

BUSINESS TO CUSTOMER (B2C) E – COMMERCE IN EU AND REPUBLIC OF CROATIA

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DOI: <https://doi.org/10.31410/EMAN.2019.85>

Abstract: *Internet commerce has experienced a major growth in the EU and Republic of Croatia during the last decades: it is a product of a digital age and because of its ease of use and low cost, it has become available to a large number of companies and individual buyers with a growing tendency. Internet commerce focuses on customer requirements, creates new business models, simplifies the sales-purchasing process, and as a result of globalization, provides a huge market. The EU has recognized the importance and profitability of the Internet trade, therefore it has adopted a legal framework, strategy and operational objectives for its further development. This paper presents and analyzes the growth of Internet commerce and its application in individual member states through the use of the Eurostat data. In this paper, we've approached to the concept and advantages of Internet commerce, and we've shown and analyzed the B2C e-trade in the EU and Republic of Croatia, i.e. its market segments and the behaviour of its consumers. The research results have shown the high growth of Internet commerce in the EU, prospects of further development, and a market segment that mostly have been using Internet commerce is the active and highly educated population.*

Keywords: *Internet commerce, B2C e-trade, EU, Republic of Croatia*

1. INTRODUCTION

Internet commerce was created as a result of symbiosis of the technology and the availability of Internet connections in households. Because of its many advantages (in particular, it saves time for the buyers and allows savings to the sellers) it has become one of the most profitable forms of trade. Internet trade in the EU has become one of the goals of the EU's economic development, and the EU has also launched the Digital Agenda for Europe in its pursuit for the sustainable economic and social benefits of a single digital market. In addition to the theoretical approach to the concept of Internet commerce, this paper analyzes the rights of online consumers, the goals of the Digital Agenda for Europe, and also the Eurostat data about B2C Internet commerce, its representation and buying habits of B2C consumers in the EU and Republic of Croatia.

2. CONCEPT OF E-COMMERCE

Electronic commerce, i.e. electronic delivery of products, services or information and electronic payment using a computer, or business that encompasses all forms of information exchange and business transactions that are carried out through the information communication technology, is considered one of the most propulsive forms of modern business [1]. Electronic trade is a process of buying, selling or exchanging products, services and information's through a publicly available computer network, the Internet, and offers a great reduction in costs and time when

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proceedings transactions [2]. According to Andam, E-commerce only refers to the conduct of trade activities through the Internet and cannot be identified with the wider concept of electronic business, which refers to the intensive running of all business activities electronically [3].

The concept of electronic purchasing can be defined from four perspectives [4]:

1. communication perspectives: electronic commerce enables the provision of information, products / services or means of payment through the public telephone lines, publicly available computer networks or by some other electronic means,
2. perspectives of business processes: electronic commerce represents the application of a new technology towards the automation of business transactions as well for the need of the introducing of the business improvements,
3. perspectives when providing services: E-commerce is a medium by which enterprise, users and management strive to reduce the cost of providing services by increasing the quality of the goods and increasing their speed, and speed of their delivery,
4. virtual perspectives: electronic commerce offers the ability to purchase and sell products, services and information over the Internet and its related services.

There are two forms of E-commerce: ‘pure’ and ‘partial’. Pure E-commerce is the one form in which all components such as products, processes and modes of delivery exist in digital form, while for the partial E – commerce it is characteristic to have at least one component that exists in a digital form [5].

Although some sources state that the first online sale was made in the 1970s, the real development of the Internet store was launched in the 1990s, when E-bay, Amazon and Alibaba online stores were established. We’ve witnessed the origins of the so-called ‘dot.com’ companies that, due to inflating of the value of companies, developed at a high speed together with the Internet and appertain technology. E-bay, Amazon and Alibaba survived the crisis on the Internet during 2000, because they had clear goals; they were customer-oriented, they knew how to provide the customer with value-added and enjoyable shopping experience, which today also makes them the world’s online sales leaders [6].

