How is digital transformation changing business models and internationalisation in Made in Italy SMEs?¹

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Abstract

Purpose of the paper: This study examines the impact of digital transformation on business model innovation and internationalization using the context of small and medium-sized firms (SMEs) operating in the Made in Italy. The study attempts to answer the following research questions: 1) How is digital transformation changing the business model of SMEs? 2) How is digital transformation changing the internationalization strategies of SMEs?

Methodology: To answer these research questions, we present a multiple case study research on the digital transformation of three Made in Italy SMEs.

Results: We found that digital instruments contribute to innovate the business model of all the selected SMEs, creating new distribution channels and new ways to build and deliver value to customers; moreover, the use of social media becomes the driver and the “prerequisite” for internationalisation.

Research limitations: The main limitations are related to the limited number of case studies and the difficulty in the replication of results.

Practical implications: Focusing on Made in Italy, our study contributes to the existing literature on business model and digital transformation of SMEs. Second, it contributes to the internationalisation literature, identifying new paths for entering new geographical markets. In addition to the theoretical implications, this study provides some managerial implications to accomplish the digital transformation of SMEs operating in Made in Italy.

Originality. To the best of our knowledge, the present is the first specific study aimed at investigating this intriguing theme for Made in Italy SMEs.

Key words: digital transformation, business model, innovation, SME, Made in Italy

1. Introduction

Digital transformation is currently revolutionizing the way companies carry out their business, creating deeper relationships with consumers, suppliers and other actors (Bresciani et al., 2018; Scuotto et al., 2019), fostering business model innovation (BMI) and changing internationalization processes.

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In this study, we define digital transformation as the way “a firm employs digital technologies, to develop a new digital business model that helps to create and appropriate more value for the firm” (Verhoef, et al., 2021). Such transformation may affect business processes, operational routines and organizational capabilities (Li et al., 2018).

Digitalization is shaping the traditional interaction between consumers and businesses (Taiminen and Karjaluoto, 2015). In particular, consumers have access to a multiplicity of media channels, actively and effortlessly communicate with firms and other consumers, and pass through rapidly increasing numbers of touchpoints in their customer journey, many of which are digital (Verhoef et al., 2021).

Extant literature has traditionally explored the implementation of digital technologies in large corporations (Cenamor et al., 2019) or in particularly innovative businesses, digital start-ups and high-tech giants (Ghiezzi and Cavallo, 2020), while specific studies focused on SMEs operating in traditional sectors, like Made in Italy, are relatively scarce, nevertheless this type of firm is recognized as innovative and a contributor to economic growth in many countries. For instance: Scuotto et al. (2017) analyse the role of ICTs oriented to intra-organizational (in-house research and development) and inter-organizational (open innovation) processes in promoting the SMEs’ innovative performance; Mohd Salleh et al. (2017) focus on the role of Information System; Jin and Hurd (2018) and Li et al. (2018) investigate how digital platforms impact on the SMEs’ entry into the Chinese market; Grandón et al. (2011) analyse the adoption of e-commerce by SMEs; Crupi et al. (2020) concentrate on the role of the digital innovation hubs; Schiavone et al. (2020) address instead the digital entrepreneurship by user innovators.

Digital technologies are of paramount importance as competition tools for SMEs and entrepreneurs must recognize that neglecting them is very risky and may seriously compromise the survivorship of the firm. Indeed, nowadays digital technologies provide a support for value creation and customer engagement that are the critical success factors for SMEs. In addition, the use of these technologies is not without difficulties and requires a fond vision of the entrepreneur and the management.

However, to the best of our knowledge, no specific studies have yet focused on the understanding of how SMEs utilize new digital tools in order to innovate their business models, finding new ways of value creation both in domestic and international contexts. Moreover, the above studies have mainly analysed the role of simple digital technologies, such as social media, neglecting other more complex technologies like artificial intelligence, apps, which are concretely driving firms’ digital transformation to date and that should be more deeply investigated.

Hence, to fill the literature gap, we ask: 1) How is digital transformation changing the business model of SMEs? 2) How is digital transformation changing the internationalization strategies of SMEs?

