

E-COMMERCE ACROSS EUROPEAN UNION

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Abstract: *In the last decade, the internet has evolved in an amazing tool having a major impact on all life aspects. The possibility to make online transactions, without being necessary to leave the house, was something new, an idea which changed from that moment the way business were made and perceived. Sites like mazon.com and eBay were and still are pioneers in this industry. E-commerce, a term that used to be unknown, has become nowadays one of the most tremendous and exciting trends in all kind of businesses. As a matter of fact it is for sure an essential element which helps at the growing at a national level, in terms of trade. As a result, the small companies are helped to internationalize their business and give them the opportunity to new business perspectives. The European Union understood these changes from the beginning of this phenomenon, recognizing the importance of electronic e-commerce.*

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JEL Classification: L81

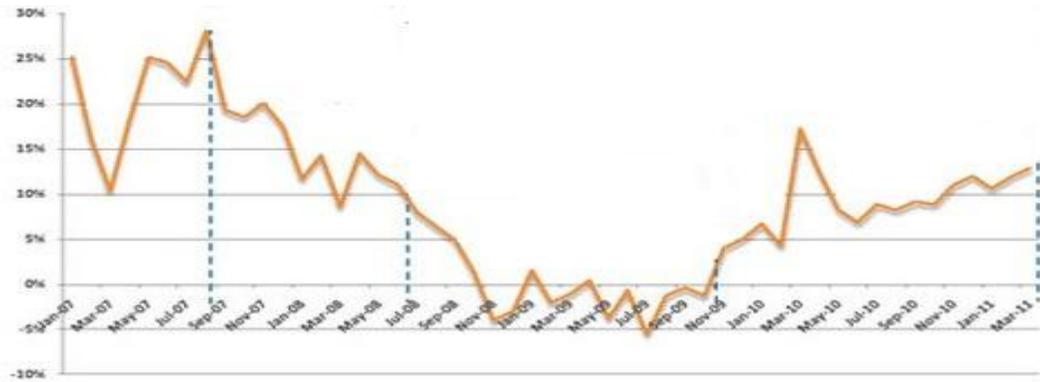
1. INTRODUCTION

The lack of trade barriers among the member states of the European Union offers great opportunities for the businesses in the area of electronic commerce, because once the products enter to any country from the European Union, for example Austria, the products are free for sale to all the 27 member states without additional export or import taxes. This is really important for companies like Amazon.com, eBay, Eastbay, etc. With more and more East and Central Europe joining the European Union, companies that are not established in the European Union, could easily join to the new entrants. In this conditions a country that is already a member state of the European Union and has a desire to expand to other countries, has to be familiar with the local legislation, and follow their local regulation.

As a result of the crisis many companies were forced to downsize and lay-off employees. Hence, the unemployment rate increased and caused a reduction in consumer spending. Due to the increased

oil price the shipping costs increased also. In other words it is a critical issue for companies from electronic e-commerce industry, because they cannot avoid the shipping of their products. The shipping costs become one of the biggest operating expenses for the online business.

Figure 1 – The effect of the crisis on e-commerce in world, 2007-2010



Source: www.comscore.com

On the other the world population is constantly growing especially in third world countries. This is good for all the industries, because more customers mean bigger markets. Consequently, the population that uses internet is increasing at a very fast speed. Nowadays using a computer it is for sure not something new, but a necessary job skill. One thing that we should always consider is the life style that made people to have less time for shopping. People prefer online shopping, because they can easily compare the prices and always find a cheaper.

At least, but not at last, technology is for sure one of the most important driving forces in online-shopping industry. Technological change is at a very fast speed and accelerating pace. It is very critical for online businesses. Customers always want better, simpler, and more customer friendly technology.