E-commerce can further be divided into two major areas - trade between business entities (Business to Business, B2B), and trade oriented toward the consumer market for the purpose of everyday (non-business) consumption (Business to Customer, B2C) [7]. In addition to the basic two, there are other models of electronic commerce as well, and they differ from participants participating in transactions, namely:

- C2B - Customer to Business,
- C2C - Customer to Customer,
- B2G - Business to Government, and
- G2B - Government to Business [8].

Business to Business (B2B) trade may be defined as an electronic commerce that takes place between business subjects, and faces the exchange of goods and services between the companies. Over time, the B2B form of trade has become more and more important because of its simplicity and speed, which is why more and more companies are starting to adopt it [2]. The most important models of B2B commerce are: catalogues, auctions, stock exchanges and communities [7].

Business to Customer (B2C) represents the retail trade where a large number of customers buy through the electronic purchases, which to the E-commerce marketers represent a huge market

potential. The B2C trading method takes place through an electronic catalogue where the customer, with the help of pictures, descriptions and drawings, learns about the desired product, put it into an online shopping cart and subsequently executes (ordered) the purchase. This trade niche allows people to sell their products on the remote markets, and with its features it reduces business costs and precisely for this reason, it predicts that this form of trade will be important in the area of retail sales in the future. Except for these two models, a significant place also occupies Customer to Customer (C2C) service where users sell goods to the other users. C2C is a model in which 90% of them constitute the auctions and the largest and most famous is the E-bay. The Internet commerce has many advantages for both buyers and the sellers. Some of the benefits that customers make when purchasing over the Internet are: time savings, possibility of shopping during 24 hours a day, large market (global) and a greater choice of products and services, availability of product information, exchange of experiences with other customers, the possibility of buying such products that are not available on the local market; the products are delivered to the customers at their home address [7]. The benefits that Internet commerce enables to the sellers are: cost reduction, primarily because there is no need for a large workforce, market is larger, marketing is more efficient, customization of customer requirements is maintained, there is reduced cost of communication with the customers, maintaining customer contact, and maintaining of the competitiveness of smaller businesses [6].

Although the Internet store has many advantages, it has its shortcomings, such as changing of the technology, investment in the technology, staff training, lack of security and trust in this form of purchase, lack of Internet connections in some areas, some products may not be suitable for such form of sales, existing cultural obstacles and different customs regimes [7]. The biggest drawback of Internet commerce is distrust of customers in this way of selling; there is a fear because of the lack of privacy, fear of customers from using their private data by the sellers, mistrust in the process of card payments, and inability to see the product in reality. PayPal has solved this problem by securing the execution of all customers' transactions of (payments and payouts) with the help of the customer's e-mail address, without sharing credit card numbers to the third parties, or in this case, with the online stores.

How the potential for misuse of information technology exists, an appropriate system of protection against information technology abuses needs to be developed. Such a system should have at least five forms of protection:

- Identification, authentication and user authorization,
- Intranet protection against unauthorised user's access,
- Antivirus protection,
- Confidentiality of data, and
- Privacy protection of users [8].

3. E- MARKET IN THE EU

The European Union has recognized the great economic potential of online trade and an increasing number of businesses have focused their business activities on the Internet business. The history of development of the Electronic commerce in the European Union is long, and after almost twenty years, a strong regulatory framework has been established in the Internet trade sector. During recent years, Internet commerce has become the main driver of the growth in the European retail sector.

The goal of a single digital market in the EU is to remove regulatory barriers among its members, and the digital market is foreseen as the future of the European economy. The European economy is trying to kick-start using the Digital Agenda for Europe, which was launched in May 2010, by providing sustainable economy and social benefits of a single digital market. In 2014, 14% of small and medium-sized enterprises in the EU had obtained sales through the Internet. Although more and more people use the Internet in the EU, almost 50% of the EU population has insufficient digital skills needed for today's working environment [10].

