

ONLINE COMMERCE IN ROMANIA

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Abstract

The article presents the evolution of online commerce in Romania, during the last years and tries to identify the factors leading to the present situation. Main data are gathered from the national and international institutes and research methods are based on observation, documentation, comparison, analysis and synthesis. Results are useful in order to create marketing strategies better adapted to Romanians' mentality and purchasing power.

Key words: online commerce, evolution, consumer behavior

1. INTRODUCTION

According to Kotler et al. (2009), the retail activity that is not dependent by a physical area is more frequent nowadays, having more success. In our opinion, Internet is an easier way for retailers to make cost and time economies and also increase their profitability. Puiu (2012) applies Porter's model regarding competitive forces to the retail sector in Romania and mentions online retail (e-retailing) as a real threat for the traditional retail.

Our paper makes an analysis regarding the online commerce or e-commerce in Romania, explaining the factors that are an obstacle for the evolution of this kind of commerce, comparative with other developed countries. The first online shop in Romania was CyberShop.ro that started its activity in 1997. After this shy start, a lot of new shops opened online (Emag, Okazii that also exist today) at the beginning of 2000-2001.

These online shops survived in conditions of a population skeptical about buying products or services online, without touch them, see them. Conversion rates in online was about 1%, bringing less than 80 sales a week for this kind of shops. In Romania, ecommerce is regulated by the Law regarding Electronic Commerce no. 365/2002, so there was a period from the first opening in 1997 when there was no regulation.

At the beginning of 2004, there were made the first steps in order to allow payments on the Internet for those wanting to buy products from these shops. In the last quarter from 2004, there were made almost 3 millions of dollars. But, according to a report of Visa International from that year, 80% of the transactions made by Romanian Visa owners were from foreign online shops.

In our opinion, this was a good start, because it showed a change of mentality and could lead to a further increase of sales even for Romanian online shops. According to a study of Link 2 ecommerce from 2008, volume of sales increased 18 times in 2005 comparative to 2004.

Most of online shops in Romania were expansions of traditional retail, an exposure of products helping potential buyers know their offer. There is hard to recreate the history of online commerce in figures because statistics are different from an institution to another (Visa and RomCard, for example), but the explanation may be the fact that RomCard offers data just for 3D Secure transactions and a lot of them were non 3D Secure.

Another reason for which the value of online commerce is higher is because just 5% of buyers from 2005-2006 were using their cards in order to pay their products, preferring instead to pay when receiving the package at home or at a postal office.

Another characteristic for online commerce in Romania is that the average value of a transaction in the national currency is not so high, comparative with transactions from outside the country. The most successful domains in ecommerce are: tourism operators, mobile, IT & C, electronics and other similar

appliances. After 2008, the effects of the economic crisis were seen also in this sector, because the frequency in buying products online decreased and the value for a transaction followed the same tendency.

2. ONLINE COMMERCE IN ROMANIA BETWEEN 2008 AND 2013

A GPEC study from 2011 presents the consumer of online commerce and also makes a comparison between 2008 (their previous study) and 2010. They prove that the proportion of women using Internet and ecommerce is increasing, as well as the average age. If this was 27 in 2008, in 2010, the average age of people buying from online shops was 32.

The data from GPEC study show that the number of unemployed people navigating on the Internet is higher, the distribution of income present an increase of those with low salaries and a decrease of people with higher income (table 1).

Monthly salary	2008 (%)	2010 (%)
No income	15.64	17.92
< 500 lei	6.45	8.77
501 – 1000 lei	16.03	22.36
1001 – 2000 lei	28.14	29.93
2001 – 4000 lei	16.14	9.19
> 4000 lei	4.84	2.26
It's confidential	12.76	9.58

Table 1 Distribution of income among consumers from e-commerce

Source: GPEC, Study regarding E-commerce, 2011

We can notice that in 2008, those having an income less than 2000 lei were 66.26% and in 2010, the percentage becomes 78.98%, meaning an increase with 20% of those affected by the economic and financial crisis of those years.

The main reasons for which Romanians do not buy from the Internet are because they do not trust these online shops and are afraid of frauds and another one is because they consider online products have a description that does not correspond to the reality. The tendency is in decrease: so, if in 2008, 78.97% from the respondents were not buying online from the reasons mentioned above, the percentage decreased in 2010 to 63.32%.

Other reasons with significant importance of not buying from the Internet are not having a banking card (13.67%) or the necessity to pay transportation cost that increase the final price, comparative to traditional stores (20.9%). People that do not have a banking card are a reality, because there are many unemployed people, youngsters or retired people. But some of them do not know that in online commerce you do not need to pay with your card, in Romania, these payments being rare comparative with other means, but also comparative with other countries.