2. ELECTRONIC COMMERCE IN EUROPEAN UNION

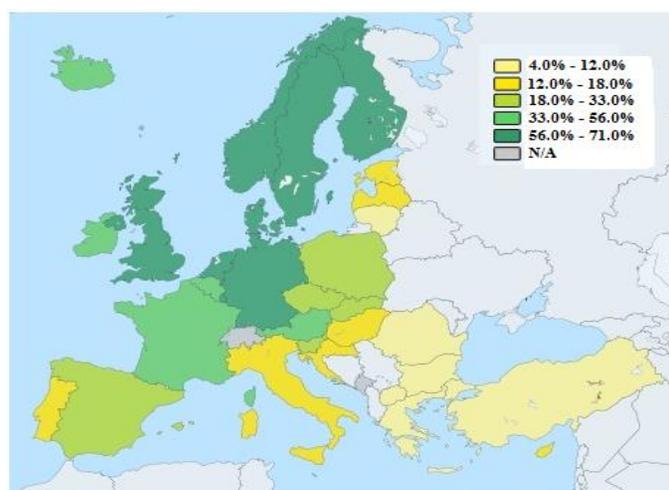
In recent years, **information and communication technologies (ICT)** have changed the course of the world: the standards of living around the world are improving, people have the possibility to be more connected, and productivity, efficiency, and innovation are increasing. ICT has become, in a very short time, widely available for organizations, and individuals, in terms of accessibility, as well in

terms of costs. On one hand, the use of ICT, changed the way people live, and on the other hand, ICT has proven to be a fundamental element for increased competitiveness and economic and social development, and also an important tool for poverty reduction (Dutta and Mia, 2011).

Today, electronic commerce is one of the most important applications available on the Internet. Carrying out business online, over the Internet, has emerged as a fast growing market, mainly due to the **benefits** that this form of commerce provides. Electronic commerce eliminates the barriers of time, space and distance. Individuals and organizations are completely free to buy and sell anything they want with only a single mouse click from anywhere. Another advantage is that the transactions are faster, they occur in real time, and the processing errors are eliminated. For a company, perhaps the most important advantage is that e-commerce increases profitability by reducing costs, attracting new customers, and expanding market (Caffey, 2004).

The European Union understood, from the beginning, the great potential of the e-commerce; that it can promote competition, and allow businesses to develop new relationships with their customers, based on a win-win model. Nevertheless, **the European e-commerce market** cannot be seen as one single market itself, since there are major differences from country to country. In reality, as it can be observed from the figure below, the European e-commerce market consists of several markets. Firstly, an emerging market, for which statistical data is most of the time unreliable, especially in Eastern Europe, in countries where the number of users decreased significantly, like Romania (4%), Bulgaria (5%), or Greece (12%). Here the percentage of the individuals using the Internet for ordering goods or services is between 4% and 12%. Secondly, a growing market, in which statistical data is between 12% and 56%, in countries like Italy (15%), Hungary (18%), Spain (24%), and France (56%). In last instance, a very mature market, in northern Europe, including Germany (59%), the United Kingdom (67%), and Norway (71%), where 56%-71% of all internet users are e-shoppers.

Figure 2 - Individuals using the Internet for ordering goods or services in 2011, EU 27 (percentage of individuals aged 16 to 74)



Source: Eurostat

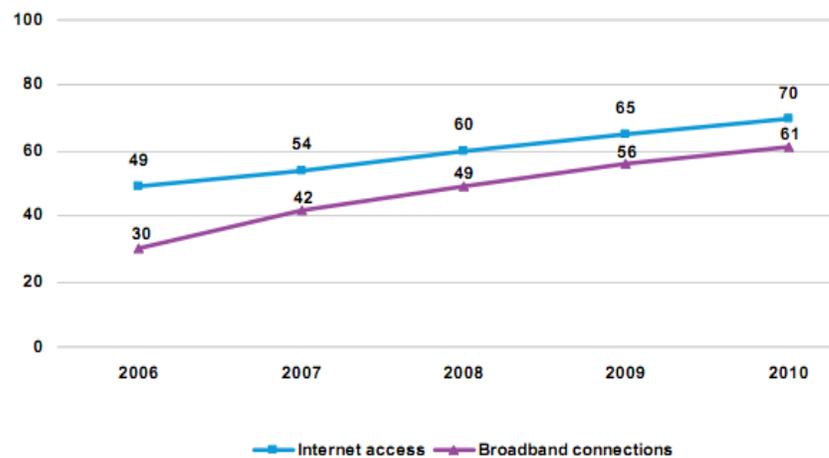
A major reason for the fragmented European market structure is the big differences in language and culture. This aspect has many implications. For example, advertising often involves from country to country different marketing campaigns. One might think that because Germany and Austria have the same language, the advertising campaigns would perform equally in the both countries, but in fact they do not. Another example is that Google has specific domains for each European country (Weihbold, 2010).