Every online consumer in the European Union has rights that protect citizens when using the Internet network and services. The rights of online consumers, along with the basic consumer rights, are related to [5]:

- the right to price transparency - the consumer has the exact product / service level indicated, which means that the prices displayed on the Internet store must include the value added tax as well as the other tied expenses that make up the final price,
- the right to refund - in the case when the consumer returns goods to the merchant, the merchant is obliged to make the full refund for the value of the goods within 14 days,
- the right to file a complaint and terminate the contract - prior to the purchasing process, the buyer has the right to be informed of the termination of the contract within a period of 14 days so that the obligations of the consumer and the trader arising from that right are clearly disclosed; buying when using Internet trade is considered as a buying at a distance and therefore is considered that a contract has been agreed between the trader and the consumer; a buyer has the right to submit a one-sided termination contract form, which must be downloadable and available on the Internet commerce pages, which must also be unique throughout the European Union market, and on the Internet commerce Website the retailer is obliged to allow the consumer to file in a complaint,
- the right to a durable, straightforward and unilateral approach to the information's about the trader - the consumer has the complete rights to know the data of the trader where he intends to make a purchase; therefore, the trader is obliged to provide all the information's about his business on the Web pages of his Web store,
- the right for personal data protection - the buyer, when buying through the Internet commerce is entitled to the full protection of personal information that must be available to the consumer at any time,
- the right to accurate, thorough and understandable information's about the key product or service - the consumer has the right to get from the merchant exactly what he has purchased and accordingly, the descriptions of the product / service must be thorough and precise,
- the right to relevant payment information prior to the execution of an Internet transaction, i.e. the payment: the consumer has the right to inspect the relevant information pertaining to the payment service provider that is responsible for the transaction, and after the transaction have been done, the consumer has the right to receive a certificate - stating the amount and date of the transaction together with the breakdown of the paid costs,
- the right to protection from unfair trading practices - an online consumer, as well as any other consumer, has the right to appeal to a trader, who in the course of his business practice unfair trading,
- the right to deliver goods or services within 30 days period - unless otherwise agreed with the trader, the online consumer has the right to receive the purchased goods / services within 30 days without any disadvantages; if the goods received are defective, the online consumer has the right to repair or to replace the goods received. Here, the online

customer may ask the retailer to request a reduction in the price or for a refund if the trader fails to repair or dispose of the faulty goods,

- the right to a warranty - as any other consumer, the online consumer has the right to a legal guarantee for a minimum of two years from the time of delivery of the purchased goods.

The Commission will complete the Digital Single Market on the following ways [9]:

- by modernizing consumer rules for the online shopping,
- by providing support for the introduction of the high-quality Internet infrastructure on which all sectors of the cross-border economy are based,
- by modernizing copyright regulations which will take into account the cultural diversity,
- by strengthening entrepreneurship and by encouraging incentive start-up frameworks,
- by developing and implementing measures for a more reliable Europe on the Internet.

The European Commission in 2015 adopted the Digital Single Market Strategy for Europe. The Digital Single Market Strategy for Europe consists of the following operational goals: better access to consumers and enterprises (enactment of the cross-border trading rules that the consumers can trust), favourable cross-border delivery of packages, prevention of location-based restrictions, reduction of VAT-related barriers to sales thereby ensuring equal conditions for digital networks and innovative services, by exploiting the full potential of digital economy growth, and by investing in a digital single market [10].

4. ANALYSIS OF B2C ONLINE MARKETS IN THE EU

According to the Eurostat statistics, the growth rate of online trade in 2014 was 18,4%, and in 2015 it was 18,6%. In 2016, even one among the five companies in the European Union has been using the Internet store. In 2016, the Internet store occupied 18 % in the total turnover of enterprises with 10 or more employed.

Christian Verschuere, director of EuroCommerce, a European organization that represents the trade interests at the EU level, said that digitalisation of retail and wholesale fundamentally changed the trade sector, therefore creating new business opportunities and models, new jobs and creating new forms of interaction with the consumers. Also, he points out that there are a lot of more online consumers and sellers for which the European Union needs policies to foster the development of Internet commerce, and to enable consumers and sellers to exploit the potential of 500 million European citizens [5].

