

ELECTRONIC RETAILING IN MACEDONIA-CASE STUDY OF OHRID REGION

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Abstract

With electronic retailing that offers the possibility of direct sales, is no longer need expensive business premises, or paying high rents, or employing a number of vendors. There is also the possibility of selling to final consumers in any geographical region in different countries of the world by establishing instant communication, through presenting an *interactive multimedia catalog that can offer numerous information mo the customers. However, on the other hand, sales through the Internet can appear certain problems. Many potential buyers in the world still do not use the Internet, others don't have fast connections, others do not speak good English, also it requires the existence of trust between both parties, buyer and seller, as well as security in the execution of transactions.*

The aim of this paper is to treat electronic retailing in Macedonia which is becoming more popular as worldwide, especially in developed parts of the world like the US and Europe. Macedonian companies are increasingly applying electronic method of sale and communication with customers. The number of Internet users and on-line purchase is rapidly expanding what undoubtedly indicates that there is potential for advancement in this field. Also in this paper will be presented a case study where will be analyzed the current state for development of electronic retailing in Macedonia, especially region of Ohrid.

Key words: electronic business, Internet, electronic retailing, ICT.

JEL Classification: M15 (IT management)

1. Importance and forms of electronic retailing

Retailing is the economy sector which offers products and services to final consumers. The success of retailers have assessed by the extent to which they manage to establish trust and added value for both, manufacturers and retailers on the one hand, and consumers on the other. This goal is achieved through low-cost, developing a mix of product and service, awards for loyal consumers and marketing strategies. Today, more are using the Internet to deliver products and services. Traders quickly notes the potential of the Internet in terms of providing information, facilitating two-way communication with customers, promote products and services and ultimately to support on-line ordering of products, as well as providing an extremely rich and flexible new retail channels. Global connectivity of the Internet opens up new business opportunities in a way that traditional channels of trade can not respond

Electronic retailers, like an online version of traditional retailers, include the following forms:

- Virtual merchants (who sell only online);
- Click and mortar retailers (companies that have physical stores, but use online sales channels);
- Catalog retailers (online version);
- online malls (online version of physical shopping malls that offer a choice of products); and
- manufacturers that their products directly offered to consumers.

Electronic retailing involves the sale and purchase of goods and services or material and immaterial products. The material products can be divided into two groups: physical and digital. The difference between the physical and digital products is presented in the following figure:

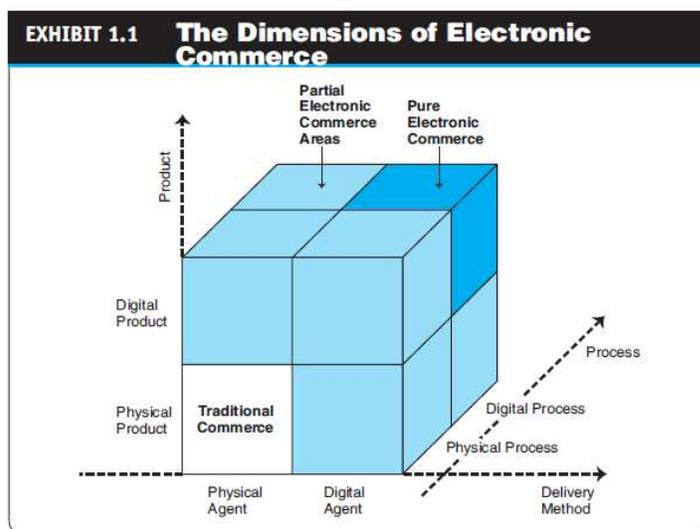


Figure 1. The dimension of electronic commerce[5]

A large part of electronic retailing is accomplished in terms of immaterial products where the potential advantages of traditional trade lose meaning. Immaterial products are called electronic services (e-services).

There are several categories of electronic services[4]:

- web-enabled services include services that were previously enabled by employees in the agencies and these services offer time savings, lower transaction costs, less effort by users and inspire confidence among users. This group of electronic services include e-banking, e-stock trading and e-education.
- matchmaking services. In most of these applications potential customer submits their requests for a particular service and E-commerce site searches in its database or into database in other web sites and finds the service that will match the requirements and needs of the potential customer. This group includes services for travel, employment, insurance, etc. The advantage of these services is ability to search electronically across a wide range of services that could accurately respond to the wishes and needs of consumers.
- information selling on web. These web sites sell a variety of information such as electronic journals, information on investment, financial advice, information on employment, etc. The type of information depends on the type of site. Specialized web sites provide information on specific areas. Some information is free, and some sites charge for access to them.
- e-entertainment. This area is a growing market for electronic retail. The companies provided some entertainment content and are made available to consumers with the possibility of downloading. Here they vary from sites with a small amount of interactive entertainment that promote their own products to sites that sell video games.
- e-mail is often free services related to Internet access. It is the application that users find extremely useful.