During the last five years, the percentage of **households across the member states which have Internet access** rose, from 49% to 70%, during the years (figure 2). The growth rate was constant, approximately 4% - 5%. However, a boundary was crossed in 2007, when more than half (54%) of the European households had Internet access. Nowadays (2010), the highest proportion of households with Internet access (90%) was in Sweden (91%), followed by the Netherlands (90%) and Luxemburg (90%). The lowest proportion of households with Internet access was recorded in Romania (36%), Bulgaria (43%) and Greece (44%). The most common form of Internet access in almost all European states was broadband (Seybert and Loof, 2010).

The highest share of regular internet users was recorded in the age group 16-24 years, and in the high education group (90%); the opposite was recorded in the age group 55-47 years (37%). About half of internet users from the EU27 shopped online, the highest share being registered in the United Kingdom (79%), and the lowest in Romania (9%). In 2009, the goods most ordered over the Internet

for private use, in the member states, were travel or holiday accommodation, followed by clothes or sports goods, household goods, tickets for events, and books, magazines or e-learning material. In 2010, nearly one third of internet users (31%) from the EU27 reported security incidents (e.g. virus). The highest share was recorded in Bulgaria (58%), followed by Malta (50%) and Slovakia (47%). The lowest share was recorded in Romania (10%), Austria (14%), and Ireland (15%) (European Union, 2011).

Figure 3 - Internet access and broadband internet connections by households, European Union, 2006-2010 (%)

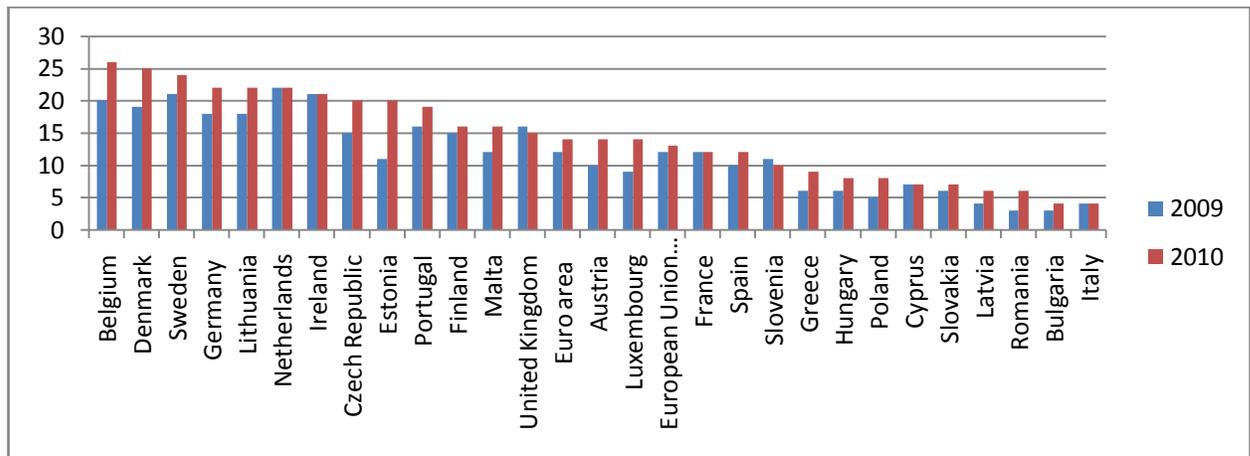


Source: Eurostat

From 2009 to 2010 the percentage of **enterprises that have chosen to use electronic commerce in the EU** rose from 12% to 13%, as it can be observed from the figure 2. Still the numbers vary from country to country: 36% of all enterprises in Belgium have chosen to use electronic commerce, in 2010, in Denmark 25%, and in Sweden 24%. In Latvia and Romania only 6% have done so, and in Bulgaria and Italy only 4%. In the entire member states, the number of enterprises that choose to use electronic commerce in the EU increased, or, in the worst scenario, was maintained constant (e.g. Italy), if we compared with the previous year.

