

The impact of companies' websites on competitiveness and productivity performance

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Abstract

We investigate the role of the Internet in inducing market competition and firm productivity performance using a sample of UK and Spanish firms over the 1995-2010 period. For each firm we collect unique information on its online status (website) and the number of years of Internet activity. Our results show that the Internet is associated with reduced market concentration in both countries. Using a semiparametric estimation algorithm we find that firms' Internet presence is positively associated with the level of TFP but not with its rate of growth. This suggests that selection is likely to drive website adoption and that the Internet by itself cannot replace traditional sources of competitive and productivity advantage.

Keywords: *ICT, website, competitiveness, production function estimation, TFP*
