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E-COMMERCE STRATEGIES FOR LONDON’S CREATIVE SECTOR

E-Commerce Strategies for London’s Creative Sector

Introduction

In the late 1990s, one economist famously predicted that the internet would have the same impact on how we do business as the fax machine.

Having since revolutionised domestic retail, in 2018 the internet is now revolutionising international trade in the form of Cross-Border E-Commerce. We have learned that companies which approach E-Commerce in a strategic way are far likelier to succeed than those who respond in a reactive, passive fashion. It stands to reason that the same lesson also applies for national economies. We believe that Cross-Border E-Commerce needs to be a major component of the UK’s developing Industrial Strategy.

Often referred to as a Global City, a cursory glance at its history suggests a more fitting term for London could be the Creative City – the city of Milton, Shakespeare, Haydn, and more recently, the city of Mary Quant, Vivienne Westwood, and Alexander McQueen. The rise of the middle class in countries like China and India has created a new demand for Western fashion and consumer products. China is now the world’s largest E-Commerce market.

Whereas for the past 30 years, Western countries have outsourced manufacturing to emerging economies, and then purchased those goods back from them, the next 30 years may witness the reverse process, with manufacturing returning to the West, especially for high-end, luxury products, which are then sold via Cross-Border E-Commerce to the rest of the world.

In this short report, we make three key recommendations for implementation at a national level over the next 5 years to help London Creative SMEs take full advantage of this golden opportunity. Retail can be segmented into three core activities – promoting, selling, and distributing – and our three recommendations are made with these activities in mind.
Global E-Commerce Sales are predicted to be worth $27 Trillion by 2020
Promoting

Two companies, Google and Facebook, dominate Western internet advertising. Creative SMEs struggle to compete with larger companies which can leverage multi-million pound digital marketing budgets to capture the top rankings for keywords such as “mens fashion”, “ladies handbags”, and “childrens clothing” on Google Paid Search or Promoted Posts on Facebook.

Whilst the current monopolistic landscape of the internet means advertising and promotion are key challenges for Creative SMEs, the internet has at the same time provided Creative SMEs with the tools to increasingly control their own marketing and branding activity. Whereas previously these activities would have been outsourced to an agency, or not done at all, Creative owner-managers now have the choice to own all their content and leverage their creativity through various marketing channels. The cost of creating content is falling exponentially. A Creative SME can now

- Create their own E-Commerce shop on a site like Shopify or Big Commerce, with no need for expensive web developers
- Capture creative video content on a Smartphone, edit it on an application like Boomerang, and post it to their Instagram account
- Directly source their own Influencers to promote their brands via Influencer databases like Iconosquare or The Blogger Programme

Furthermore, the facility to connect directly to end-users via a Facebook page or an Instagram account means that authenticity and creativity can be leveraged to build strong relationships at a time of increasing public ambivalence towards big business. Facebook has responded to this trend by launching the Facebook Blueprint website, which provides free tutorials for SMEs on creating engaging content for their Facebook and Instagram profiles.

**Recommendation 1: Digital Marketing and Content Creation Skills training should be prioritised on Creative Industries degrees in the UK**
Selling

E-Commerce, in the form of company E-Commerce websites and e-marketplaces like Amazon, has revolutionised retail. But over time the companies with the largest digital marketing budgets and widest product offering have taken advantage of the internet’s accelerated economies of scale and made it increasingly difficult for Creative SMEs to compete.

Now a new form of E-Commerce, called Social Commerce, is in the process of disrupting traditional E-Commerce. Although it is early days, Social Commerce offers a window of opportunity for Creative SMEs with limited marketing budgets to grow their online sales both domestically and internationally.

Social Commerce involves using Social Networks to encourage or increasingly make E-Commerce transactions. For example:

- Upstream bicycles is launching a new range of punk-themed bikes
- They pay punk icon John Lydon £5,000 to feature the bikes on his Instagram account over a month
- This helps generate 200 orders via their E-Commerce website

UK SMEs with confident and nuanced Social Commerce strategies will be able to grow quickly and in many cases organically. Most importantly, Creative SMEs can leverage their creativity and authenticity in a way which is difficult for larger corporations. For example, an Owner-Manager can upload a short video of her putting the finishing touches to a dress to her Instagram account, and directly respond to any queries in her own voice.

As social networks like Facebook and Instagram are global, Cross Border Commerce will increasingly be the default option for Creative SMEs. Social Commerce is more developed in Asia, where social networks like WeChat are growing their share of the total E-Commerce market at the expense of e-marketplaces. Instagram are trialling a Shopping on Instagram feature which will allow merchants to tag images with product details, meaning in the future a fashion company’s Instagram account could be as important as their E-Commerce website.