In 2009, considering all enterprises in the Member States, 64% had their own website, and the share increased when we take into consideration large enterprises to 90%. However, in 2010, in large enterprises, the Internet use proportion was three times higher than in small enterprises (Eurostat, a, 2010).

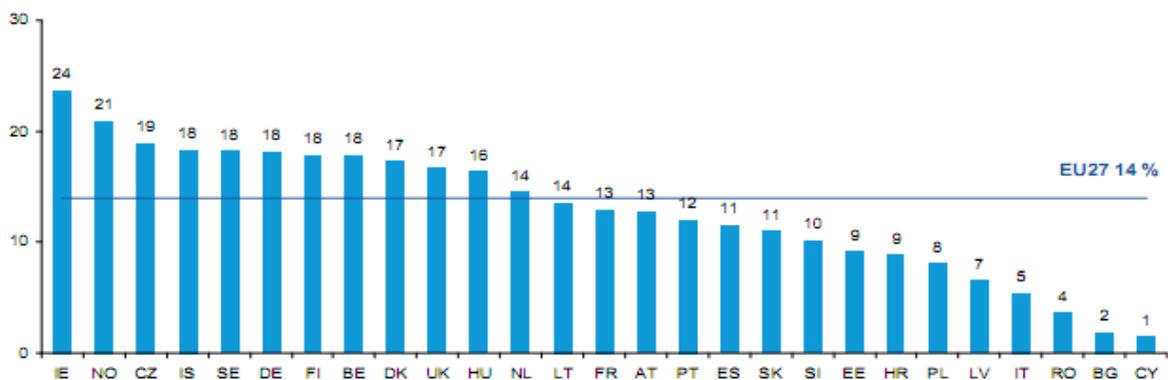
Figure 4 - Enterprises selling via Internet and/or networks other than Internet, EU27, in 2010 (percentage of enterprise)



Source: Eurostat

The EU27 average **turnover from e-commerce** is 14%, as it can be observed from figure 4. The highest percent of turnover from electronic commerce, almost one quarter, was realized in Ireland (24%), followed by Norway (21%), and Czech Republic (19%). The lowest percent was realized in Cyprus (1%), Bulgaria (2%), and Romania (4%) (Giannakouris and Smihily, 2010). In 2008, the enterprises' turnover generated from electronic commerce was 12%. During this period, 73% of electronic commerce turnover came from within the country, 19% from the other member states and 8% from outside the European Union (Eurostat, b, 2010).

Figure 5 - The turnover of EU enterprises from e-commerce, in 2009 (percent of total turnover)



Source: Eurostat

European Union has a relatively low share of ICT expenditure as a percentage of GDP, compared with United States. However, in 2009, the United Kingdom had the biggest internet economy market in the world when measured by the amount spent per capita. The e-commerce in UK is likely to grow by 10% up to 2015 (Robinson, 2010). China's online shopping sales rose to \$36.6 billion in 2009 and continues to expand. E-Commerce has become an important tool for businesses not only in European Union but also worldwide.

CONCLUSIONS

Electronic e-commerce will have serious economic effects in the future. Trade on internet will change the face of the business for always. The fact that electronic ecommerce increased so much in all the developed countries, and that in the developing ones have just started to use more and more e-commerce, in order to improve their business and to start new ones.

Small and big companies from multiple industries are depending on the electronic e-commerce applications in order to survive and to compete in local, national and global economies. This companies use email to communicate with their consumers and suppliers, and internet for advertising, processing and establish electronic transactions.

Because of the globalization, the importance of electronic e-commerce increased and is still increasing at a very fast speed. More and more business use electronic trade to increase their profits, and it will continue in the future.

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