The most common methods used for paying products bought from online shops are: cash when receiving the package and with card. People have more confidence in online shops, because comparative with 2008, in 2010, the methods of paying at the store were in an obvious decrease.

The problems that consumers cope with when navigate online shops are less than in 2008, when technical issues were more frequent. We assist at a good evolution of online retail that brings a lot of

benefits for both parts. The price was the first element that determines people buy from the Internet, followed by the trust they have in the store.

Unfortunately, a lot of consumers do not know their rights regarding online buying, stipulated in Romanian's laws, but in European laws. According to GPEC study, Romanian consumers do not know regulations regarding electronic commerce and they do not contact offices for protection of customers, because of their lack of confidence in public institutions.

According to Visa specialists, in Romania, almost 85% of people have never made an online payment and 50-60% of population has never made a payment using a banking card. The causes would be that just 40% of Romanian households have an Internet connection, but another viable reason is the mentality and the lack of confidence in these methods.

Cristian Herghelegiu, country manager for PayU – the largest electronic payments processor in Romania, appreciates that all major online shops in Romania have implemented online payment. This offers more stability and a better cash flow for them, leading to an increase in sales, because people want to have the opportunity to choose from different methods of payment.

According to Herghelegiu (2012), online payment is more frequent in domains like flowers and gifts (60%), tourism (30-40%) and services (60%). From 2011, in 2012 there can be observed an increase in the volume of card payments with 38% (and with 51% in number of transactions). Gabriel Ghita, Business Development Manager CEE, MasterCard Europe, appreciates that cash payments are more frequent in Romania, despite of the studies that present Romanians as being the least interested in security of their data.

In my opinion, there is not a contradiction, because Romanians are most of them conservatory people that do not have a great interest in technology, regarding online payment or even security of their data. So there is a reason for both of attitudes and behaviors.

According to data from PayU, the best evolutions were registered by online shops selling coupons (106% increase), textiles (79%), gifts (62%) and toys (47%). In 2013, GPEC made data from online commerce of 2012 public. The most important figures were the following:

- 218 millions EUR 3D Secure payments, a real increase compared to 2011 (157 millions EUR)
- the average value of an online transaction was 60 EUR (in foreign currencies) and 45 EUR (in lei)
- 4.1 millions of online transactions
- 781 online shops that accept 3D Secure payment, from a total of 3,500 shops in e-commerce
- 11,300,000 cards with 3D Secure, from which just 410,000 active (used in online transactions with 3D Secure system)
- 330,000 transactions/ month in 3D Secure system
- the market share of e-retail from the total retail is 1.3%, comparative to an European average share of 3.5% (reflecting the potential of the Romanian market in the area of e-retailing)

According to a study of Daedalus realized in 2013, Romanians use e-commerce for paying their bills (42.8%), textiles and shoes (37.8%), electronics (37.4%), cosmetics (34%), household appliances (30.9%), phone and communication (28.8%), computers/ IT (28.4%), books/ newspapers/ magazines (22.3%), toys (14.4%), software/ games (12.8%), entertainment (12.2%), plane tickets (10.4%), food (7.2%), sports (6.8%), music/ films (6.3%), other (10.2%).

Ecommerce Europe published in 2013 the latest report on European B2C Ecommerce (figure 1), in which we can observe the great evolution of online commerce in Europe and mostly in a few leading countries. Officials in Ecommerce Europe expect the market share of online commerce to be doubled until 2016. In 2012, this market share was 3.5%, but specialists consider that it will be doubled till 2016 and even tripled till 2020, because Internet economy is more dynamic than the tangible economy.