Although the Americans Internet shops such as Amazon have an impact on Internet commerce in Europe, Europe also has its own large and successful Internet stores. Western European countries stand out as the countries with the largest Internet trading market, where the United Kingdom occupies 33% of the total Internet trade in the European Union. On the list of 50 of the largest online stores in 2014, released by Deloitte, are 19 Internet shops located in the EU (Table 1) [5].

From Figure 1 it can be seen that Internet trade in the EU is growing from 2012. The countries with the highest number of purchases in 2012 and 2017 were: United Kingdom, Sweden, Denmark, Luxembourg and Germany, and the EU member states where the goods were least purchased through Internet trade are Portugal, Italy, Croatia, Cyprus, Bulgaria and Romania.

Table 1. 19 European retailers listed on the list of the 50 largest online stores

e-50 sales rank FY2014	Top 250 retail revenue rank	Name of company	Country of origin	FY2014 ecommerce retail sales (millions of \$)	FY2014 ecommerce retail sales % of total retail revenue	FY2014 ecommerce growth rate	FY2011-2014 ecommerce CAGR
5	76	Otto	Germany	8,397	65.4%	5.6%	6.7%
6	5	Tesco	UK	6,504	6.5%	20.0%	14.6%
9	15	Casino	France	4,606	7.1%	20.1%	15.8%
15	115	Home Retail Group	UK	3,241	34.9%	8.0%	8.4%
17	n/a	Zalando	Germany	2,943	100.0%	25.7%	63.1%
18	63	John Lewis	UK	2,854	18.0%	24.1%	29.4%
21	22	E. Leclerc	France	2,605	5.4%	33.3%	69.1%
24	155	Next	UK	2,488	38.1%	13.3%	11.8%
27	n/a	Shop Direct Group	UK	2,331	86.0%	3.6%	5.7%
28	n/a	Vente-Privée	France	2,311	100.0%	8.0%	17.5%
30	75	Dixons Carphone	UK	2,081	16.0%	19.4%	29.7%
31	8	Metro	Germany	2,036	2.4%	20.2%	56.9%
35	28	J Sainsbury	UK	1,775	4.7%	7.0%	12.9%
36	6	Carrefour	France	1,728	1.8%	n/a	n/a
38	24	Ahold	The Netherlands	1,684	3.9%	16.7%	40.6%
39	n/a	ASOS	UK	1,579	100.0%	26.7%	25.6%
40	n/a	Ocado	UK	1,57	100.0%	19.8%	16.6%
41	13	Auchan	France	1,534	2.2%	1.7%	11.3%
45	n/a	Ulmart	Russia	1,3	100.0%	50.0%	63.2%

Source: www.ecommercenews.eu, uploaded 15.05.2018.

