

# DEVELOPMENT OF E-COMMERCE IN EUROPE

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**Abstract:**

*Among the many potential benefits of electronic commerce include lower prices, access to a wider range of goods, development of innovative services and creating jobs. Online purchases represent about 3% of European retail trade. But the development of uniform electronic markets still face numerous obstacles.*

**Key words:** e-commerce, information society, digital economy, e-business

**JEL classification:** L86, H55, M15

## INTRODUCTION

Unprecedented development in the last two decades due to the need of information technology storage and rapid transmission of information with the lowest costs, has revolutionized the global trade, directly or retail trade, redefining the traditional principles of marketing. Today, the term electronic commerce has become synonymous with profit growth.

Internet, approached from a technological perspective has major implications for socio-economical of the environment, particularly on companies and institutions through structural changes, managerial behavior and imposed. On the other hand, the question of supporting the Internet changes that produced them. This means that the virtual market presence of the protagonists is at the same time, and that therefore the development of technology, but also the environment from communication. Environment created by the Internet, WWW, wireless and mobile knowledge provides the opportunity integrating in a single infrastructure elements that characterize the main instruments of communication, management and marketing. Representing a virtual way small businesses can grow and generate major competitive advantage over strong competition global market. [1]

Modern enterprises are characterized by a growing demand increasing, the existence of global competition and ever increasing customer expectations. That can meet these requirements, companies across the globe are in the process of organizational transformation and adaptation of how they are functioning. Electronic commerce is a way on a global scale, which facilitate and support these changes.

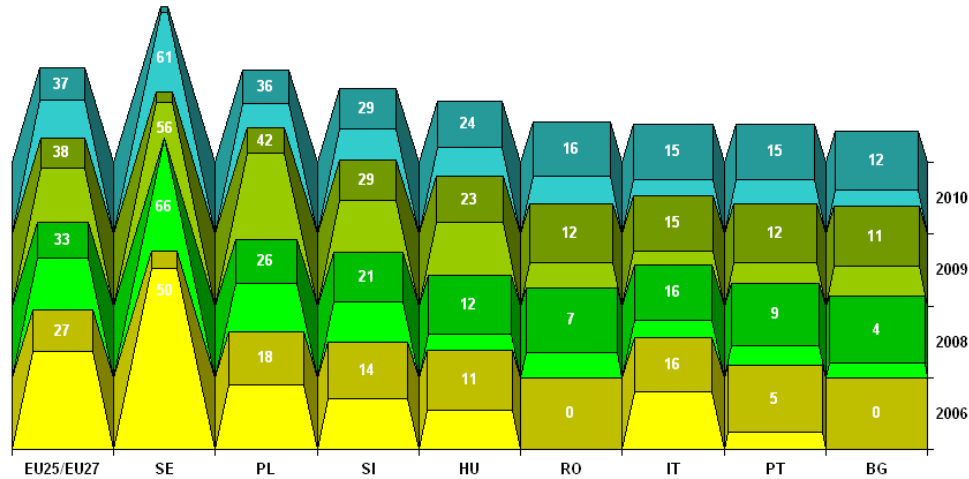
Electronic commerce has ceased to be a future action. It is happening now, and success are many and obvious. Electronic commerce is taking place all over the world, the world essentially as a concept and its implementation, very quickly and closely following the exponential growth of Internet and World Wide Web. Impact of electronic commerce on businesses and society will be particularly so in scope and intensity. Regarding the impact on firms, electronic commerce offers unique opportunities for business reorganization, redefinition of markets or create new markets. E-commerce initiatives may generate cost reductions, revenue increases and operational efficiencies for companies seeking to gain a competitive advantage in today's economic environment.[2, 3]

## E-COMMERCE - TODAY

To encourage further trade and facilitate on-line internet sales in all Member States, the EU proposed measures will contribute to economic growth and generate new jobs.

Among the many potential benefits of electronic commerce include lower prices, access to a wider range of goods, development of innovative services and creating jobs.

Online purchases represent about 3% of European retail trade. But the development of uniform electronic markets still face numerous obstacles.[4, 5]