To answer these research questions, we present a multiple case study research on the digital transformation of three Made in Italy SMEs. They operate in three Made in Italy industries, called the “3Fs”: Fashion (textile/clothing, footwear, leather goods, eyewear, jewellery), Food (e.g.
pasta, pizza, olive oil, wine, beer) and Furniture (e.g. lighting articles, ceramic tiles, home faucets), where the creation of experiences for the customer is becoming increasingly important. These industries present a bipolar structure, characterised by the coexistence of a small number of big companies and a large number of micro, small, and medium-sized enterprises (Penco et al., 2019); also the smaller ones are facing an international completion and the internationalisation seems one of the most successful strategies.

Our study makes some important contributions to the existing literature. First, focusing on the scope of the digital transformation in the value creation process, we contribute to the business model and digital transformation literature for SMEs providing a rich context of study. Moreover, as the specific focus of the paper is to investigate how digital transformation is changing the firms’ business model in relation to the customer’s value creation process in the national as well as in the international contexts, it contributes to the internationalization literature, identifying new paths for entering new geographical markets. In addition to the theoretical implications, this study provides some managerial implications to accomplish the digital transformation of SMEs operating in Made in Italy industries.

The remainder of this paper is organised as follows. Section two provides the theoretical framework useful to carry out the explorative research by addressing the extant literature on digitalisation, business model and internationalization in SMEs. Section three explains the research design and method. Section four describes the major empirical findings of the analysis and presents the principal outcomes, while Section five presents a discussion of the results. Finally, Section six concludes, together with the academic and practical implications.

2. Literature review

2.1 Digital transformation and business model innovation

In the context of the company, digital transformation has received an increasing attention over the last two decades (Cha et al., 2015; Warner and Wager, 2019; Galindo-Martín et al., 2019; Rachinger et al. 2019; Morakanyane et al., 2017). Analysing the evolution of the digital technologies for firm’s strategies, innovation and business models, at the beginning companies were mostly involved in the application of internal management information systems such as Enterprise Resource Planning or Customer Relationship Management (Boersma and Kingma, 2005). In this vein, the digital transformation was limited to the application of information systems aimed at improving the business process within the organizational boundaries in order to gain efficiency, cost savings, and business process optimization (Besson and Rowe, 2012).

In recent years, new digital technologies, such as big data, artificial intelligence, 4.0 machines, are revolutionizing the “way companies do business” (Rothberg and Erickson, 2017). However, digital technologies
Digital technologies, in fact, improve marketing activities and particularly the communication with customers (existing and potential) enabling their requirements to be better understood and facilitating customized offerings and new products tailored on the specific needs of customers (Barnes et al., 2012). Moreover, digital technologies allow not only to create new distribution channels but also to integrate them in an omni-channel perspective (Verhoef et al., 2015).

Within the business model framework, literature has found that digitalisation modifies the entire structure of business models, i.e. the rationale of how an organization creates, delivers and captures value (Osterwalder and Pigneur, 2010) and the value architecture of a business (Volberda et al., 2017; Saebi et al., 2017).

It is well known that the core of BM is the value proposition, which describes products and services that add value for particular customer segments, while the other key components describe how the companies build, promote and deliver it (Arnot et al., 2016). Digitization and specific technologies are innovating the key components of the business model (Franceschelli et al., 2018; Ghezzi and Cavallo, 2020). This is true not only in high tech and digital industries but also in the traditional ones (Ferraris et al., 2018; Warner and Wäger, 2019; Matarazzo et al., 2021). This happens in the national context as well as at international level. For example, firms can conduct online marketing research in a very short time and with a little expense to understand consumer habits and lifestyle and test many times their products in several countries, as well as launch social media advertising campaigns to reach international customers.

Several studies have also found that digitalization can influence and innovate BMs in three different ways: optimization of the existing BM (e.g. cost optimization); transformation of the existing BM (e.g. reconfiguration of existing models, extension of the established business); and development of a new BM (new customers, new products/services) (Rachinge et al., 2019; Loebbecke and Picot 2015). Arnold et al. (2016) argue that BM changes can be differentiated into BM development and BMI. In these perspectives, digitalisation leads to a BMI, i.e. “the changes made in the business logic for creating and capturing value” (Bouwman et al., 2018, p. 107).