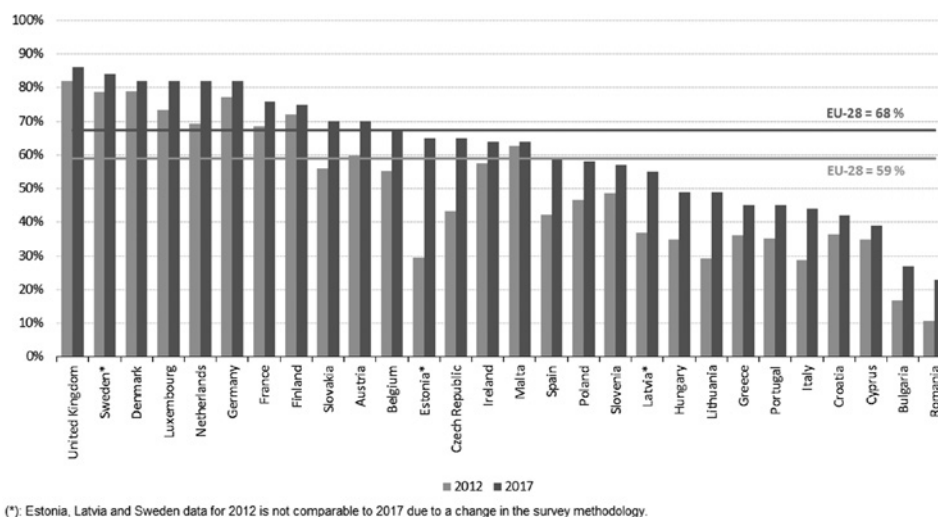


Figure 1. Internet users who bought or ordered goods or services for private use during the previous 12 months: figures are for the years 2012 and 2017 (expresses as a % of Internet users)
Source: [http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_\(%25_of_individuals\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_(%25_of_individuals).png), uploaded 21.05.2018.

From Figure 2 is observable how the male population more purchases goods through the online shops, and according to the population they mostly fit into the category from 25 to 44 years of age. Mostly, the Internet customers are educated, and according to their profession, 73 % of Internet buyers are employed or self-employed, or they are students (70%).

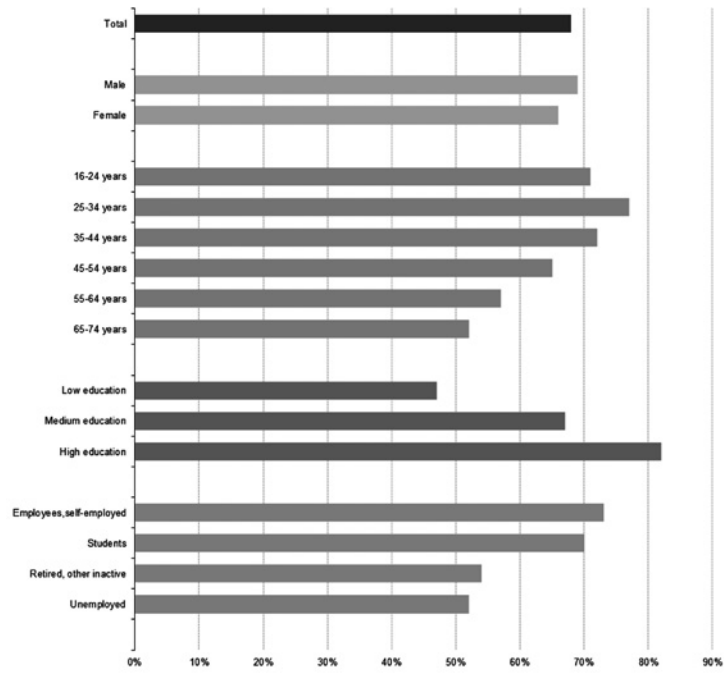


Figure 2. Internet users who bought or ordered goods or services for private use during the previous 12 months, EU-28, 2017 (expressed as % of Internet users)
 Source: [http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_\(%25_of_individuals\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_(%25_of_individuals).png) , uploaded 21.05.2018.

