

# The current status and importance of e-commerce in a global perspective

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**Abstract:** The aim of the article is to describe the specific aspects of electronic commerce as a relevant global sales channel with a focus on developments in the field of trade. The article summarizes the theoretical basis of the issue of electronic business (e-business) and electronic commerce (e-commerce). The article focuses on the issue of sales on a global scale and using forecasts the article refers to possible future developments in the field of trade as well as to the structure of the popularity of various categories of goods in terms of customer buying preferences. Another aim of the article is to highlight the current state of this field of knowledge and at the same time point out its pitfalls and its possible future developments.

**Keywords:** Internet, Trade, E-commerce, E-business

**JEL Classification:** M30; M31

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## 1. Introduction

The arrival of the Internet and its use in trade brought about many new opportunities for enterprises that place their products on the market. The issue of e-commerce is not the youngest, however, trust issues can still be observed in some consumers despite the efforts of business entities made in this field. The lack of personal contact between buyers and sellers as well as one-off nature of typical business transactions in the Internet environment place great emphasis on positive reputation building of these entities in the eyes of the target audience (Kotler et al. 2007; Bačík et al. 2016). The most advanced electronic markets are the United States and Western Europe. These markets record the most notable trend in the development and popularity of e-commerce. For these reasons it is possible to consider the issue of e-commerce as highly relevant.

## 2. Theoretical basis

Kotler et al. (2007) in their publication notes that e-commerce is semantically narrower concept than e-business. Electronic commerce involves the overall electronic exchange of information in a company or between companies and customers. In contrast, e-commerce is the process of buying and selling supported by electronic means, especially via the Internet. It follows that e-commerce is a narrower concept falling within e-business.

Chaffey (2009) in this regard states that e-commerce should be seen as only a part of e-business focusing on internet sales. Accordingly, it is possible to understand e-business as the transformation of key business processes through the use of internet technologies.

According to Jackson, Harris and Eckersley (2003) the term electronic commerce encompasses also certain corporate actions aimed at changing their organizational structures, processes or services so as to exploit all possibilities of the Internet like the possibility of wider use of electronic means in data processing and transfer, integration of database, hardware resources, the possibility of user cooperation on systems and services (purchase of goods, quick order check and cooperation in virtual teams).

Other authors point out that e-commerce can be understood as a general term for all activities that companies carry out in order to make a profit. Moreover, the authors state that e-economy consists of three basic components - infrastructure support, electronic business processes and electronic business transactions - buying and selling (Delina - Vajda 2008).

When defining e-commerce, Sedláček (2006, s. 96) states the following: "Internet transaction is the sale or purchase of goods and services between businesses, households, individual consumers, governments, other public or private organizations which is carried out via the Internet. Products and services are ordered over the Internet, but the actual delivery of the product or service can be done on-line or off-line."

It should be added that e-business goes beyond a narrow understanding associated with the concept of e-commerce. In this context it can be said that e-commerce is about the process of buying and selling products, services and information via the Internet and / or computer networks. The author adds that e-commerce is focused mainly on the group of customers while the electronic business expands itself and encompasses not only customers but also suppliers, employees and business partners (Narimana 2012).

E-commerce can be understood as a new form of business that brings several advantages over the traditional way of conducting business. The most significant advantages are low operating costs, the minimum cost to enter the market, interactive communication, the unlimited operation time, transaction efficiency, simple offer adjustment, positive influence on shopping and consumer behavior and the possibility of cost-effective expansion to foreign markets (Suchánek 2008).

In addition to benefits Delina - Vajda (2008) also identify e-commerce's weak points - customers do not trust an unknown seller whom they do not see, have no confidence in the paperless transaction or electronic money. It follows that the transition from physical to virtual forms of commerce can pose a problem (Delina - Vajda 2008).

Other risks can involve the risk of loss of privacy and protection of information - companies operating in the field of e-commerce record a huge amount of sensitive personal customer information obtained from business transactions like name and surname, address, credit card number, e-mail addresses, telephone number and much more. The author emphasizes that companies involved in e-commerce should provide their customers with privacy protection measures like encrypted website and shopping cart and limiting employee access to such information (Vitez 2012).

