy and fourth largest online audience (ComScore, 2014; CCCE, 2014), the road ahead still seems steep.

However, Colombia seems to be rapidly catching up with yearly growth rates in eCommerce transactions already accelerating to more than 40% between 2013 and 2014. This doubles the average global growth rate of 20% and contrasts with declining growth rates in more mature eCommerce markets (eMarketer, 2014b; Ecommerce Foundation, 2014). While only in 2010 Colombia significantly underperformed in all categories of the Visa-"E-readiness" report that are crucial for the development and growth of eCommerce activities, the 2014 document suggests major improvements in all areas with Colombia having risen to the fifth largest eCommerce market in the region (Visa & AméricaEconomía Intelligence [AEI], 2010; Visa, 2014). During the latest edition of Cybermonday<sup>1</sup> (Cyberlunes<sup>®</sup>) in June of 2015, traffic rates were 64% higher than the same event in December of 2014 and 124% than the May 2014 edition (CCCE, 2015b).

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1. Cybermonday is nationwide eCommerce event that involves special deals during one or two days. It is normally carried out in May-June and December every year. The last edition was supported by massive advertisement campaigns on print-media, TV, banners, radio and on the individual advertisement of the participating businesses (For more information cf. [www.cyberlunes.com.co](http://www.cyberlunes.com.co)).

Despite the fact that data on the Colombian and Latin American eCommerce markets is limited and at times inconsistent<sup>2</sup>, evidence addressed in this paper suggests that Colombia's development between 2010 and 2020 may speak for a faster development than Latin American 'pioneers' such as Brazil and Chile.

The Colombian boom has attracted national and international players contributing to the acceleration of development of the eCommerce market. Actors seeking to enter the market need to be aware of the particular situation and adapt their strategies if they aim at capitalizing on available opportunities. Having a clear picture on what factors have caused and contributed to the specific development mentioned above is a departure point for successful business strategies.

## Literature review

While eCommerce is often addressed in general and specialized press reports (Portafolio, 2015; La República, 2013; El Tiempo, 2014), systematic academic publications that go beyond the facts and figures of country and global reports are relatively scarce. Remolina Angarita (2001) introduces Colombian eCommerce activities from a legal point of view and also addresses the immaterial nature of digital transactions (Remolina Angarita, 2002); Tavera et al. (2011) provide a local study of eCommerce acceptance in the city of Medellín, while Flórez Rojas (2013) reviews the legal framework of online payment reversals in Colombia. Further legal aspects have been also addressed in terms of consumer protection (Plata, 2013) and eCommerce contracts (Remolina Angarita, 2006), pointing to legal developments that parallel new technologies. While the legal dimension is crucial when addressing eCommerce, studies dealing with its social and entrepreneurial dimensions are rather rare.

Beyond purely academic accounts, country reports have documented the expansion of online activities in Colombia. They may be classified as a) reports dealing directly with eCommerce developments and b) reports dealing with payment methods and the financial system. In the first group, a "First eCommerce Study" was carried out by Price Waterhouse Coopers [PwC] (2013), reviewing the eCommerce landscape and its financial infrastructure in Colombia. The Colombian Chamber of Electronic Commerce (2014) published its eComRank survey that covers 99 interviews of managers working in eCommerce. They review budget allocation, eCommerce marketing tools, payment methods, etc. This institute also publishes newsletters that exclusively concern eCommerce developments in Colombia. Further reports include the global perspectives of retail and their online dimension (Cushman & Wakefield, 2013; AT Kearney, 2014), internet statistics (Huawei, 2015; yStats, 2014) and generalized metrics and indices of the 'digital economy' in Latin America (Visa & AEI, 2010).

The second group of reports is more densely represented by financial institutions that report on the financial infrastructure of Colombia (Euromonitor, 2014; International Finance Corporation [IFC], 2011) and of Latin America (Visa & AEI, 2010). These studies share a focus on the development on financial services and their impact, which notably influences online transactions. They serve as information sources for press reports and actors seeking to understand the digital side of trade in Colombia. Recommendations and future perspectives are also addressed in these reports.

As we have seen, systematic academic accounts dealing with the legal dimension of eCommerce in Colombia are available. However, further aspects of eCommerce still yield a vast potential

2. E.g. no numbers on online-retail business creations, GDP share estimates are calculated at 0.2% by the CCCE and at 2.19% by PwC. A newer report from the CCCE published in November, 2015 sets the figure at 2.62% of Colombia's GDP.

for further research. While country reports and market studies offer a valuable statistical base of analysis, they cannot be seen as the sole source of academic discourse around Colombian eCommerce. This paper series intends to fill part of this gap by providing an entrepreneurial perspective about Colombian eCommerce providing best-practice recommendations for companies. We believe that a perspective of this nature is more appealing for entrepreneurs and researchers who look beyond purely legal connotations of trade.