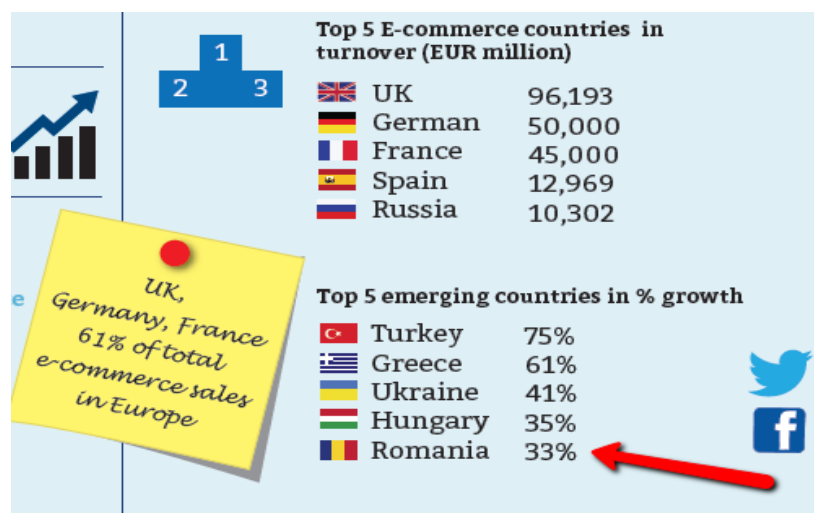


Figure 1 Evolution of e-commerce in 2012

Source: Ecommerce Europe, European B2C Ecommerce Report, 2013

In 2012, the value of European online commerce was 311.6 billion Euros (a 19% increase comparative with 2011). European Union registered 276.5 billion Euros or 88.7% of total European e-sales. The top five countries with the greatest increase of online commerce in Europe were Turkey – 75%, Greece – 61%, Ukraine – 41%, Hungary – 35% and Romania – 33%.

All these states registered a higher growth comparative to the average value in Europe and that places Romania among countries with an important potential on this market. United Kingdom, Germany and France represent the greatest European markets of e-commerce, having 61% of the total e-commerce sales in Europe.

The top five countries in online sales are: UK (96 billion Euros), Germany (50 billion Euros), France (45 billion Euros), Spain (12.969 billion Euros) and Russia (10.302 billion Euros). The first three sum a total of 191 billion Euros, meaning 61% of the total European business to consumer e-commerce or 69% of the European Union.

We can partially explain these great evolutions by a more intense online advertising and also by an increase in sales from smart phones. In United Kingdom, 12% of the total e-sales were made from phones, more than double comparative to 2011, when mobile sales were only 5%. Also in the northern countries in Europe, proportion of mobile sales is around 8% and in France about 2%.

These facts show a tendency in online commerce of Europe and the appearance of a new niche in this area: mobile commerce or m-commerce. Almost 50% of Europeans connected to the Internet make online purchasing; in Romania, from the total of 9 million connected online, just 15% are buying online. This reality is a sad one, but we also can conclude that the market of e-commerce has a great potential and this was seen in 2012 when Romania placed on the fifth position with 33% increase.

The benefits of the great evolution of e-commerce are numerous, one of them being the jobs created in this domain, jobs that are estimated at 2 million in Europe and the tendency is for more increase, along with the growth of e-sales.

According to the same report, the number of web-sites in e-commerce has reached 550,000 in 2012, that meaning a growth rate of 15% - 20% annually and following the same tendency, especially in countries with high potential, like Spain, Italy, Ukraine, Turkey and so on. The countries with the most e-sales, like Germany, France or United Kingdom register lower growth rates, because their markets have already reached a high level.

The 2013 Global Retail E-Commerce Index published by AtKearney reveals the important position of the European countries like United Kingdom, Germany, France, Italy and others regarding the potential of these markets in the area of e-retailing, but also their attractiveness for investors (table 2).

Rank	Country	Market Type	Online market size	Growth potential	Attractiveness
1.	China	Next Generation	100	100	84
2.	Japan	Digital DNA	100	17.4	83.3
3.	United States	Established and Growing	100	39.8	82.8
4.	United Kingdom	Established and Growing	100	14.7	75.7
5.	South Korea	Digital DNA	79.6	9.3	72.2
6.	Germany	Established and Growing	90.3	28.1	70.4
7.	France	Established and Growing	85.5	7.4	65.2
8.	Brazil	Next Generation	37.2	64.7	50.9
9.	Australia	Established and Growing	15.7	46.2	50.8
10.	Canada	Established and Growing	17.7	48.3	49.7
11.	Singapore	Digital DNA	2.3	28.9	45.3
12.	Argentina	Next Generation	9.2	75.7	44.2
13.	Russia	Next Generation	34.9	56.4	44.1
14.	Hong Kong	Digital DNA	3.2	17.2	43.4
15.	Italy	Next Generation	16.1	64.3	41.9

Table 2 The 2013 Global Retail E-Commerce Index

Source: www.middle-east.atkearney.com/documents/10192/3609951/FG-Online-Retail-Is-Front-and-Center-in-the-Quest-for-Growth-1.png/1182d88f-c670-42cf-a14e-46da67cb384d?t=1384746753354

Before analyze these data, it is important for our research to understand the terms – next generation, digital DNA and established and growing. Next generation markets are developing markets with a high potential, but with less favorable consumer behavior (China, Brazil, Argentina, Russia, Italy). Digital DNA markets are countries from Asia-Pacific, with a solid online consumer behavior and high technology. The established and growing are countries that are still attractive and with a higher population that is connected online.

