Chapter VII

ICT Adoption in Firms by Using Endogenous Metrics

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Abstract

This chapter analyzes the digital divide in Italy and the factors contributing to this situation at both the regional and provincial levels. To do this, we used the registration of Internet domains under the “.it” Country Code Top Level Domain as a proxy. In particular, we analyzed domain names registered by firms. The analysis produced interesting results: The distribution of domains registered by firms in Italian provinces is more concentrated than the distribution related to income and the number of firms, suggesting a diffusive effect. Furthermore, in order to analyze the factors that may contribute to the presence of a digital divide at the regional level, a regression analysis was performed using demographic, social, economic, and infrastructure indicators. The results show that Internet technology, far from being an “equalizer,” follows and possibly intensifies existing differences in economic opportunity in industrialized countries like Italy.
Introduction

Internet growth has fired the imagination of users, policymakers, entrepreneurs, corporate managers, military strategists, social commentators, scholars, and journalists (Guillén & Suaréz, 2004). Some researchers see the Internet as a new technological medium that will lead to a “smaller, more open world” (Tapscott & Caston, 1993, p. 313). According to others, the Internet symbolizes “the triumph over time and space,” the rise of the “netizen,” and the crowning of the “customer as sovereign” (Guillén & Suárez, 2004, p. 683).

According to Coffman and Odlyzko (2002), the Internet is a means of communication that is rapidly expanding. Studies carried out by the Network User Association (NUA, Ltd) estimated the worldwide online population in 1999 and in 2002, and show that in Europe the number of individuals online came to 190.91 million in 2002, compared to 47.15 million in 1999.

Companies as well as individuals turn to the Internet to exploit its communication potential. Today, information infrastructures are reaching out to the individual consumer, and telematics networks reduce the cost of communications. This statement echoes the economics literature (Hoffman, Novak, & Perlata, 1996), which confirms that the Web is becoming a dynamic and personal means of communication.

Other authors (Bassi, 2002) point out that the spread of the Internet and the functions of electronic commerce will permit individual clients to choose from a wide array of products to reduce costs by selecting and buying goods directly from the source, and allowing companies to sell while bypassing traditional channels. Scandinavia, at 8.6%, leads the region with the highest percentage of online sales, mostly computers and related products, travel, video and music, and books.

This situation could prove to be quite worrisome for traditional businesses, as emerges from a survey carried out by the Syndicate Agents Union and representatives of the Italian Chamber of Commerce in November, 2000.

However, companies must adopt entirely new forms of commercial activity for online sales to be successful. The advantages provided by the Internet for businesses are not only related to the sale of products and services (direct advantages), but can also be indirect in nature (Hansons, 2000). For example, some of the most important of these are reduced costs, image consolidation, greater customer loyalty, and a wider diffusion of products offered by the company. They are referred to as “indirect” since they do not lead directly to
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