## **Theoretical considerations**

eCommerce is a modern dimension of one of humanity's oldest activities, trade. During the middle age, providing security for merchants contributed to the success of towns and cities (Friedman and Mossler, 2000, p. 611). One example is provided by the long castle route in the Italian Province Emilia Romagna, where fortresses were built as a means to protect people, including merchants and soldiers moving through trade routes (Lazzari, 2007, p. 2). Whether security came from a pact between nobles or a treaty among States, it was supposed to contribute to economic prosperity.

Providing security can be seen as a bond of trust between the government, the business owner, and the consumer. Gefen (2000) binds Niklas Luhmann's ideas on trust with eCommerce developments. In short, Luhmann considers familiarity to be a precondition of trust, which in turn determines social behavior, as it is a 'basic fact of social life' (Gefen, 2000, p. 727). Following Sztompka (2000), trust is a complex phenomenon with relational, psychological and cultural dimensions. The author traces social conditions as generators of trust cultures, which may impact the way people interact. If there is a personal drive to trust another social actor and the same time, a culture of trust underpins this intention, interaction and even transactions between people are facilitated.

Note that we mentioned three actors in the last paragraph, which may be thought of as belonging to a 'chain of trust' between seller, buyer and the government. Hence, security does not only stem from the promise of a certain seller but from the general framework that governs transactions or that which Davis and North term the 'institutional environment' (Oxley & Yeung, 2001, p. 708). If there is trust stemming from a legal framework, a culture of trust and a personal drive to trust in other actors with whom transaction can be carried out, a general feeling of security may boost commercial interactions online (p. 706). If not, there will be more obstacles that have to be tackled at different levels. Consider, for example, the negative impact on a local economy when violence systematically spreads, as has happened in Africa (Nyang, 2014) and Latin America (Gagne, 2015). Violence disrupts trust and hampers the development of systematic commercial flows.

While trust acts as a precondition for developed eCommerce activities (Albornoz, 2012; Oxley & Yeung, 2001), market signaling (Spence, 1973) serves as a further theoretical building block that encompasses the matchmaking processes behind transactions. Spence set out to describe how actors break information asymmetry on the job market through signals. The latter can be a university degree that signals associations such as quality, discipline, etc. The employer will ease his or her decision-making process by trusting these signals. We assume that the same logic may be generally applied to eCommerce, as both sellers and buyers engage in signaling activities on platforms that weaken information asymmetry. Seller ratings, product reviews, website reputation, security icons, brand partnerships feed transparency on the web. As Amazon's CEO Jeff Bezos put it "we don't make money when we sell things. We make money when we help customers make purchase decisions" (Harvard Business Review [HBR], 2013).

Culture serves as a further theoretical building block. Without delving into anthropological considerations on the complexity of culture, we address a specific feature of culture that helps understand the potentials of eCommerce. Culture may be expressed in consumption preferences that reflect internally heterogeneous societies. Hoare (1991, p. 45) writes that the particular lens of our culture and our position therein should make us acknowledge that we do not operate objectively. This cultural filter serves as a warning for any eBusiness proposition that may be tempted by abstractly segmenting markets. Within a country or a city, diverse income levels and social strata imply different preferences or internal cultural patterns, which may be reflected in the structure of demand.

## The development of eCommerce markets

### Forrester's Stages Model

According to *Forrester Research* (2012) eCommerce markets tend to go through four phases before they can be considered well developed. The report describes these four phases as follows:

In phase one, termed *Connecting and Entertaining*, consumers go online and connect with others via online platforms. More than ten years ago, email and chats were the main channels of communication; today, online communication is dominated by social media. Phase two, *eBusiness Basics*, portrays consumers' acquiring trust in order to engage in money-related activities such as online banking and travel. Then in phase three, *Comparable Goods Purchases*, consumers expand their scope of transactions by shopping and comparing goods of different categories. Among the most active categories are electronic devices and books. Lastly, the phase of *Subjective Goods Purchase* activates new product categories that were classically purchased after being physically tested on the POS, i.e. apparel, beauty products, etc. This phase also includes a more active consumer who has access to online tools that foment comparisons and interaction with the seller.