According to Bhasker (2013) e-commerce is a system enabling the actors of the e-commerce - sellers and customers - to streamline their business relations while making use of electronic network through which they can carry out their daily economic activities such as payments, delivery of goods or services.

Based on the above, the term e-commerce encompasses all kinds of commercial transactions under which the parties are linked together, develop or conduct business with products through electronic means – via the Internet (Jessen 2003).

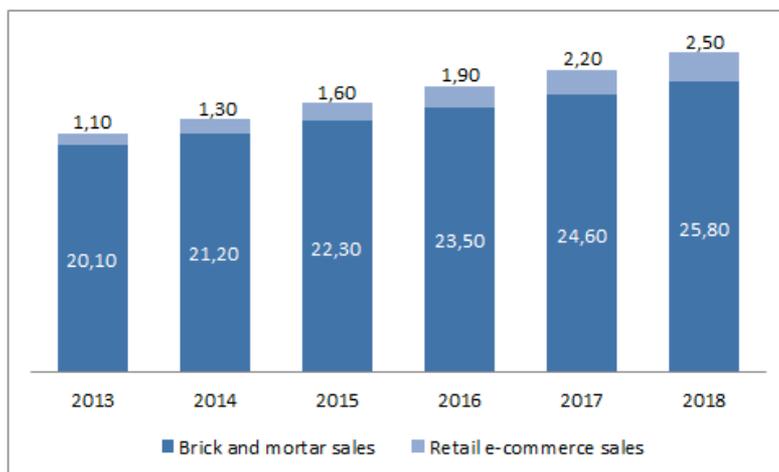
### **3. The current situation of the issue**

With the rising popularity and importance of the very issue of e-commerce also increase the number of active shoppers. As stated in Figure 1, which is based on an analysis of Statista (2016), the number of globally active purchasers within the e-commerce in 2015 amounted to 1.4 billion. Average annual growth in the number of active shoppers within the e-commerce during the monitored period 2015 - 2020 should grow at an average rate of 7.42 % based on the prognosis. Specifically, the analysis predicted two billion active purchasers in e-commerce in 2020, which compared to 2015 represents an increase of 43.01 %.



**Figure 1. Development of the number of active purchasers within the electronic commerce on the global scale (in millions)**

eMarketer (Marketingcharts 2015) offers another view on this issue. According to their findings the share of e-commerce on the brick-and-mortar shops in 2014 amounted to the value of 5.90 % (on a global scale), which represents a value of \$ 1.3 trillion. The forecast for 2015 predicts the sales increase for the sector of e-commerce sales of about 20.90 % and also an increase in proportion to the brick-and-mortar stores to the level of 6.70 %. As in the aforementioned analyzes also in this case the prognosis for the period 2016-2018 predicts the growth of the e-commerce segment. From a broader perspective the total trade should grow by 11.42 %. On the other hand, there is an expected slight decrease in the annual growth. The e-commerce segment analysis estimates the same slight slowdown in its growth. The forecast for the period 2016 - 2018 shows the projected growth of the segment by 31.90 %, which in terms of share on brick-and-mortar stores accounts for 7.80 % (Figure 2; Table 1).



**Figure 2. The share and develop of the e-commerce in total trade globally (in billion USD)**

	2013	2014	2015	2016	2017	2018
<b>Brick and mortar sales</b>	20,10 \$	21,20 \$	22,30 \$	23,50 \$	24,60 \$	25,80 \$
<b>Retail e-commerce sales</b>	1,10 \$	1,30 \$	1,60 \$	1,90 \$	2,20 \$	2,50 \$
<i>Retail e-commerce % change</i>	25,90 %	22,20 %	20,90 %	18,60 %	16,40 %	13,30 %
<b>Total</b>	<b>21,20 \$</b>	<b>22,50 \$</b>	<b>23,90 \$</b>	<b>25,40 \$</b>	<b>26,80 \$</b>	<b>28,30 \$</b>
<i>Total retail sales % change</i>	6,40 %	6,10 %	6,40 %	6,00 %	5,80 %	5,50 %