Japan, South Korea, Singapore and Hong Kong are countries with a digital DNA market, meaning they have a low potential for growth (from 3.2 in Hong Kong to 28.9 in Singapore). Their attractiveness is still high, from more than 40 to 83.3.

The potential and attractiveness of Next generation countries are also high and those countries are still facing with regions, where Internet cannot be accessed, especially in rural areas. So, according to the

study of AtKearney (2013), these countries could attract a lot of investors and lead to more e-sales, if the infrastructure of the network would also be improved in those areas.

Internet penetration rates in these countries are 38% in China, 45% in Brazil and 49% in Russia, but despite the poor logistics and infrastructure from certain regions, when they get online, 40% of these people make online buying. At the same time, a lot of e-sale lead and changes into m-commerce, meaning sales from a mobile phone.

A better representation of countries, function to their online growth potential and their online consumer behavior is illustrated in figure 2, by AtKearney:

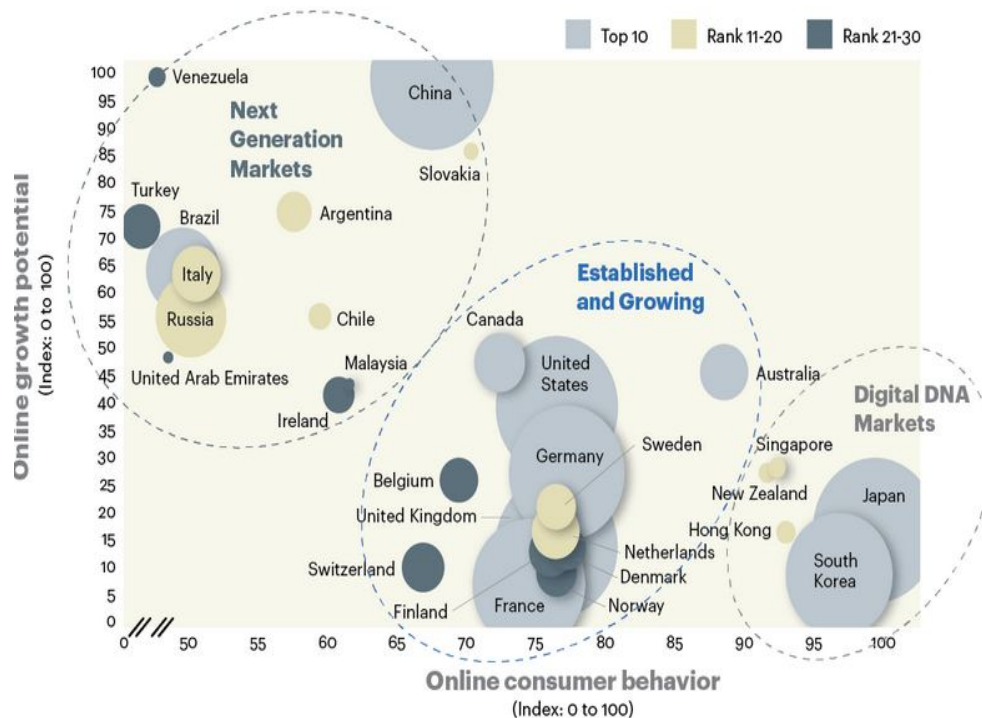


Figure 2 Online markets typology

Source: AtKearney analysis, 2013

We can notice that countries with the most online potential are those from the category of next generation markets, like China, Venezuela, Turkey, Brazil, Argentina or Slovakia. Countries like France, Finland, United Kingdom, Germany have an online growth potential below 40 (on a scale from 0 to 100), because they are established and already growing countries.

The diverse situation in Europe is an encouraging one and there are a lot of opportunities on m-commerce market, in condition of an increased advertising online and on mobiles. At the same time, more and more people are connected online, using their phones.

3. CONCLUSIONS

Our analysis presents the situation of online commerce in Europe and also in Romania, as an important market for this type of commerce. We have seen that our country is one of the five countries with most important increase of e-market in 2012. Romania is far from other countries with a higher turnover from e-commerce, but this fact means that we can attract investors and offer opportunities for some niches.

One of the possible niches could be represented by m-commerce, a more and more important sector in e-retailing all over the world. The number of Romanians connected online from a computer or from a smart phone has increased a lot in the last years, despite of the economic crisis.

Our research highlighted also some obstacles for the slow growth, compared to other states in Europe: old mentality, traditionalism, fear of using cards online, infrastructure that does not allow Internet connections in some rural areas, lack of trust in online shops and in products that are not tangible.

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