### The Colombian case

Colombia seems to undergo an atypical process when it comes to the development of eCommerce activities. As outlined in the introduction, Colombia has shown a rather late but rapid development in recent years. These distinct characteristics in the development of the eCommerce market may be reflected when suggesting that Forrester's four phases are being experienced simultaneously, not gradually. While all elements of the early stages are confirmed by the purchasing behavior of Colombian eCommerce users (high importance of "e-business basics" and "comparable goods" categories such as airlines tickets, hotel reservations and consumer electronics), "phase 4" categories such as apparel and cosmetics are already taking the second place (Sánchez, 2014).

This can be interpreted in the sense that Colombia, despite its late development, has 'caught up' and is now following the same trends as other Latin American markets like Brazil, where apparel is one of the fastest growing categories in B2C eCommerce (CCCE, 2014c). Among the most purchased categories in Colombian eCommerce, we find electronics and fashion to be the strongest. Almost 45% of all consumers purchase electronics and computers. We observe a similar trend in Brazil, where electronics and computers add up to 33% of all eCommerce transactions (Ecommerce Brazil, 2015). If we consider Forrester's stages model, only "experienced" markets enter the "subjective goods purchases" phase. In the case of Colombia, an inexperienced market that tripled the value of its e-transactions from 2010 to 2012 (Dinero, 2012), these two phases seem to be occurring simultaneously.

This process of adaptation where 'subjective goods' are increasing their share in ecommerce transactions may be due to the influence of trends that are communicated via internet. Despite Colombia's wailing physical infrastructure, there are more than 9.7 million internet connections and 96% of its municipalities are connected to the internet (CCCE, 2015). This evinces different development logic than that of countries such as Germany and the United States, where a strong physical infrastructure preceded the consolidation of the internet. As an example, in 1985, the first high-speed internet backbone was initiated throughout United States by the National Science Foundation (NSFNET, 2016), whereas massive infrastructure programs such as the one led by Roosevelt's Works Progress Administration (WPA), which built more than 1000 tunnels and 639.000 miles of roads, were carried out from 1935 to 1940 (Stone, 2014).

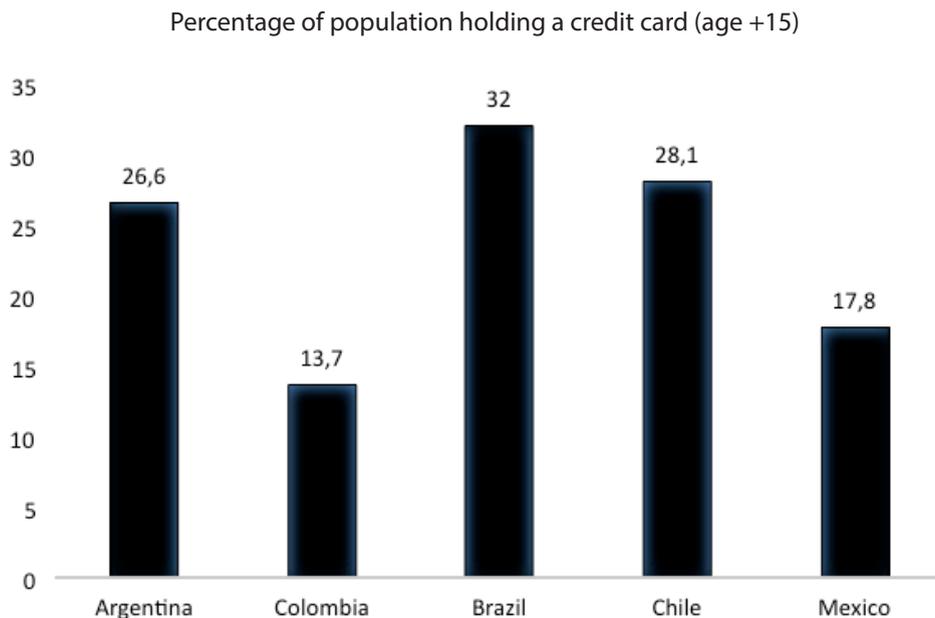
## Understanding Colombia's eDevelopment

Colombia's eCommerce situation may be explained by a set of factors of dynamic nature. While it is difficult to find reliable qualitative data hinting to behavioral patterns, preferences and their individual explanations, the combination of quantitative studies and the experience of companies like *Linio* shed light on current developments. Below, we identify and list some of these factors that help explain where Colombian eCommerce stands today. Colombia's current situation is characterized by the result of the two major aspects described above: Late but rapid development. Each aspect is the result of a combination of factors.

