

Main Trends in B2C E-commerce in the Slovak Republic

Eubica Lesáková

Matej Bel University, Faculty of Economics, Slovak Republic
lubica.lesakova@umb.sk

Abstract: Slovakia is one of the fastest growing region in Central Europe when comes to e-commerce. As the digital infrastructure and logistics network improve, the potential is obvious. The strong growth of B2C e-commerce in Slovakia in the last years means that Internet is now a favourable place for Slovak enterprises as well as for Slovak citizens to do their businesses and shopping. The widespread use of Internet and high level of access to smart phones and mobile broadband are common explanation for growth of online shopping in Slovakia. More and more people are finding that shopping online has a number of benefits compared with shopping in a physical store: it is easy, saves time and can be done at a time to suit the consumer. What shoppers agree on is that both price and delivery time are reasonable factors and that sites make a serious impression. The aim of the article is to present main trends in the development of B2C e-commerce in the Slovak Republic and to identify the main factors determining the decision of Slovak online shoppers to buy through Internet.

Keywords: e-commerce, B2C e-commerce, Slovak Republic

1 Introduction

In recent decades there has been evident noticeable increase in e-commerce segment in Slovakia. As a consequence of this trend constantly are created new internet shops and online companies.

Electronic commerce or e-commerce refers to a wide range of online business activities for products and services (Rosen, A., 2000). It can be defined as “the use of electronic communications and digital information processing technology in business transactions to create, transform and redefine relationships for value creation between or among organizations and between organizations and individuals” (Andam, Z. R., 2003).

In e-commerce information and communication technology (ICT) is used in inter-business or organizational transactions (transactions between and among

firms/organizations) and in business-to-consumer transactions (transactions between firms/organizations and individuals).

The impact of e-commerce on the economy of developing countries is evident in the following areas (Andam, Z. R., 2003):

- transaction costs – there are three cost areas that are significantly reduced through the conduct of B2B e-commerce. First is the reduction of search costs – as buyers need not go through multiple intermediaries to search for information about suppliers, products and prices as in a traditional supply chain. In terms of effort, time and money spent, the Internet is a more efficient information channel than its traditional counterpart. Second is the reduction in the costs of processing transactions (e.g. invoices, purchase orders and payment schemes), as B2B allows for the automation of transaction processes and therefore, the quick implementation of the same compared to other channels (such as the telephone and fax). Efficiency in trading processes and transactions is also enhanced through B2B e-market's ability to process sales through online auctions. Third, online processing improves inventory management and logistics;
- disintermediation – through B2B e-markets, suppliers are able to interact and transact directly with buyers, thereby eliminating intermediaries and distributors. However, new forms of intermediaries are emerging. For instance, e-markets themselves can be considered as intermediaries because they come between suppliers and consumers in the supply chain;
- transparency in pricing – among the more evident benefits of e-markets is the increase in price transparency. The gathering of a large number of buyers and sellers in a single e-market reveals market price information and transaction processing to participants. The Internet allows for the publication of information on a single purchase or transaction, making the information readily accessible and available to all members of the e-market;
- economies of scale and network effects – the rapid growth of B2B e-markets creates traditional supply-side cost-based economies of scale. Furthermore, the bringing together of a significant number of buyers and sellers provides the demand-side economies of scale or network effects.

The major different types of e-commerce are: business-to-business (B2B); business-to-consumer (B2C); business-to-government (B2G); consumer-to-consumer (C2C) and mobile commerce (m-commerce). In our article attention will be given to the B2C e-commerce.

2 Main trends in B2C e-commerce in the Slovak Republic

Business-to-consumer e-commerce, or commerce between companies and consumers, is the second largest and the earliest form of e-commerce. Its origins can be traced to online retailing (or e-tailing). Thus, the more common B2C business models are the online retailing companies.

The more common applications of this type of e-commerce are in the areas of purchasing products and information and personal finance management, which pertains to the management of personal investments and finances with the use of online banking tools.

B2C e-commerce reduces transaction costs (particularly search costs) by increasing consumer access to information and allowing consumers to find the most competitive price for a product or service. B2C e-commerce also reduces market entry barriers since the cost of putting up and maintaining a Web site is much cheaper than installing a “brick-and-mortar” structure for a firm. In the case of information goods, B2C e-commerce is even more attractive because it saves firms from factoring in the additional cost of a physical distribution network. Moreover, for countries with a growing and robust Internet population, delivering information goods becomes increasingly feasible (Rosen, A., 2000).

