

The current status and importance of electronic commerce in the European market

prof. Ing. Róbert Štefko, Ph.D.,
Mgr. Richard Fedorko, PhD.

Faculty of management - Department of Marketing and International Trade - University of Prešov;
Konštantínova 16, 080 01 Prešov, Slovakia; stefko@unipo.sk, richard.fedorko@unipo.sk

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Abstract

The aim of the article is to describe specific aspects of e-commerce as a relevant global and local sales channel, focusing on its developments in the field of trade. In assessing the direction of the issue the article summarizes the theoretical background of e-business, electronic commerce (e-commerce), and from a theoretical point of view the article also deals with the commercial forms of e-commerce. The main attention is focused on the issue of sales achieved on the global as well as local scale, focusing on selected countries of the European Union. Another aim of the article is to point out the problems of the current state of knowledge and at the same time point out the pitfalls and possible future developments.

Key words Internet, trade, revenues, e-commerce, e-business

1. Introduction

The advantages of the online environment include relatively low cost of online presence, constant availability, in most cases current offers, process automation, cost-effective advertising, and online communication channels such as social networks, blogs, and other community-based platform aimed at building long-term relationships with customers and the public. These facts are gradually shifting the emphasis from stone shops to the online world of the Internet. This trend is mostly noticeable in the United States and in Western Europe. Therefore, the issue of e-commerce is in our view highly relevant. It should be emphasized that e-commerce operators will be successful only to the extent to which they can listen to their target audience and at the same time to the extent they can adjust to the technological trends in this area.

2. Theoretical basis

As Kotler et al. (2007) states, it should be noted that the Internet as a communication medium as well as other modern technologies have been in recent decade significantly helping the companies to conduct their business activities more quickly and on larger temporal and spatial scales. The issue of e-commerce is not the youngest, but consumers still feel certain degree of distrust despite the efforts of companies operating in this segment. The absence of personal contact between buyer and seller, as well as one-off nature typical for business transactions online places a great emphasis on building a positive reputation of such companies in the eyes of the target audience.

E-business is basically just an electronic form of already existing activities. As before, consumers received leaflets about the goods on paper. In electronic commerce the preferred form of advertising is electronic presentation, for example through websites, email and so on. Similarly, cash transactions are starting to be

conducted in electronic form, for example credit card payments, use of electronic checks or direct payment from your bank account on the Internet (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."*

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. 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.

Another perception of the e-business is offered by Jackson, Harris and Eckersley (2003) who state that e-business is a broader concept that involves certain corporate actions leading to a change in their organizational structures, processes, or services so as to exploit all possibilities of the Internet. Based on this, the trinity of these authors also describe the key attributes of e-business. These are mainly:

- wider use of electronic means in the processing and data transfer, integration of database and hardware resources,
- cooperation of users on systems and services such as purchase of goods, checking the orders and cooperation in virtual teams.

The Organisation for Economic Co-operation and Development (OECD) distinguishes between the so-called narrower and broader definition of the concept of e-commerce. The broader definition: *„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.“* (Sedláček 2006).

Hvizdová (2007) states that the basic model of e-commerce involves:

- **Business to Business (B2B)** – It is the common name for online transactions and services that allow companies to buy and sell goods and services online to other companies. The abbreviation is associated with using the Internet to facilitate communication in the marketing chain. B2B is usually a long-term business relationship that is often contractually covered. It is not therefore a traditional shopping, but it is rather a process of concluding contracts between companies. This group is referred to as a B2B marketplace (e-marketplace, B2B Exchange), meaning providing space (system background) for trading various kinds of commodities, and so it can be partly compared to a commodity exchange (Delina - Vajda 2008).
 - **Business to Consumer (B2C)** – as a B2C can be considered each online retailer that provides its products to the final consumer. Websites that provide services include, for example, distance learning programs, internet banking, insurance agency. B2C websites usually offer clothes, electronics, books (not in electronic form). Sale of multimedia products online, such as music, e-books and the like is another type of B2C with probably the greatest potential (Morley - Parker 2009).
 - **Consumer to Consumer (C2C)** – involves exchanges and auctions, where the Internet serves as an intermediary between the offeror and the requesting party. Servers providing services serve as concentrators offering their services for free, mediate business cases, and provide a space in the
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marketing system. Customers are no longer just passive consumers, but they are involved in creating the product information. It is true that information on reliable companies and quality products spread quickly. Information about bad companies and products spreads even more quickly (Kotler et al. 2007).

According to the authors Delina - Vajda (2008) there are also weaknesses to e-commerce. Customers do not trust unfamiliar sellers whom they cannot see, and they are suspicious towards paperless transaction or electronic money. Therefore, the shift from physical to virtual forms of trade can be a problem. Then there is a risk of privacy loss and information protection - companies operating in the field of e-commerce record a huge amount of sensitive personal customer information obtained when carrying out business transactions (Vitez 2012).