More specifically, we are interested in examining how digital technologies could lead SMEs to BMI (Bouwman et al., 2018), with particular regard to the way they affect the value proposition and customer relationships at national and international level (Arnold et al., 2016). The “mobile revolution”, in fact, with the increasing power of social media and of analytics, has promoted a digital transformation of the customer value creation (Rachinge et al., 2019), also in the case of smaller firms (Garzoni et al., 2020).
In this perspective, scholarly attention has delved into the diffusion of different digital technologies that are focused on the value proposition and customer relationships.

The diffusion of digital platforms such as Alibaba, Amazon and eBay has modified not only the process of value delivery but also the relationship with the customers (Li et al., 2018). Social media (with the raising relevance of mobile devices) have created new ways of interaction (Taiminen and Karjaluoto, 2015) and are actually considered the most important means of communication and value creation within the business model: in terms of BMI, social media enhance and transform the customer value propositions and organize innovative delivery operations (Berman, 2012). Social media and mobile applications have brought new revolutionary ways of implementing corporate brand communication strategies, encouraging interaction, participation and cooperation. They stimulate continuous dialogue with customers, influencing brand meanings and messages, and dictating product or service developments. Social media involve users generating content and connecting with people through a many-to-many, rather than the traditional “one-to-many”, communication approach allowing customers to create and be active participants in the process. The interactive nature of these digital media not only allows sellers to share and exchange information with their customers but also allows customers to share and exchange information with one another.

Augmented reality (AR) transforms how individuals interact with their physical environments (Ferreira et al., 2019; Poushneh and Vasquez-Parraga, 2017): AR, in fact, allows the customers to test the product many times before its purchase (Owyang, 2010) and to collaborate with the brand and with other users, regardless of the customer’s country of origin. In this sense, mobile AR, in particular, facilitates customer involvement, improving the hedonic value of experience (Kim and Forsythe, 2008) and providing users with the ability to share their experiences on social networks (Muzellec and O’Raghallaigh, 2018). In this scenario, also Big Data change the value creation process, affecting the marketing mix: product (e.g., product-service innovation using Big Data without waiting for insights from traditional marketing research), price (e.g., dynamic pricing based on changing consumer demand), place (e.g., Amazon’s anticipatory shipping) and promotion (e.g., use of geospatial data to send specific advertising messages) (Erevelles et al., 2016; Yadav and Pavlou, 2014).

Some authors (Sawhney et al., 2005) have already shown how all these technologies are central to developing a dialogue with customers throughout the customer journey (Baxendale et al., 2015; Lemon and Verhoef, 2016). The growth of digital touch-points has, in fact, not only changed the “awareness and information acquisition” stage of the customer journey but also the purchase stage, and last but not least, the post-purchase one.

SMEs have the chance to interact with their customers at any stage from the buying decision process to the post-consumption process by exhibiting their services and benefits in an entertaining, non-intrusive manner, engaging with consumers in a user-friendly and enjoyable environment (Clatworthy, 2012). In the pre-acquisition stage...
of “awareness, consideration and search”, firms have the opportunity to identify and interact with current and prospective customers that have noticed and assessed a brand. At this stage, firms can utilize social media, encompassing social networking, blogging, influencers’ engagement to promote or refer to the brand, paid advertisements, videos and photos virally spread (Cawsey and Rowley, 2016), as well as augmented reality and conversional commerce to support customers in the search process. The aim is to help customers find specific solutions, products and brands, or connect to prospective customers before needs arise, suggesting possible products or developing new solutions to meet their requirements. To this aim, it is important to create experiential value for consumers, increasing their interaction, and hence heightening their willingness to purchase a given brand. These technologies can be used to create brand stories and allow consumers to interact with the brand also in novel, unconventional spaces, such as gaming platforms or mobile applications (Scholz and Smith, 2016), generating a greater level of consumer entertainment.

At the following stages of purchase and post-purchase, firms have to move from the dimension of attraction and interest stimulation to the dimension of long-term relationships with customers with highly positive emotions. At this stage, the digital tools described above can be used to increase customer satisfaction along the whole purchase process that is the prerequisite for customer engagement. Chat bots, for example, can play an important role at this stage by stimulating conversations, answering consumer queries, process product orders, and providing suggestions and recommendations through the use of artificial intelligence systems. The customer’s highly positive emotions during the customer journey and over time drive to brand advocacy (the interaction with others in their social networks to spread the word about their positive experiences with a product, brand, or company) and engagement (the inclusion of customers in the value co-creation) enhancing satisfaction.