The facts and figures show great potential for e-commerce in Slovakia. As we can see in table 1, enterprises’ total turnover from e-commerce in Slovakia (as a percentage of turnover) was 13 % in the year 2014 and in comparison to the average of European Union (28 countries) was lower by 2 %. Percentage of turnover from e-commerce by all enterprises in the year 2013 (Slovakia) was 18 % and it is 5 % less, as it was in the year 2014. The changes in percentage of turnover from e-commerce during the last five years are the result of variable turnover of all enterprises in Slovakia and of those factors that have influenced the turnover in general (economical, financial, market factors).

GEO/TIME	2010	2011	2012	2013	2014
Slovakia	11	16	12	18	13
European Union	14	14	15	14	15

Table 1
Percentage of turnover from e-commerce
Eurostat, 2015

What concerns the enterprises selling online (as a percentage of all enterprises) – it is 12 % of all enterprises in Slovakia in the year 2014. The average of European Union (28 countries) in percentage of enterprises selling online is 15 %. It is evident, that during the last five years the percentage has increased by 5 % according to the year 2010, what can be viewed positively. The changes in

percentage of enterprises selling online during the last five years in Slovakia are very similar to those in Table 1. The number of Slovak enterprises selling online has influenced considerable the total percentage of turnover from e-commerce (Table 2).

GEO/TIME	2010	2011	2012	2013	2014
Slovakia	7	13	12	18	12
European Union	13	13	14	14	15

Table 2
 Percentage of enterprises selling online
 Eurostat, 2015

Positively is viewed the increase in the percentage of enterprises purchasing online – in the year 2013 it was 20 % of all enterprises in Slovakia and according to the year 2010 it is increase by 6 % (Table 3). Many Slovak enterprises utilize the advantages of purchasing online, especially the access to the global market, economies of scale and lot of information on Internet.

GEO/TIME	2010	2011	2012	2013
Slovakia	14	15	14	20
European Union	27	19	16	18

Table 3
 Percentage of enterprises purchasing online
 Eurostat, 2015

What concerns the percentage of individuals purchasing online, the number for the year 2014 was 31 %; that is more than in our neighborhoods countries (Czech Republic 25 %, Hungary 20 % and Poland 24 %). European Union (28 countries) average in percentage of individuals shopping online in the year 2014 reached the number 41 % (Table 4). This confirms growing interest of Slovak to purchase online.

GEO/TIME	2010	2011	2012	2013	2014
Slovakia	19	23	30	30	31
Czech Republic	15	16	18	21	25
Hungary	10	13	15	17	20
Poland	20	20	21	23	24
European Union	31	33	35	38	41

Table 4
 Percentage of individuals purchasing online
 Eurostat, 2015

Statistics of The Slovak Banking Association gives us an overview of electronic transactions that have been realized by Slovak banks. In 2014, the total number of e-shops that support payment through Slovak bank was 1 590. The number of e-commerce transactions that was realized in the first quarter of 2014 was 1 201 434, what is 1,5 % of total number of transactions realized within the same time period. The total volume of e-commerce transactions in the first quarter of 2014 was 3 934 628 842 € in Slovakia, what is 1,2 % of total volume of transactions realized through Slovak banks' accounts.

3 Factors influencing the decision of Slovaks to buy online

The results presented in the following part of the article are coming from the research conducted in the year 2014 by the Media Research Slovakia for the Slovak Association of Electronic Commerce (the survey was carried out on a representative sample of 1 006 respondents of the Slovak National Panel), as well as from the research conducted by the students of our university during last 2 years. The aim of the research was to identify the factors influencing the decision of Slovak online shoppers to buy through Internet.

The main advantages for shoppers buying online is the convenience (buying from home), non-stop opening hours, a lot of information on Internet as well as the access to global market.

One of very important question is B2C e-commerce information security. The threats of hackers and other misuse of information. An additional costs are connected with this disadvantage on the side of enterprises. On the side of consumers it causes doubts and mistrust. As e-commerce is multinational, the legislation regulation is more complicated, because the legal standards are different in each country.

Slovaks are buying more and more online. The internet shops are very popular by Slovak customers. 31 % of all citizens bought goods online. In the year 2014 it was more than in Poland, Hungary and Czech Republic. The reason of this growth is increasing use of the Internet as well as access to smart phones and mobile broadband, combined with the fact that this is anything "new" for them (Lesáková, D., 2010).