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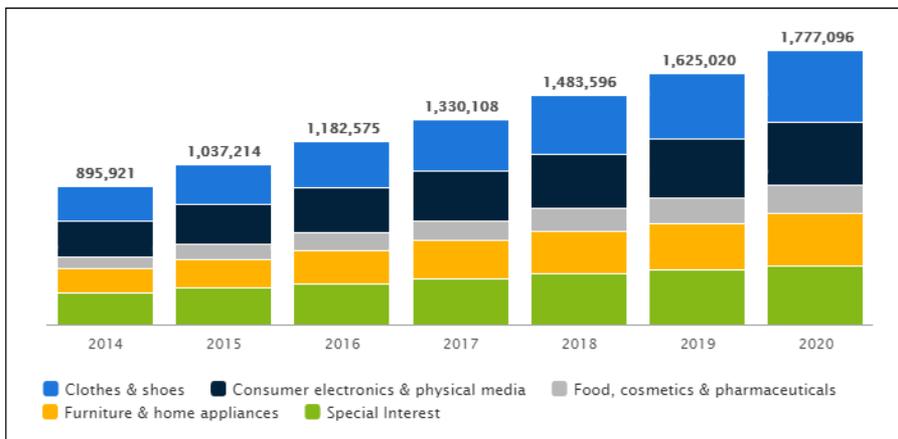
The company eMarketer (2015) in December 2015 published the results of their analysis aimed at analyzing the current status and also forecast regarding the development of global e-commerce sales. With regard to the global development of e-commerce sales and based on the analysis of eMarketer (2015) in the period 2016-2019 we can expect the growth in total revenues of about 74.53 % (Figure 3).



**Figure 3. The development of global sales volume within the e-commerce (in trillions USD)**

On the other hand, it should be pointed out that the annual rate of sales growth in the period 2016 - 2019 is predicted to decrease from 22.7 % in 2016 to 18.7 % in 2020. Despite this forecast the sales growth is considered to be appropriate. The analysis conducted by the company eMarketer (2015) also provides an overview of the development of e-commerce sales share on the total volume of sales in the retail trade. The analysis for 2016 predicts the share of electronic commerce account for 8.6 %. This share should rise in 2019 to 12.8 % (Figure 3).

In addition to the above analyzes the company Statista (2016) focused its attention also on the structure of the sales volume according to individual categories of goods. Based on the published data (Figure 4) 2015 was dominated by sales of electronics (24.11 %) with a share of 24.83 %, the second place belongs to clothes and shoes. The lowest share of sales for the given period was recorded by the category food, cosmetics and OTC products and pharmaceutical preparations, the share of sales in this case represented 9.41 %.



**Figure 4. The development of e-commerce sales volume for individual categories of goods**

For on-year comparisons with 2014, the largest growth (20.62 %) was recorded in the category of foods, cosmetics and OTC products and pharmaceutical preparations. The second largest growth under the same year-on-year comparison was recorded by the category of furniture and home accessories with 18.78 %. The lowest annual growth was recorded by the category clothing and footwear with 13.08 %. The forecast for the year 2020 predicts the growth of the categories clothing and footwear, food products, cosmetics and OTC drugs and pharmaceutical products, home furnishings and furniture on average by 87.93 %. Other categories are expected to grow on average at 58.59 % (Statista 2016).

#### 4. Conclusion

It is not necessary to emphasize that the online environment of the Internet is in terms of today's business a highly important factor which has become a key communication and marketing channel providing a variety of opportunities and relevant information to those who place their goods and services on the market. Online environment offers e-commerce users a large number of above-mentioned advantages over classical brick-and-mortar shops like relatively low operating costs, conveniences related to the e-commerce, speed of distribution channels, the possibility of a global action and effective marketing tools for advertising and promotion. The importance of electronic commerce and the Internet as a relevant sales channel is now hardly disputable. The current importance and future growth of e-commerce is well-documented by current analyses and studies by renowned organizations such as eMarketer (2015), Statista - Digital Market Outlook (stat 2016), Marketingcharts (2015). Scientific and technological progress and continuous innovation in the online environment of the Internet is changing customer shopping preferences which is reflected in the shifting attention of customers towards the online environment. It should be emphasized that e-commerce entities will be successful only if they can listen to their customers while adapting to the current technological trends in this area.

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