3. The current situation of the issue

It is not surprising that the growth of trade on a global scale is also associated with the growth in e-commerce. Based on an analysis of the company eMarketer (Marketingcharts 2015) the global share of electronic commerce on the physical stores reached in 2014 value of 5.90%, representing \$ 1.3 trillion (see Figure 1). For the period 2015, the e-commerce sector is predicted 20.90% increase in sales and the increase of the share as compared to physical stores to the level of 6.70%. The perspective for the period 2016-2018 points to a number of interesting facts where the overall trade in this period should grow by 11.42%, but the pace of growth in year-on-year comparisons will decrease slightly (see Figure 1). In the case of electronic commerce a slight slowdown in growth is estimated, but based on year-to-year comparison of 2016-2018 this segment is estimated to grow by 31.90% representing a share of 7.80% against physical shops.

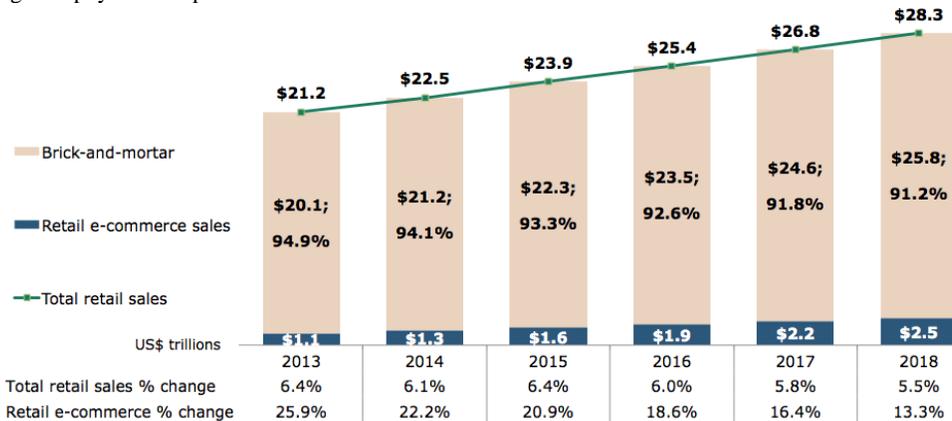


Figure 1 Proportion and development of e-commerce on the total global trade

Source: Marketingcharts, 2015

Based on the results of the annual global e-commerce environment analysis conducted by Ecommerce Foundation (2015) it can be stated that in 2014 the highest share of global sales (39.59%) was recorded in Asia and Oceania. It should be emphasized that this is a significantly higher proportion when compared to other regions. In our opinion the main reason for such numbers is the presence of countries like China, India and so on. Year-to-year comparison of 2013-2014 highlights the significant increase in sales (44%). Regions such as Europe and North America achieved in the same period comparable market share - 28.94% (EU) and 26.89% (NA). The annual rate of growth in these regions was also at a comparable level of 14% (EU) and 12% (NA). An interesting finding is the underdevelopment of Latin America that reaches

1.98% share of total e-commerce sales in 2014. However, the annual growth rate of 14% in this case is higher than in the region of Europe and North America.

A closer look at the ratio of individual European countries on sales achieved within the e-commerce segment for the year 2014 is offered by Figure 2 drawn up based on the Ecommerce Foundation's analysis (2015). The dominant position is in this case held by the United Kingdom with a share of 30%, followed by Germany with 16.80%, France with 13.40%, totalling to 60.20%. Countries such as Russia (4.40%), Spain (4.00%) and Italy (3.10%) reached unparalleled lower proportion of sales. On the other hand, when taking into account year-to-year comparison of 2013-2014 revenue, Russia recorded the highest growth of 25.40%, followed by Hungary with 24.00% and Poland with 21.70%. The United Kingdom in this case has seen an annual increase in revenues of 14.70%.

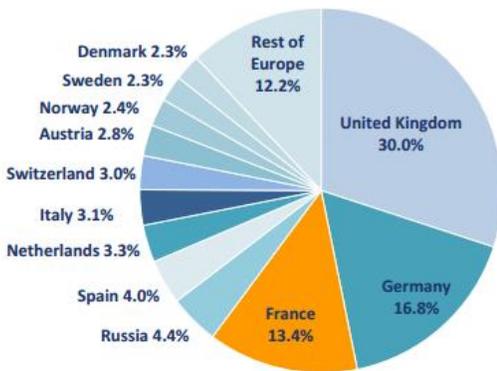


Figure 2 The share of EU sales in the context of e-commerce for 2014

Source: Ecommerce foundation, 2015

Based on the analysis of the companies RetailMeNot and Centre for Retail Research (Digital Strategy Consulting 2015), UK's online retailers forecast for 2015 revenue growth of 16.20% - representing 52.25 billion GBP as compared to 44.97 billion GBP in 2014. The analysis in question pointed out several interesting facts, namely that the average annual number of online purchases per person in Britain is 21 while the average value per order is 55.36 GBP, and that the average Brit spends annually 1 174 GBP online. For comparison, the average annual expenditure on online shopping per one EU citizen in 2015 is 820 GBP, representing a year-to-year increase of 11.10%.