### 2.2 Digital transformation and internationalization

Some scholars (Etemad et al., 2010) introduced the term “internetization” to refer to the process of increasing adoption, diffusion, and deployment of internet-based technologies and processes that serve as the backbone of internationalization, especially for the SMEs.

Increased use and investments in digital technologies lead to higher degrees of internationalization and growth (Davis and Harveston, 2000). One of the reasons is that they can provide a way to decrease the effects of liability of foreignness and resource scarcity, and herewith contribute to increase speed of internationalization (Arenius et al., 2005) and to widen market opportunities. Digitalization adds a third choice beyond the dyadic choice of internalization/hierarchy on the one hand and outsourcing/market on the other hand. The possibility of a third choice in foreign market entry modes is not new in the international business field, since literature has already shown international joint ventures, strategic arrangements and networks as alternative choices to enter foreign markets. Nevertheless, the digitalization has made it easier to implement this third choice through
the digital platforms which create a market mechanism of matching supply with demand. The digital network is a hybrid governance choice that can be adopted by firms, depending on whether technology or human capital firm specific assets are deployed abroad (Banalieva and Dhanara, 2019).

The advantages for BMI that derive from the usage of digital technologies go beyond the mere Internet and rest mainly in the possibility to create a deep relationship with international customers, by developing effective customer engagement strategies along the different phases of the customer journey.

Regarding the purchasing phase, the digital platforms may help to succeed in international expansion by enabling firms to obtain access to a wider network that provides millions of potential consumers and market knowledge (Li et al., 2018). These platforms alleviate entry barriers such as psychic distance and help firms with financial resource constraints by building up brand awareness at relatively low cost. Social media support companies to create brand awareness and provide information about their product, with a positive impact on the pre-purchase phase. (Abed et al., 2015). Moreover, digital technologies help firms to provide an unforgettable experience along the different stages of costumer journey, useful to build a customer's relationship based upon trust and commitment (Sashi, 2002) which in turn may reduce the cultural distance between the firm and the customer’s country (Matarazzo et al., 2016). Digital technologies help SMEs to develop customer engagement strategies in several countries and consequently to strengthen the global power of the brand and the international visibility of the firm.

Firms adopting an international approach in the usage of digital tools could exploit global market opportunities more rapidly and obtain significant competitive advantage (Zhou et al., 2007). Social media platforms offer their own built-in analytical services such as Facebook Analytics, Twitter Analyzer and YouTube Analytics which provide information on traffic and popularity. Other tools provided by search engines such as Google Analytics and Google Alerts can be used to analyze site traffic and the amount of times a brand, company or product has been mentioned (McCann and Barlow, 2015). These analytical services play a role of paramount importance in gaining data and information useful to better understand foreign consumers and markets (Ciravegna et al., 2014; Fernhaber and Li, 2013) and to develop superior marketing capabilities and effective customer engagement strategies that are the prerequisite to succeed internationally.

3. Methods

3.1 Procedure

To answer to the research questions, we carried out a multiple case study research (Yin, 1994; Cunningham, 1997; Eisenhardt and Graebner, 2007). The decision to adopt this methodology depends on two motivations: the research scope (digital transformation, business model innovation and internationalisation) and firm types (family/entrepreneurial SMEs).
Regarding the “research scope perspective”, the case study methodology is consistent with research questions based on “how” and “why”. Qualitative research is in fact appropriate when the emphasis is on the development of a conceptual framework and the identification of critical factors and other key variables.

Regarding the “firm types perspective”, since family/entrepreneurial SMEs tend not to disclose strategic and organisational information, a direct contact is essential to understand these profiles.

Moreover, multiple cases enable a more generalizable and robust theory than a single case (Eisenhardt and Graebner, 2007; Del Giudice et al., 2017; Dezi et al., 2018). The research has been conducted, according to the guidelines and suggestions for qualitative methodologies provided by the literature (Yin, 2003), on three cases.