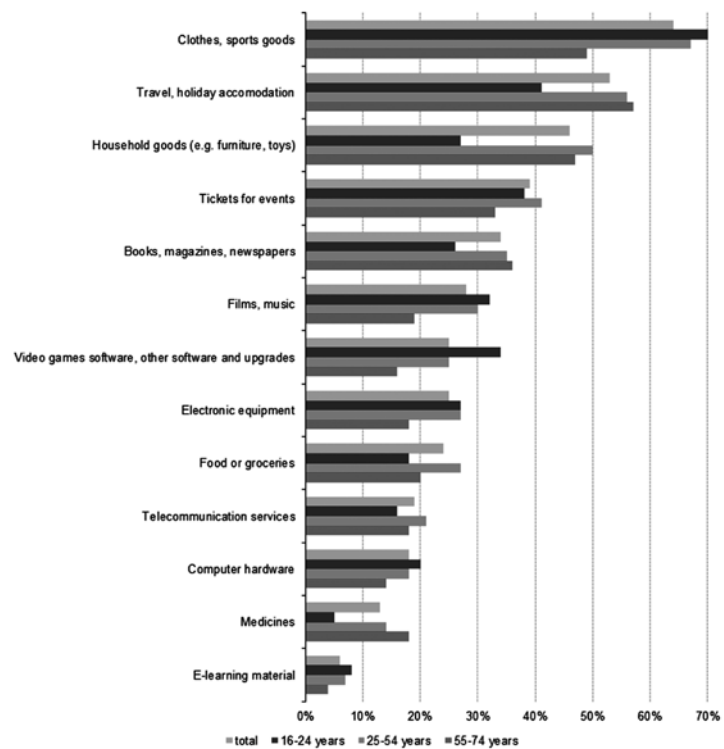


Figure 3. Online purchases, EU28 for the year 2017, (expressed as % of individuals who purchased or ordered goods or services over the Internet for private use during the previous 12 months)
 Source: [http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_\(%25_of_individuals\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_(%25_of_individuals).png) , uploaded 21.05.2018.

Figure 3 shows the products purchased through the Internet store. Most of the purchased goods are clothing and sports equipment (64%), travel and holiday accommodation (53%), household equipment (46%), and tickets for the events (39%).

Figure 4 shows the number of B2C Internet purchases in the course of three months in 2017. The largest number of customers bought 1-2 times during these three months (most of them belong to the age group of 16-24, and also customers in the group of 55-74 years of age); the lowest number of buyers bought ten times or more, and the majority of such customers are in the age group from 25-54 years of age.

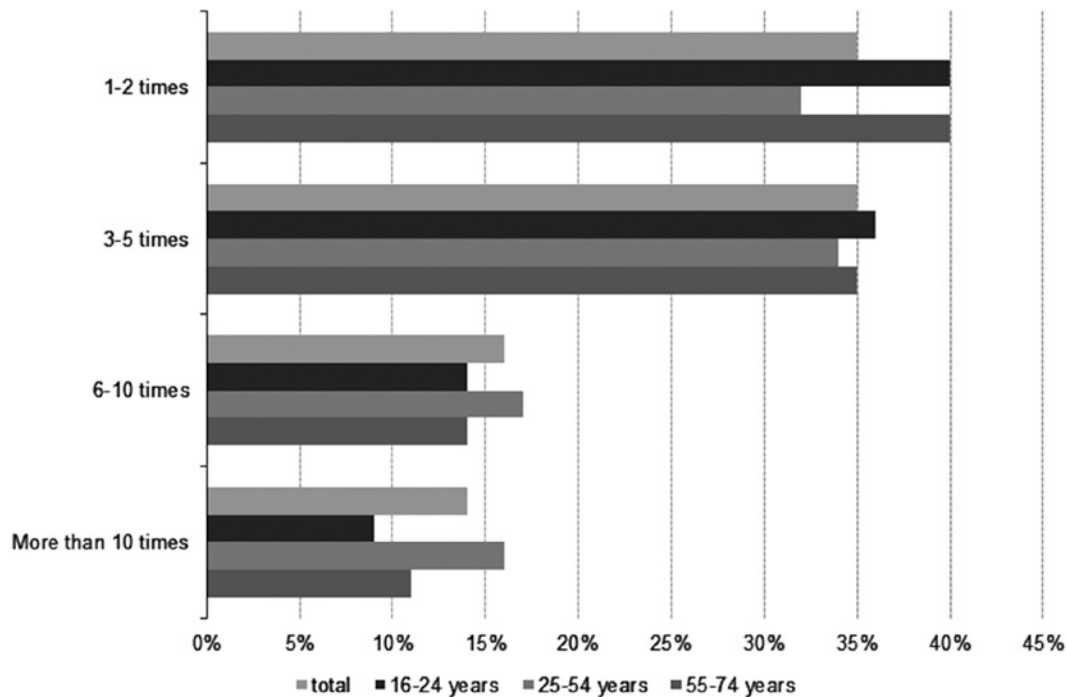


Figure 4. Number of times people shopped online, EU-28, 2017
 (expressed as % of individuals who bought or ordered goods or services
 over the Internet for private use during the previous 3 months)

Source: [http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_\(%25_of_individuals\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_(%25_of_individuals).png), uploaded 21.05.2018.