**Recommendation 2: Raise awareness of the Social Commerce opportunity for Creative SMEs**
Case Study: Clio Peppiatt

Over the last five years, Clio Peppiatt has established herself as one of London’s most exciting fashion designers. In addition to designing seasonal collections for sale through major fashion houses, Clio also sells directly to domestic and international customers via her E-Commerce website, which she built on the WordPress/WooCommerce platform.

Clio generates over 80% of her E-Commerce traffic via her Instagram page, where she currently has 30,000 followers. She emphasises international delivery on her Instagram profile. Clio regularly updates her Instagram with photos of upcoming products, as well as giving a behind-the-scenes insight into the company and the manufacturing process. Her fans, many of whom are well known, also upload photos of themselves wearing her clothes and accessories to their Instagram accounts.

Rather than competing with larger fashion brands on expensive paid advertising, Clio has chosen to harness her creativity and authenticity via social media to build up an organic and committed following.
**Distribution**

Cross-border E-Commerce has placed huge demands on global logistics. Insofar as logistic economies of scale benefit larger companies, Creative SMEs struggle to match such powerful selling incentives as Free Delivery and Free International Returns.

International Returns is a particularly difficult area for Creative SMEs. There is a growing culture of people deliberately ordering more products in the knowledge that they will send some of them back. For example, a German customer may order the same T-shirt in three different sizes, and then send back two of them. The private sector is responding and companies such as ZigZag Global are addressing the issue, but it is important that the UK’s Industrial Strategy prioritises the creation of a logistics network which is clear, reliable, and works in the interests of Creative SMEs.

There is also huge uncertainty regarding tax issues and international VAT thresholds. Given the complexities, many Creative SMEs understandably prefer to concentrate on the markets they know well – the UK and the EU – despite the fact that the greatest demand for their products is outside of these markets.

Many of the world’s existing trade agreements were negotiated before the advent of E-Commerce. The World Trade Organization (WTO)’s Declaration on Global Electronic Commerce was adopted in the late 1990s to ensure that member countries do not impose customs duties on electronic commerce. In 1996 the United Nations Commission on International Trade Law (UNCITRAL) released the UNCITRAL Model Law on Electronic Commerce which created a template for internationally acceptable rules on E-Commerce which were adopted by many countries around the world. This was a giant step forward, providing a more secure legal environment for users of E-Commerce, particularly in relation to rules on contract formation.

But global rules on E-Commerce are badly out of step with modern technology. Attempts to secure progress in this area during the WTO Ministerial Conference in December 2017 were unsuccessful, in large part because it is difficult to achieve consensus among 164 members. Accordingly it is a priority that the UK’s future trade agreements on goods and services contain commitments to liberalize E-Commerce, for
example by standardizing data protection and digital authentication (electronic signature) rules.

Some of the EU’s recent trade agreements, like the one with Canada, prohibit parties from imposing unnecessary barriers to E-Commerce and ensure transparency in E-Commerce regulations. There are indications that the UK will be able to rollover some of these trade agreements with other countries after it leaves the EU. This is a good start but more needs to be done for UK businesses to ensure that E-Commerce remains as open as possible and that it is clear what the relevant duties and VAT thresholds are.

Recommendation 3: Prioritise the creation of a logistics network which works in the interests of Creative SMEs and make Cross-Border E-Commerce a key component of future trade agreements
Conclusion

Creativity is an infinite resource, but it is easily suffocated. It is important to avoid a top-down culture where Creative SMEs are forced into strategic straightjackets. Instead our recommendations are practical, easy-to-implement, and designed to be built on top of the existing higher education infrastructure in the UK.

It is essential that E-Commerce, and in particular Cross-Border E-Commerce, are prioritised in the development and delivery of the UK’s Industrial Strategy. A national Cross-Border E-Commerce strategy will accelerate the rebalancing of the economy away from domestic consumption and high debt levels towards international trade and manufacturing. But such a strategy needs to be particularly responsive to the fast-changing nature of the internet. New developments like Artificial Intelligence, the Sharing Economy, and in particular blockchain technologies are already beginning to change the rules of the game for E-Commerce.

We thus believe there is a pressing need for a new Research Centre to deliver regular research reports to revise the proposed national Cross-Border E-Commerce strategy in the light of new innovations. The Centre for Digital Trade seeks to create a collaborative culture in which companies can input their own experiences of what works and what doesn’t when it comes to Cross-Border E-Commerce strategy.

In the meantime, we conclude our report with a summary of our three key recommendations:

- Digital Marketing and Content Creation Skills training should be prioritised on Creative Industries degrees in the UK
- Raise awareness of the social commerce opportunity for Creative SMEs
- Prioritise the creation of a logistics network which works in the interests of Creative SMEs and make Cross-Border E-Commerce a key component of future trade agreements