We carried out in-depth interviews based on face to face meetings using a semi-structured questionnaire, which allows comparisons across the selected companies. We interviewed entrepreneurs and managers responsible for corporate and business strategy and digitalization, using a semi-structured interview guide.

The interviews lasted for nearly two hours and were conducted, encouraging free reporting, by, at least, two of the authors to guarantee the possibility of a comparison between the researchers.

All the answers were audio-recorded, transcribed and translated from Italian into English. They were independently analysed by each author and discussed together to reduce subjectivity in the interpretation of the data. When necessary, we carried out a follow-up correspondence with the firm’s respondents, in order to clear some points.

In addition to primary data from interviews, secondary data from documents (such as corporate presentations, internet-based information, and newspapers) were gathered. We triangulated these data with the primary data, analysing the results and their coherence and reinforcing the knowledge of each company. The data were analysed following the protocols for qualitative data analysis and using an interpretative method (Eisenhardt and Graebner, 2007). The main research was carried out in Autumn, 2019.

In particular, the three cases were analysed by evaluating the digital transformation in terms of: i) digital tools and distribution channels for the customer value creation (Sashi, 2012); ii) impact on the business model innovation (Zott and Amit, 2017); iii) impact on the internationalization process (Etemad et al., 2010); iv) leadership and major triggers of digital transformation (Teece, 2007).

3.2 Cases selection and company profiles

In line with the exploratory research purposes, the cases have been selected not because they are a representative sample in statistical terms, but because they are considered able to provide significant insights concerning the relationship between the digitalisation, the business model transformation and the internationalisation process.
In particular, the three selected cases are Italian SMEs, each belonging to one of the three “F’s” of Made in Italy (Food, Fashion and Furniture). Table 1 summarizes the research cases and the interviews conducted for this study.

**Tab. 1: Profiles and digital tools used by the selected companies**

<table>
<thead>
<tr>
<th>Company</th>
<th>Profiles/ Strategic Business Units</th>
<th>Year of foundation</th>
<th>Strategic paths</th>
<th>Role of the interviewed person</th>
<th>Channels</th>
<th>Digital tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fratelli Carli S.p.A.</td>
<td>Olive Oil/ Mediterranean food specialties Cosmetics</td>
<td>1911</td>
<td>Focus on a market niche: home delivery/e-commerce High differentiation: brand image Diversification (cosmetics: Mediterranea) Internationalisation (FDI and export)</td>
<td>Family Entrepreneur Responsible for Cosmetics Division</td>
<td>Oil: Home delivery Mailing Call center E-commerce Cosmetics: the same + Physical store Marketplaces (Amazon)</td>
<td>Social media Web (shop window and e-commerce) CRM Big Data Analysis</td>
</tr>
<tr>
<td>Freddy S.p.A</td>
<td>Fashion: dance and fitness</td>
<td>1976</td>
<td>Focus on a market niche: apparel for dance and fitness Product innovation: patents (shaping pants) High differentiation: brand image and new Made in Italy line Contractual vertical integration with suppliers Internationalisation (FDI and export)</td>
<td>Member of the Board of Directors CFO</td>
<td>Agents and distributors present in many international markets E-commerce Marketplace Flagship stores</td>
<td>App for B2B Web (shop window and e-commerce) Social media CRM Big data Analysis Chat bot Smart wall</td>
</tr>
<tr>
<td>SOVET S.r.l.</td>
<td>Furniture: design</td>
<td>1990</td>
<td>Focus on a market niche: furniture based on glass with other raw materials High differentiation: brand image embodying Italian culture and Made in Italy value Total vertical integration Internationalization (export)</td>
<td>Founder/ entrepreneur + Marketing Director</td>
<td>Interior designers/ Architects Agents and distributors present in many international markets E-commerce Marketplaces</td>
<td>Web (shop window and e-commerce) Social media CRM Big data Analysis (project)</td>
</tr>
</tbody>
</table>

Source: authors’ elaboration.