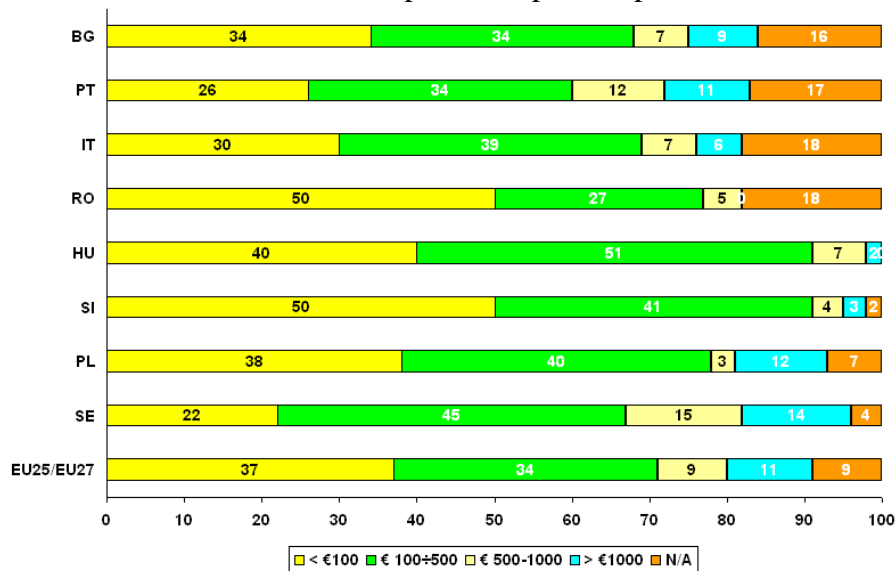


**Figure 1.** Purchases made any goods or services via the Internet

(all respondents, % of „Yes“ answers by country)

(Source: Consumer attitudes towards cross-border trade and consumer protection - Analytical report - : March 2011 - European Commission)

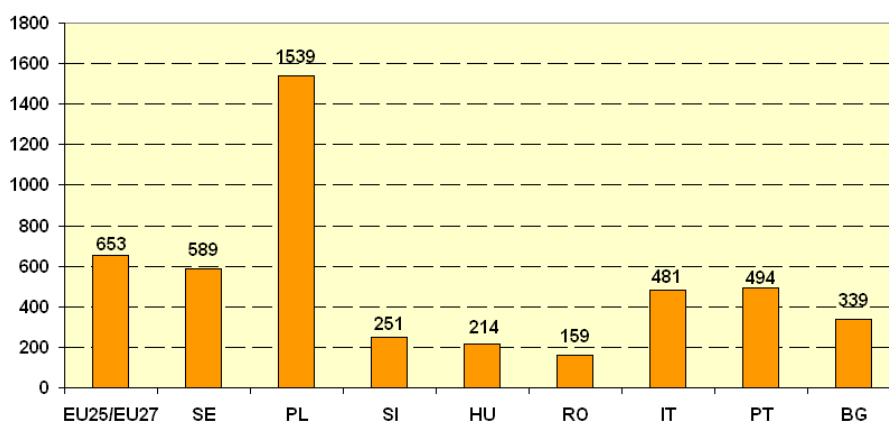
For example, rules governing online sales are often blurred or ignored, sites not sufficient information to consumers and price comparison possibilities are limited.



**Figure 2.** Total value of goods or services purchased by distance via the Internet (% by country)

(Source: Consumer attitudes towards cross-border trade and consumer protection - Analytical report - March 2011 - European Commission)

In these conditions, many potential customers refused to make purchases online, although this system would enable savings estimated at nearly 11.7 billion euros per year. Development of a more open and secure electronic could benefit both buyers and traders.



**Figure 3.** Average value of goods or services purchased by distance via the Internet (% by country)  
 (Source: Consumer attitudes towards cross-border trade and consumer protection - Analytical report –  
 March 2011 - European Commission)

The weaknesses of e-commerce matrix are: the level of information, the protection and range of goods available. Doubling is expected by 2015, the volume of online sales if these weaknesses could be adjusted by the following measures proposed at EU level:

- facilitating electronic procurement of goods and services (including music and movies);
- more efficient and profitable delivery of products throughout the EU;
- request traders to provide more information about products and prices;
- contribute to developing high-speed Internet services and communications infrastructure, including providing access in remote areas and rural people;
- provide better information for consumers and greater protection against abuses on the Internet.

### STIMULATION OF ELECTRONIC COMMERCE

Following these measures, both customers and companies would benefit, because these measures encourage them to invest in services and sales online. Another advantage of such measures as establishing a clear legal framework for online transactions. Applying a common set of optional rules in the sale would facilitate cross-border trade, reduce business costs and at the same time, would give consumers greater protection and a wider range of products and services.

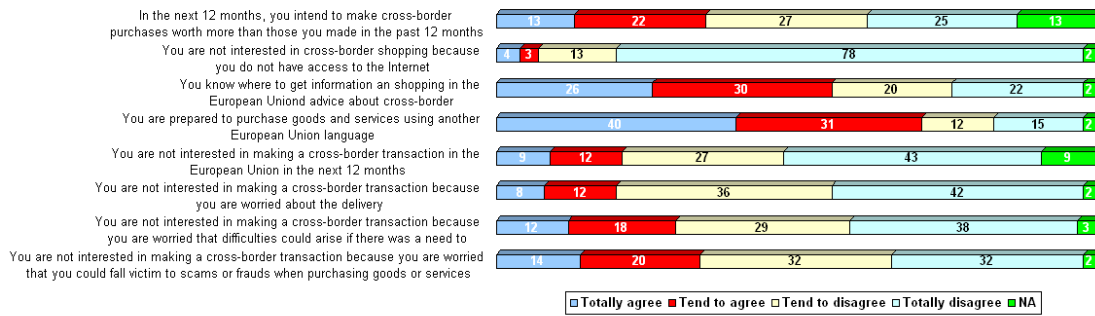
In the past 20 years, the European single market has generated many benefits, including lower prices for air travel and roaming services. However, there are still barriers to cross-border trade, such as differences between national laws on sales.