### Reasons for 'lagged' development

- ⇒ *Limited sourcing and product variety*: One of the major factors inhibiting an early development of retail markets is related to sourcing obstacles. Product sources have been limited for years, leading to a lack of variety and choice within and across product categories. Ultimately, this situation weakens competition in retail markets and is also reflected in Colombia's relatively low performance in *A.T. Kearney's "Global Retail Development Index"* (A.T. Kearney, 2014). The low competitive environment in retail acts as a deterrent for the fast and dynamic eCommerce industry. Competition had to come from "outside" with the result that a major part of the Colombia eCommerce market is nowadays in the hand of German and US companies profiting from their know-how and experience gained in other markets (Dinero, 2014b; La República, 2015).
- ⇒ *A lack of user experience, sophistication and savvy* contributes to a 'culture of distrust' (Sztompka, 2000) and low confidence. Originated in a lack of offer and options in eCommerce businesses, users did not have the chance to gain experience and to build both trust and confidence in new "buying" possibilities. As described above, trust is an essential element when it comes to the acceleration of eCommerce acceptance and usage.
- ⇒ *Insufficient infrastructure*, limited logistics and delivery options are regarded as one of the main obstacles for the Colombian eCommerce market, where growth is determined by "borderless" orders and speed. Best practices such as cost-free returns, free freight and same-day delivery are anything but easy to implement in almost any Latin American country (Heim, 2014).

- ⇒ The level of *banking penetration* and access to payment options in Colombia is key when it comes to comparing eCommerce customer potentials with neighboring countries. Banking products such as accounts and credit cards are often a prerequisite for participating in eCommerce transactions. Among the several approaches available to measure bank-usage levels, indicators such as the percentage of the population holding bank accounts and credit cards or the BBVA's *Financial Inclusion Index* are helpful. The following chart depicts the percentage of people holding credit cards, as reported by the World Bank for 2014.



Source: World Bank Global Financial Inclusion Database.

- ⇒ Colombia appears to be 'lagged' compared to regional eCommerce leaders such as Brazil and Chile. These results are confirmed by the BBVA's *Financial Inclusion Index*, which ranks Colombia in the 57th position, while Brazil appears as nr.29 worldwide (Cámara & Tuesta, 2014). A recent report indicates that Colombia's overall banking penetration rate is higher than 75% (El Tiempo, 2015). However, earlier publications based on World Bank data estimate similar rates at 30% (Price & Lehr, 2014). The considerable spread is partly related to different variables and methods, yet the overall picture indicates that Colombia still has a long road ahead with respect to its leading neighbors.
- ⇒ *Lack of protection for the international eConsumer*: While Law 480 of 2011 does foresee the protection of the national eConsumer, Colombian legislation does not provide protection for international eCommerce transactions, including those stemming from the recent Free Trade Agreement with the United States (Aristizábal-Johnson, 2014).
- ⇒ *Credibility of payment channels*: Following Oxley & Yeung two aspects of the institutional environment are key when promoting transactional integrity in eCommerce: "(1) the overall integrity of the nation's trading system, related to the degree to which the economy is governed by the rule of law, and (2) the credibility of payment channels

available to e-commerce participants” (2001, p. 708). Colombia is the fourth country with the highest cybercriminal activity in Latin America, having lost more than 500 million USD in online fraud (Lozano Garzón, 2015). This situation contributes to distrust and skepticism when it comes to giving personal financial information.

Several barriers to eCommerce that were documented by the *Dinero* (2015) magazine were included on a Chamber of eCommerce letter addressed to the Minister of Communications and Technology in March of 2015 (CCCE, 2015). Among the most relevant are:

- ⇒ *Excessive transaction costs fueled by diverse taxes when carrying out ‘micro payments’:* Consumers and sellers must not only pay the VAT. They also pay 2.4% withholding tax and a further 0.414% for the ICA retention tax. This amounts to 4.314% including the VAT. The magazine highlights the importance of cutting down on these taxes in order to support the formalization of new entrepreneurs who have no incentives to budge from informality.
- ⇒ *Education and qualifications:* Low human capital in terms of number of graduates from technology-related programs: Without a high number of professionals working in this field, it is difficult to boost the eCommerce market. While IT and Communications specialists do not represent all of the careers that are present in eCommerce, they symbolize a professional base that enables technological progress. In 2013, approximately 28% of higher education graduates came from what is termed university based ‘*technological careers*’, which include IT and Communications programs (Observatorio Laboral para la Educación [OLE], 2013). However, neither the Observatory that reports these statistics nor the Ministry provides detailed statistics on the recent evolution of IT related programs. An official document from 2012 reports that approximately 21.000 students graduated from non-university IT-related programs- termed in Colombia ‘*technical careers*’ - between 2001 and 2010 (Ministerio de Educación Nacional [MinEducación], 2012, 18). While the numbers grow steadily each year, the amount of ‘*technology*’ or ‘*technical*’ graduates is still low compared to the 350.000 students that graduated in 2013 (OLE, 2013). Recent reports indicate that for every technician there are six university graduates, while industrialized countries have an inverted relation: for every university graduate, there are six technicians (Diario del Huila, 2014).
- ⇒ *Right of withdrawal barriers:* Articles 49 to 54 of Law 480 of 2011 regulate consumer protection in eCommerce matters. Withdrawal rights are fully given to consumers who opt out of a transaction up to five days after the product’s delivery. This complicates the sellers’ situation when promoting short-term offers while their suppliers refuse any returns. The Colombian Chamber of eCommerce calls this situation a ‘*unilateral obligation*’ that is imposed on sellers (CCCE, 2015).

## **Reasons behind the “catching-up” process**

- ⇒ Foreign companies are forerunners that have been paving the way for local actors (La República, 2015): A big part of the Colombian eCommerce market is in the hand of foreign players dominated by US American and German firms. Companies like *Cuponatic*, *Alma*, *Linio*, *Groupon*, *Dafiti*, *Cdiscount* and *Falabella* can be regarded as forerunners, allowing the Colombian customer to discover proven business models and gaining experience and trust from companies

that have an international track record of reliability and service (CCCE, 2014b). Internationally experienced and strong players not only have a positive effect on consumer confidence, but are also directly affecting processes and operational environments. This can be illustrated in the case of Linio in Mexico:

Linio is definitely having a profound impact on the logistics landscape. For instance, none of Linio's logistics providers had dedicated eCommerce teams or offerings [...] In a short period of time, all of them had created teams or procedures dedicated to eCommerce. Also, whilst Cash on Delivery was something already offered, Credit Card on Delivery was not, and so Linio worked hand in hand with the logistics companies to create a CCOD offering (Heim, 2014).

- ⇒ *Consumer behavior*: The Colombian affinity to price bargains and discounts has effectively been captured by the nature of eCommerce, where competition on price is a major aspect and comparability is high. The entering of the first "Cuponeras" (coupon slips) business models in the late 2000's has opened new ways for the Colombian price-aware shopping behavior to flourish and persuade new customer and population to enter eCommerce activities for the first time (Empresario TIC, 2015).
- ⇒ *Economic boom*: Strong economic growth and increasing attractiveness of the Colombian consumer market has had an effect on the development of eCommerce. With foreign investment increasing and international and local brands seeking new ways to market their products to a wider range of customers, eCommerce business models have been proven to be an effective and efficient tool to enter new segments. This phenomenon was also observed in Brazil in the mid 2000's where especially a growing middle class (Secretaría de Asuntos Estratégicos [SAE], 2012) has driven the creation of eCommerce businesses and ultimately led to Brazil being by far the most developed eCommerce market in Latin America with more than 60% total market share (US Media Consulting Group, 2014). The middle class in Colombia, defined as the percentage of households with a daily income ranging from 10 to 50 USD has been growing steadily since 2002 (Angulo, Gaviria & Morales, 2013, p. 3). The figure jumped from 27.5% to an estimated 55% in only three years according to the Inter-American Development Bank (Semana, 2015).
- ⇒ *Increasing use of smartphones*: The mobile revolution increases eCommerce potentials through massive and steadily growing access to smartphones in Latin America (Price & Lehr, 2014). According to eMarketer (2014), the penetration rate of smartphones in Colombia reached 45.3% in 2014, bringing Colombia to the third place in Latin America after Brazil and Mexico. This rapid growth helps pave the way for faster eCommerce developments, as smartphones provide an almost ubiquitous access to the same internet that thousands of households have not been able to access. The Ministry of Communications and IT reports that the fact that there are more cell phones than people in Colombia offers a great potential for further technological developments (MinTIC, 2014).
- ⇒ *"Mobile Shopping" boom*: The recent trend to "Mobile Shopping" has found strong grounds in Colombia, where smartphone penetration is higher than in many other countries in the region. Today, mobile shopping has been widely adapted in Colombia and has become more popular than anywhere else in Latin America (Nielsen, 2014, p. 15).