Fratelli Carli is a food company mainly focused on Olive Oil and Mediterranean specialities (such as preserves in oil and sauces). It was founded in 1911. Its strategy is characterised by segmenting the market using the distribution channel which is exclusively based on home delivery. The company seeks a differentiation advantage in terms of product quality and customer service. Investments in CRM and digital marketing tools has led to a better brand position. Over the years, Fratelli Carli has diversified its portfolio by adding the line of cosmetics (the “Mediterranea” brand) to the traditional oil and food specialities (the core business). This diversification strategy has been driven by synergies in sharing the same channel, logistics system and customer relationships database.
Freddy was set up in 1976 by Carlo Freddi. It is focused on dance and fitness apparels (fashion). Freddy’s strength is expressed by its philosophy: “The Art of Movement”. Its strategy is characterized by creativity and product innovation: in 2013 Freddy launched the WR.UP® pants designed to sculpt the female body by redefining the thighs and bottom area. In the years, other products have been designed, technology studied and patented by Freddy. 2017 represented also the launch of the new 100% MADE IN ITALY capsule collection, entirely conceived, designed and manufactured in Italy.

SO.V.E.T was founded in the late 1980s by six Treviso glassmakers. In 1990, it was acquired by the current owner (Guido Porcellato) who transformed it into a successful company, able to establish itself as a new protagonist in the world of the Made in Italy design furniture. SO.V.E.T began to collaborate with internationally renowned studios: the DIVETRO collection was born in 2003, developed together with the prestigious Spanish studio Lievore Altherr Molina. SO.V.E.T presents a product line composed of furnishing and accessories made by the most sophisticated and original glass, such as the innovative carbon treated glass or the combination of glass with other materials such as wood, steel, ceramic and aluminium.

4. Main Findings

The studied SMEs are established in mature (Made in Italy) industries and in “traditional ways of doing businesses”, but all the companies have set up a digital transformation process for shaping, in particular, the relationships with their customers, changing the traditional business model, as emerging from Table 2.

<table>
<thead>
<tr>
<th>Business model</th>
<th>Impact on internationalization</th>
<th>Major trigger of digital transformation</th>
<th>Leader in the digitalization process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fratelli Carli S.p.A.</td>
<td>Foreign sales: 30%</td>
<td>Curiosity “of the first mover in the Italian e-commerce domain”</td>
<td>Family</td>
</tr>
<tr>
<td>Freddy S.p.A.</td>
<td>Foreign sales: 80%</td>
<td>New digital technology development</td>
<td>Family + CFO</td>
</tr>
<tr>
<td>SOVET S.r.l.</td>
<td>New international markets: More than 80 Countries: EU (Spain, Italy, France, Germany, Belgium), US, Australia</td>
<td>New digital technology development</td>
<td>Family + marketing manager</td>
</tr>
</tbody>
</table>

Source: authors’ elaboration.
Considering that all the investigated companies are family firms, the decision to implement a digital transformation was driven by the entrepreneurial family with the help of top management, on the basis of an accurate analysis of the external environment.

Fratelli Carli was established as a B2C company and since its origin (1911) it has been characterized by direct marketing, selling via printed flier/catalogue and phone, and home delivery. In 1996, Fratelli Carli decided to invest in e-commerce with its website (“it was a natural evolution”) and in the last few years, it invested also in physical shops (flagship stores) in order to bring the product closer to the consumer. Moreover, the company is at present partner of digital Marketplaces (e.g. Amazon), especially for the Mediterranean Brand. All the distribution channels (mailing/phone + e-commerce + digital platform + physical store) are integrated in a holistic way, in order to enhance the number of touchpoints and to accomplish the consumer along his/her costumer journey. Therefore, the business model changes created more intense relationships with customers.

Freddy was traditionally a B2B company and the most important distribution channel was the wholesale; the digitalisation enabled the company to become also a B2C company that uses several distribution channels: traditional (wholesale), e-commerce, directly via Freddy’s website and Amazon (“we are both vendor and seller”) and flagship stores. Now Freddy is promoting the “brick and click revolution”, with 47 Brick and Click stores around the world, aimed at reinforcing the omni-channel distribution: “even though it is far more convenient to shop online, the majority of individuals still prefer to buy their goods in a physical store”. The Freddy stores support digital engagement through a touchscreen (smart wall) that allows: the involvement of consumers in entertainment activities, with a virtual dressing room connected to social networks; the enrichment of the purchasing experience through additional information (product, intended use, cross selling) and online purchases or reservations (interaction between the stores).