One of the factors that influence the development of B2C e-commerce in every country is customers' level of IT skills, especially level of internet skills. To confirm it, we realized correlation analysis using Eurostat databases. We compared data describing internet purchases by individuals and individuals' level of internet skills in 30 European countries. The results are in the following table.

Year	2010	2011	2013
Value of correlation coefficient	0,835	0,828	0,832

Table 5
Correlation of internet purchases by individuals and individuals' level of internet skills
Results of own analysis using Eurostat data, 2015

As we can see, the strong direct correlation is obvious in all investigated years (there were no reliable data for year 2012). On the basis of these results we consider the statement that e-commerce development depends on internet skills of consumers as confirmed.

Besides traditional motivation factor to buy online because of lower prices, Slovak customers enjoy the shopping through Internet, they state it is convenient for them and they take it as a form of any “relax” (Lesáková, L., 2014).

According to the results (Media Research Slovakia, 2014) with buying on Internet, majority of Slovaks (95 %) have the best or at least good experience. More than 25 % of the internet users buy on the internet at least once a month and 30 % at least once a quarter. Only 4 % of respondents never bought anything in any e-shop. The top 7 products bought by Slovak consumers online are:

- clothing/footwear,
- home furnishing and garden,
- books,
- cosmetics,
- electronics (TV, computers),
- films/DVD/CD,
- food.

Clothing and footwear as well as home furnishing and garden are the most popular product categories for online shopping; in Slovakia more than half of online shoppers bought clothing and footwear online last year. In second place is home furnishing and garden followed by the books and cosmetics.

When it comes to the average amount spend on one order, it was 80 € spent by Slovak consumer shopping online.

Slovaks buy mostly from domestic sites, but only 46 % of respondents have bought the goods also from foreign e-shop. This fact might be caused by the relatively low knowledge of foreign languages. For more detailed investigation of this hypothesis, we searched for data describing online purchases and knowledge of foreign languages within Eurostat databases. We were able to compare the data for 26 European countries in the year 2011. The value of correlation coefficient is 0,493 that signals medium direct correlation. It means that more foreign languages known, the higher is B2C e-commerce activity in specific country.

Most buyers via the Internet are university-educated people. This is probably due to the fact that people with higher education are forced to use in their work ICT for several hours a day.

Slovak online shoppers declare that *price* is the most important factor influencing their decision to purchase online. Slovaks are very price-sensitive buyers. More than one half of Slovak respondents' state, that it is very important that online store has lower prices. 55 % of respondents feel that it is very important that the price is lowest when making a purchase online.

Free delivery is also significant, 53 % of respondents consider this issue as very important. Other competitive factors that play important role in decision to buy online is also *good service* and *support if problems arise*.

Online traders know that it is important to offer a *payment solution* that customers want and trust. To the question which method do you prefer when to pay for a product bought online, more than 48 % answered, they prefer direct payment of cash on delivery. Relatively popular is, however, bank transfer that according to the survey is preferred by a quarter of customers. At present, 13 % of people pay by the debit or credit card.

One of the success factors for e-traders is to be able to offer *quick delivery*. More than 68 % of Slovak online buyers state that it is very important that a delivery takes no longer than three days if they are to be willing to buy. Demand for quick deliveries is highest among more than one half of shoppers, who believe it should take no more than three days. However, today 8 % of e-shops are able to supply the goods within one day. E-shops more often rely on courier companies whose services are used by 56,8 % of online shoppers. The Slovak Post as a form of goods delivery is used only by 32, 2 % of shops.

For the companies the most important benefits of B2C e-commerce include the opportunity to carry out business within the global market, shortening the time required on reactions in the process of provider-customer communication, and last but not least, a more precise targeting on target customers through a more thorough segmentation of customer markets.

4 Conclusion

B2C e-commerce allows mutual enterprises-customer connection. This connection offers a wide range of benefits not only for customers in the form of increased comfort, but also for enterprises in the form of valuable information, which are suitable for subsequent analysis. Mutual interactive connection of communicating parties also brings benefits in terms of providing important information needed for effective business, even in real time. Analysis of these information may provide a

significant competitive advantage in terms of better understanding of factors affecting business and has a positive impact on future decision making by Slovak enterprises.

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