The results of the Forester's analysis (Beeson 2014) aimed to predict the share of e-commerce segment on the total trade in the region expect the average growth of 2.71% points in the period 2013-2018. As shown in Picture 1, the highest proportion of e-commerce is expected for the UK (15.00%), France (10.00%) and Germany (10.00%). The biggest growth among the monitored countries is predicted for France - 4.00% points to 10.00% in 2018.

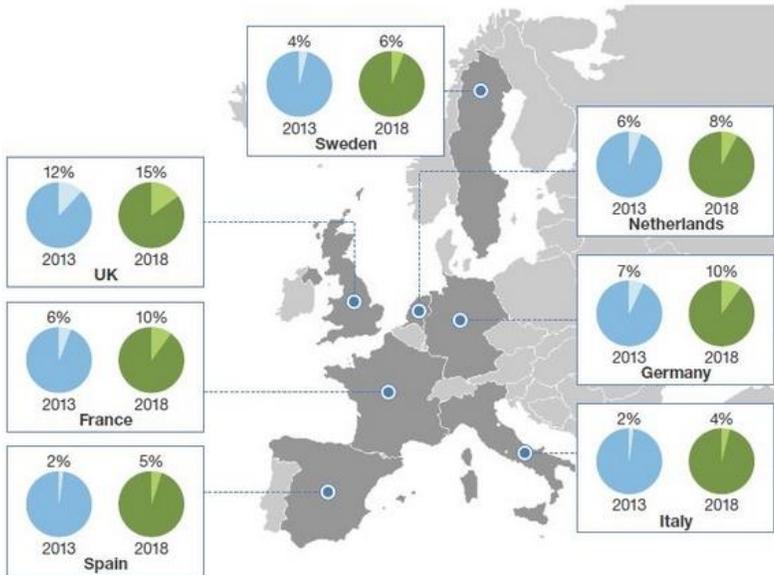


Figure 3 The share of e-commerce on the total trade
Source: *Ecommerceneews, 2014*

The below mentioned analysis of the companies RetailMeNot and Centre for Retail Research (Digital Strategy Consulting 2015) highlights the potential development of e-commerce sector in sales for 2015. For the EU as a whole the estimated revenue growth of e-commerce entities for 2015 is 18.40%, and the highest share of 23.10% is attributed to Germany. An interesting finding is the fact that sales of entities operating in the United States should grow at a slower rate compared to the EU – only by 13.80%. The analysis also examined the sales development outside the online environment, where in all cases a decline in sales in this segment is expected. Specifically, in the case of EU countries it is a decline of 1.40%, for the United States a decline is higher - 1.90%. The most significant decline of 2.00% in sales is expected in the case of the UK.

| | Online Sales Growth | Store-based Sales Growth | Online + Store-based Sales Growth |
|----------------|---------------------|--------------------------|-----------------------------------|
| UK | 16,20 % | -2,00 % | 3,50 % |
| Germany | 23,10 % | -1,80 % | 2,00 % |
| France | 17,00 % | -1,70 % | 1,20 % |
| EU | 18,40 % | -1,40 % | 2,00 % |
| USA | 13,80 % | -1,90 % | 3,30 % |

Table 1 The growth expectation for online and physical sales for 2015
Source: *Digital strategy consulting, 2015*

4. Conclusion

As reported by Scott (2010), the evidence on how people actually search for products clearly show that companies must be available and make their offers at the time potential customers are looking for answers

on the Internet. Here we turn our attention to the Internet as a medium with a high potential to present one's own company at lower cost and with higher yields. Various current analyzes and studies by renowned organizations like eMarketer (Marketingcharts 2015), eCommerce Foundation (2015), RetailMeNot, the Centre for Retail Research (Digital Strategy Consulting 2015) and Forester (Beeson 2014) demonstrated the importance of the online environment as a relevant sales channel in the form of electronic commerce in global as well as local conditions. As communication habits and the related dominance of social media are changing, the buying behaviour of consumers is changing too. Consumers' attention shifts to the online environment of e-commerce. Success in this area is only the best, who can quickly and effectively adapt to this dynamic and innovation environment which is subject to.

Research plan, project

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