For SO.V.E.T, digitalisation helped not only to re-shape the internal production process (the company has invested in Industry 4.0 technologies), but also to “make our products known around the world; print advertising is impossible ...”. Social media, in particular, are one the most powerful instruments as they help to show the products to customer.

Digitalization may have an impact at any stage of the consumer journey, increasing the interactions with consumers in a user-friendly and enjoyable environment. Freddy employs, in this sense, several digital instruments. The company utilizes a consumer-oriented App which allows consumers to create a “dialogue” and interaction with other digital instruments: website, social media and smart wall. Freddy uses also a “simple” chat bot that: nevertheless “it is not able to answer all consumer queries and to accomplish the entire journey”, it helps consumers to interact with the company, stimulating conversations, useful in the pre-purchase phase. It is important to highlight that Freddy offers also an App tailored for B2B, with the aim of facilitating communication and supply chain information with the distributors (wholesalers and their retailing partners). With this tool, they can easily know what is available in stock, see their orders history,
download the official marketing material, and send after-sales requests.

QR-Code is used only by Fratelli Carli: the QR-code is applied on each product and is considered an “electronic label”, useful in the purchasing or post-purchasing phases, in terms of product information (i.e. characteristics, ingredients, nutrition elements), traceability and valorisation of the products for the costumers. Fratelli Carli recognizes that App and chat bot can create high potentials, but at the moment they are not using them (“it is not easy for us to keep an App alive”; “in the past, we had a Forum… at the moment the chat bot is not a priority; we prefer to use and select social media that are consistent with our target”).

For all the companies, the most important benefits stemming from digital transformation are however related to the interaction of Social Media, CRM and BigData Analytics. For Freddy, Twitter is considered less effective in comparison to Instagram and Facebook, while Tik Tok is a great dilemma; “Instagram is also an important selling instrument”, since photos and posts are clickable and connected to the virtual store. In addition, for SO.VE.T, Instagram is an important instrument, as it helps to show the products. Taking into account the specific features of the furniture design industry, however, the digitalisation of the catalogue (and the creation of 3D images) is considered one of the most important “services” for interior designers and architects’ studios, which may insert the furnishing products in an Augmented Reality context, providing customers with an immersive experience.

As regards the impact of digital transformation on internationalization, the adoption of digital instruments has enhanced the international presence of the companies, expanding the number of markets and the percentage of foreign sales. The foreign sales of Freddy and SO.VE.T are respectively 95% and 80% of the total sales, while Carli has increased in the last 10 years the percentage of foreign sales from 10% to the current 30%. For Freddy, social media helped to succeed in international expansion by creating brand awareness among the potential international consumers. Moreover, the adoption of an App tailored to B2B created the premise not only to enlarge the number of international distributors (wholesaler and retailers) but also to create deeper relationships within the supply chain.

For SO.VE.T, the diffusion of digital images via social media and the digital catalogue can help reduce the international entry barriers, such as the mailing of the physical catalogue with relatively low costs.

5. Discussion

These results help to understand how digital transformation is changing the business model for SMEs (RQ1). On the basis of the previous results, in fact, it emerges how digitalisation can be seen as the driver of the key components’ changing of the business model, also for companies operating in the traditional businesses, confirming Ferraris et al. (2018) and Warner and Wäger (2019).

First of all, digitalisation leads all the companies to an omni-channel distribution, merging the on-line and off-line environments. Digitalisation allows consumers to integrate the different distribution channels,
enhancing the purchasing experience, adding information and stimulating consumer-company and consumer-consumer conversations at each stage of the customer journey.

Moreover, according to Ashley and Tuten (2015), digital technologies help SMEs to overcome the disadvantage of small size, allowing them to generate and communicate content and engage consumers as well as to develop brand presence quickly and at a much lower cost. According to Taiminen and Karjaluoto (2015), social media have radically created new ways of interaction and are actually considered the most important means of communication and value creation within the business model, especially with international customers. The selected companies, in fact, invested in particular on Instagram and Facebook; these social media are aimed at implementing and improving corporate brand communication strategies, encouraging interaction, participation and collaboration with consumers.