The largest percentage of the EU population buys in the price tag category of 100-499 Euros, and through the Internet mostly purchases the age group from 25-54 years of age (what is expected, because they belong to a working-active population). The age group of 16-24 years of age spent, in most cases, 50-100 Euros.

The indicated reasons for the avoidance purchasing on the Internet are due to the fact that the product cannot be seen-are present in the highest percentage (69%); they are followed by the existence of insecurity in payment (25%), lack of knowledge required for the Internet commerce (19%), mistrust in reclamation and product return (16%), lack of appropriate payment cards (12%), and potential delivery problems (6%) (Figure 8.).

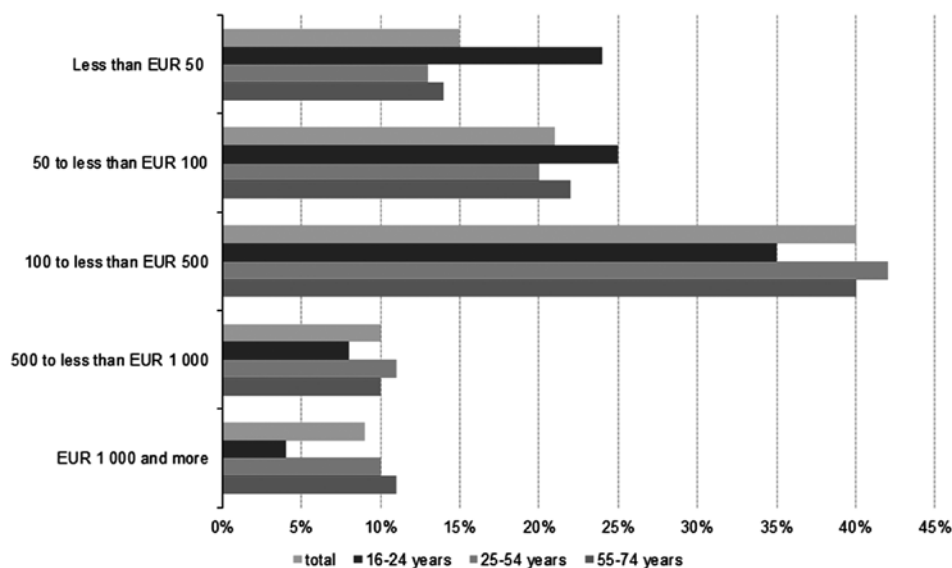


Figure 5. Money spent on online shopping for EU-28, 2017 expressed as % of individuals who bought or ordered goods or services over the Internet for private use during the previous 3 months)

Source: [http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_\(%25_of_individuals\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_(%25_of_individuals).png), uploaded 21.05.2018.