Traders discouraged by complicated and costly procedures that must be met in order to adapt to these differences lose annual contracts of at least 26 billion euros.

European contract of sale would remove these barriers, facilitating cross-border trade and giving consumers a wider range of products, lower prices and a high degree of protection across the EU. For example, if they would receive a defective product, customers would be more convenient solution: termination and money back, replacement or repair or request a price reduction.

Currently, about 45% of Europeans say they are shopping abroad because they are not sure of the rights they enjoy [5, 7].

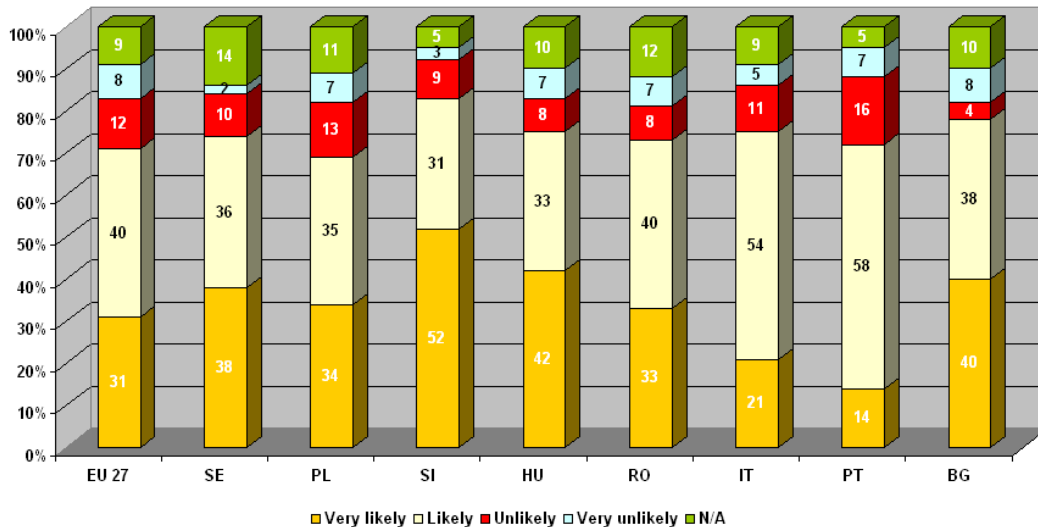
**Respondents who had made at least one crossborder distance purchase**



**Figure 4.** Attitudes towards cross-border purchases (% EU27) - Respondents who had made at least one cross-border distance purchase

(Source: Consumer attitudes towards cross-border trade and consumer protection - Analytical report – March 2011 - European Commission)

The new rules would not replace national legislation - although Member States can choose their national implementation. But he would allow traders to propose a contract option for sales in other EU countries. The contract would be applicable only if proposed by the seller and the buyer accepted.



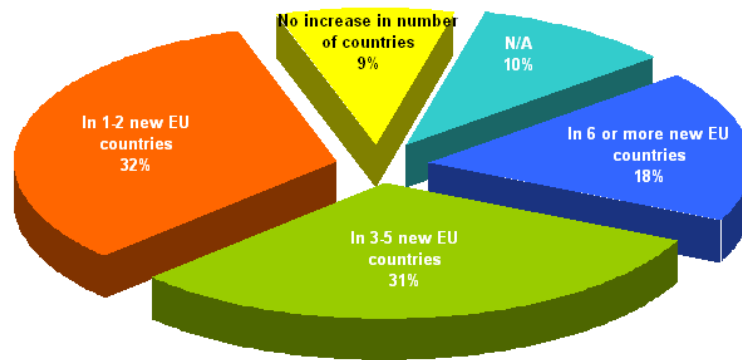
**Figure 5.** Likelihood of using the European consumer contract law for EU cross-border sales to consumers

(Source: European contract law in consumer transactions - Report: 2011- European Commission)

Retailers that offer such a contract of sale together would not be forced to adapt to other national systems, which would lower costs.

Currently, companies wishing to sell in other EU countries must adapt to up to 26 different national legislation in contract law. Expenditure on legal advice and translation and adaptation contracts amounting on average to 10.000 € for each market. Necessary changes on the company's website can cost, on average, another 3.000 €.

According to the Eurobarometer European law in consumer contracts transactions, 71% of European companies would choose to use a single European agreement on all sales to consumers in other EU countries if it were available [6, 7].



**Figure 6.** Increase if a single European consumer contract law was available  
(Source: European contract law in consumer transactions - Report: 2011- European Commission)

However, online transactions across Europe remains a challenge for retailers in Europe, primarily due to the perception and cultural issues. Another important barrier to pan-European development of electronic commerce is a lack of consumer confidence in buying from different countries. People are often unaware of the procedure for buying goods abroad and prefer to buy their country because they consider safer. On the other hand, the complex of VAT for retailers who sell to other countries, is still a major obstacle to doing business throughout the EU. The EU is concerned by intercountry trade rules, in order to facilitate electronic commerce in Europe.

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