Social media are also useful for Big Data Analysis. Reading the comments and the consumer behaviour on social media, helps the companies to shape the value creation process on the basis of the consumers’ profiles; also product innovation is tested using Big Data, without waiting for insights from traditional marketing researches; moreover, it is possible to apply dynamic pricing based on changing consumer demand and create personal promotions. Not all the cases report a positive experience with the analysis of Big Data: SO.VE.T is investing with an external partner in CRM and Big Data Analysis, but at the moment the results are unsatisfactory.

The case studies contribute also to understand how digital transformation is changing the internationalization strategies of SMEs (RQ2). Specifically, they help to obtain a broader comprehension of the specific role played by digital technologies as facilitators of the internationalization strategies (Ciravegna et al., 2014; Fernhaber and Li, 2013).

E-commerce platforms and social media have enabled firms to obtain access to a wider network of consumers, lessening entry barriers and helping SMEs with financial resource constraints. Social media are able to reach and entertain a dialogue with new consumers belonging to international countries, useful for understanding and exploiting the opportunities emerging from the markets. The adoption of these technologies increases, in fact, the international presence of SMEs, also in terms of foreign market share.

Moreover, the interaction with foreign consumers generates data and information useful for a better knowledge of international markets (Fernhaber and Li, 2013) which is a prerequisite to succeed internationally.

6. Conclusions, implications, and limitations

This study addresses how SMEs operating in traditional industries have changed their business model and processes of consumer value creation at national as well as at international level, as a result of the digital transformation.

The context of analysis is composed by SMEs operating in the Made in Italy industries.
From the analysis of three case studies (belonging to Fashion, Food and Furniture industry), it emerges that the investigated SMEs are inclined to use digital instruments both in the distribution and in the communication phases, shaping their business model. In particular, digital instruments (e.g. social media, augmented reality, chat bot) help the firms to modify the process of consumer value creation, generating new distribution channels that are integrated in an omni-channel perspective, accomplishing deeper and new relationships with the existing consumers and enlarging the covered markets, also at international level. Therefore, digital transformation may be considered the first driver and the condition sine qua non for the internationalization strategy of SMEs, often characterized by financial constraints and entry barriers.

This study provides theoretical and practical implications.

In terms of theoretical implications, first of all this explorative study helps enrich the business model and digital transformation literature for SMEs that is still a neglected area of research, as most of the studies on the topic are focused on large firms. Secondly, the focus on Made in Italy enhances the knowledge about the current application of digital instruments in the business model innovation and internationalization of SMEs operating in traditional businesses. Thirdly, despite a great contribution of the study is related to the analysis of social media, our work tries to go beyond their usage, in order to include more complex technologies such as artificial intelligence and Big Data analytics.

Moreover, this research presents significant managerial implications. Digital technologies provide a significant support to the growth strategies of SMEs operating in traditional industries such as Made in Italy, where the firm’s reputation, brand awareness and customer relationship are important competitive levers; digital transformation is a condition for internationalization, especially in B2C industries, where the brand awareness is crucial.

Digital technologies, such as web sites and the linkage with global or specialized e-commerce platforms, are useful for creating new channels to sell companies’ products at international level; social media can help firms to create connections and interactions with international customers exploring and creating new markets abroad, thanks to their capacity to destroy any international barriers, above all the cultural distance. Moreover, especially for companies that sell their products by a network of independent distributors, digital technologies (e.g. app) help improve their collaboration with foreign companies, strengthening the relationship among the different actors (wholesalers and their retailing partners) within the global value chain. In this vein, neglecting the digital instruments is very risky and may seriously compromise the survivorship of the firm.

Despite the importance of these empirical results and practical implications, this study has some inherent limitations, which might be challenged in future research.

First, the study is based on a multiple case study design that does not provide generalizations, yet it offers a “stepping stone” for the construction of a new theory. In this sense, this study is a pilot study for other analyses. Further studies are needed to extend the number of case studies by
including other SMEs, operating in the other industries of the Made in Italy. Second, the number of investigated variables could be expanded by adding other factors related to the digital transformation, such as the production/logistics phase and human resource management, in terms of new capabilities.

References


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