- ⇒ *Availability and access to “eCommerce” tools and platforms:* As established above, the level of eCommerce activities depend significantly on offer and choice. New digital tools for creating and operating eCommerce portals and platforms such as “shopify” or “wordpress” have significantly lowered barriers to entry for any market player and have boosted the choice and offer in this domain. Establishing eCommerce related activities is no longer a cost intensive technological process, but a widely used business and entrepreneurial strategy.
- ⇒ *Increasing banking usage:* While section 4.1 accounted for low figures in terms of overall banking activities, the steady evolution of the latter may hint to a rapid development in the future. The last report of Asobancaria (2015) points to a penetration rate of 72.5% at the end of 2014, while under the same methodological definition, this rate had only reached 48% in 2006 and 62% in 2010. The figure is set to increase in 2015 according to a forecast published by El Tiempo (2015). The latter indicates a rapid spread of banking products among the population, setting the base for more potential electronic transactions.
- ⇒ *Enhanced government initiatives & legal framework:* Whether it is indirect or direct support for eCommerce activities, government led programs have underpinned the steady eDevelopment of Colombia. In 2014, the Government ‘Bill of Financial Inclusion: Pay Digital’ was passed. It aims at supporting electronic transactions even for those who do not have a classical bank account. This includes micropayments via cellphone, the creation of a new type of financial institution that administers these payments and only requires basic information from individuals. These new micropayments are not subject to the ‘*cuatro por mil*’ tax, which regularly charges 4 pesos for every 1000 pesos involved in transactions (Ministerio de Tecnologías de la Información y la Comunicación [MinTIC], 2014).

The government also launched the 4 year program *Vive Digital* (Live Digital) in 2010, which targeted a more massive access to internet. The Ministry stated that in 2010 only 200 municipalities were covered by the Optic Fiber Network, while in 2014 the number shot up to 1122 municipalities. Further, in 2014, more than 50% of households had internet access, while the same rate only reached 17% in 2010 (MinTIC, 2015). According to eMarketer (2015b), the internet penetration rate at the end of 2014 was already 64%. Furthermore, the government has supported internet access programs for SMEs, going from 7% of Colombian SMEs having access to the internet in 2010 to 60.6% in 2013 (MinTIC, 2015).

Further support concerning the legal framework stems from the aforementioned Law 480 of 2011, which underpins trust on the side of consumers. Despite the difficulties it poses for sellers, the Law is seen as an advance because it explicitly covers eCommerce transactions in detail. This first step in legal protection for consumers may pave the way for an even steadier increase in eCommerce transactions in the following years.

## Conclusions and recommendations

Evidence suggests that Colombia is undergoing an unusual development in respect to eCommerce activities. It does not seem to follow the same growth patterns of many comparable markets, with consumers having adapted eCommerce as a shopping alternative rather late but exponentially rapid in recent years. Colombia is not only catching up with regional benchmark

countries, but it is set to outpace their growth rates for the near future. This behavior in eDevelopment is the result of certain market characteristics and social aspects. In order to develop successful eCommerce activities in Colombia, it is vital to not only be aware of these factors but to also take them into account when planning and executing business strategies. The following general recommendations should serve as a guideline for entrepreneurial intentions to establish eCommerce related business activities:

- User experience in Colombia must be especially focused on trust and reliability. Customers need to be “educated” in their eCommerce experience and have to be guided through the shopping process
- Customer service and support is one of the key aspects of creating trust. Customer service experience given by brands must go beyond the fulfillment of promises.
- Banking “connectivity” is still lower than in comparable markets, so that alternative payment options such as cash-delivery or bank transfers must be part of the transaction offer.
- “Big Data” and data driven business models have a great potential to overcome existing market deficiencies in logistics and information management.
- “Copy Cat” and franchise business models have a greater chance of success due to up-front “credibility” and trust.
- Mobile based and responsive business models and designs have a greater chance of fast adaptation due to high mobile and smartphone penetration and sufficient user savvy and experience.
- Business models that are built around “sourcing strategies” and the focus on new products and choice seem to have a higher chance to capture new audiences.
- Alliances with logistics companies, financial institutions and payment services is a key step to guarantee the functioning of basic processes
- Platforms that focus on low-price and discount strategies have a higher chance of being accepted, however, this may be about to change with the current socio-economic shift and the growing middle class.

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