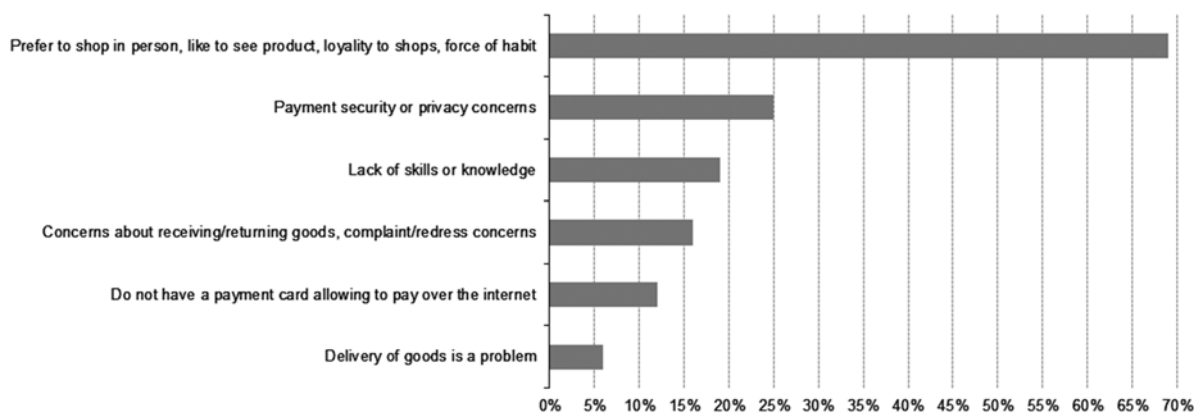


Figure 8. Reasons for the customers' avoidance of purchasing on the Internet, sample EU-28, and data are related for the year 2017 (expressed as % of individuals who did not purchase or order goods or services over the Internet for the private use during the previous 12 months)

Source: [http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_\(%25_of_individuals\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Internet_use_and_online_purchases,_2017_(%25_of_individuals).png), uploaded 21.05.2018.

4. B2C ONLINE MARKETS IN REPUBLIC OF CROATIA

The final official data on online trade in the Republic of Croatia were published in 2011 and they are posted on the Website of the Ministry of Economy, Entrepreneurship and Crafts. The share of the ICT sector in GDP of the Republic of Croatia was 4,3%, therefore 27% of the companies were buying online and 25% of them sold online. The growth of the IT market has been record-

ed at an annual rate of 6,1%, and the share of Internet purchase value in total traffic amounted 18%. The amount of online expenditures during the course of six months was 401 million Euros. When using the Internet is sold: accommodation, preparation and serving of food (46%), ICT (41%), information and communication (40%), real estate's (27%) and wholesale and retail sector goods (26%). Of the 4,3 million citizens that are now living in the Republic of Croatia, 2,75 million of them use the Internet and 980 000 of its inhabitants have been purchasing goods online. The average consumption within six months per one e-buyer amounted 227 Euros [5].

In accordance to the survey that was investigating the Web shops in the Republic of Croatia and association eCommerce Croatia that was conducted in 2017, Web retailers sell physical products (79%), technology and equipment (32%), food products (14%), fashion (14%), toys and gifts (6%) and children's equipment (6%). Among 48% of Web retailers the annual turnover of the Web shops in the Republic of Croatia amounts to 300 000 Kuna's, while 20% of Web retailers turnover amounts 1-3 million Kuna's; the figure for the other Web shops are from 300 000 kn to 1 million Kuna's (14%), and also there are some retailers with the turnover of more than 3 million Kuna's (14%) [11].

5. CONCLUSION

Internet commerce represents a major challenge and potential for the EU trade market, which is also recognized by the EU institutions. By adopting legal frameworks, the Digital Agenda and the EU Trade Growth Strategy, there is a prospect of further growth, especially due to the today's changing consumers buying habits. Internet commerce offers numerous opportunities to sellers and customers. Internet commerce is applied through different business models, and from all the said models, the most prominent are those between the two business entities and between a business entity and an individual customer. The research results in this paper indicate the potential of individual Member State to develop Internet commerce, the need to educate consumers who do not use the Internet commerce, the necessary additional marketing efforts in the development of Internet trade and targeted market segment of population that usually buy from the online stores and there spent most of their funds (members of the working-active population and the members of the highly educated population).

According to the Eurostat's forecasts, given that the aforementioned full potential has not yet been achieved, online trade in the European Union will continue to record a positive growth. The latest Eurostat report (2017) shows the exponential growth of the Internet commerce in Europe, with a focus on the Southern Europe. Currently, the Republic of Croatia is at the bottom of the list of countries in the European Union in accordance to the usage of e-commerce, but because of its advantages, its utilization is steadily increasing.

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