Electronic retailing, except advantage for consumers is a challenge to manufacturers in the concrete industry. Given the ease of opening shop on the Internet, this kind of trade enabled to previously producers lose the main impact of distribution channels. Now other small independent producers equally offer their products (services). Such strong competition can be a real shock, especially for some branches, due to logistical and regulatory barriers were relatively protected from foreign competition.

1.1. Key factors for development of electronic retail

Key factors for the development of electronic retail are:

- the number of people with internet access
- how electronic retailers will take advantage and will overcome the shortcomings of electronic retailing.

Internet access. A significant number of people in the world have internet access and therefore are potential consumer in electronic retailing. In fact, about 40% of the world population have internet connections today. In 1995 only

1% of the population use the Internet. The number of internet users from 1999 to 2013 a tenfold increase. The number of one billion users was reached in 2005, the second billion users in 2010, while the third billion in 2014.

In 2015, approximately 75% (2.1 billion) of all Internet users in the world (2.8 billion) live in the top 20 countries in the world per internet users (China, USA, India, Japan, Brazil, Russia, Germany Nigeria, Oedinetoto Kingdom, France, Mexico, South Korea, Indonesia, Egypt, Vietnam, the Philippines, Italy, Turkey, Spain and Canada). The rest of 25% (0.7 billion) are spread among 178 countries, which represent less than 1% of all Internet users.

China, the country with the most users (642 million in 2014), representing 22% of the total number of internet users and has more users than the next three countries combined: the US, India and Japan.

Among the top 20 countries in the world, India has the lowest penetration rate of 19% and the highest rate of annual growth. On the opposite side the United States, Germany, France, United Kingdom and Canada have the highest penetration: 80% of the population in these countries have an internet connection[14].

Taking advantage and overcome the shortcomings of electronic retailing. According to the significance of the use of Internet in industrialized countries, the primary factor for the development of e-retail would be how much electronic retailers will take advantage and will solve the shortcomings of electronic retailing. Salespeople who use the electronic channel should take certain steps to make online shopping more attractive to consumers. They relate to:

- concern for security,
- browsing - navigation and search,
- providing relevant information and services for customers.

The European Union is very aggressive in protecting the privacy of consumers, some of the provisions of the EU Directive on consumer protection:

- Businesses can only collect information for consumers if they have clearly defined goals such as the execution of transactions;
- The aim must be disclosed to consumers for who collected information;
- The information can be used only for a specific purpose;
- Businesses can only hold information for the purpose for which it announced that it collected. If businesses want to use the information for any other purpose must initiate a new process for collecting information.

Businesses in Europe are able to export information from the 28 EU member states in other countries with similar privacy protection. Sellers in the United States can not transfer information from Europe to the United States because the US does not posses with similar policies for privacy protection. Basically the EU position is that consumers are owners of their personal information. Retailers must clearly give an opportunity for consumers to declare and agree to share their personal data. On the other hand, personal data in the US is seen as part of the public segment and vendors can and use them in any way until consumer not expressly forbid that.

There is a growing consensus that personal data must be collected fairly and their collection must have a purpose. The information must be reliable, accurate to maintain, to be important for the business, subject to the rights of persons who are their owners, their storing to be reasonably safe and can be transferred only with the permission of consumers.

2. Future trends of electronic retailing

Future trends of electronic retailing is that over one billion digital consumers will spend more than \$ 1.654 trillion to B2C-commerce purchases this year. Sales in North America, Asia Pacific and Western Europe is 90% of total online retail sales in the world. Global B2C online sales increases and estimates are that this year will increase by 14.5% compared to last year. By 2017 sales will increase and will reach more than \$ 2.065 trillion. It will be the result of the growing number of online users and mobile users in developing countries, the development of advanced payment methods and options for delivery, opening online stores of major brands in the world and the expansion of electronic retailers in new markets . B2C e-commerce sales are highest in North America. The increase of sales in China and India will push Asia and will move forward before everyone else. Yet the United States remains a country with the largest electronic retailer. Global electronic retail includes most digital products, travel and other services[8].

All available data indicate rapid growth of online retail in recent years, and there is big expectations that this development will continue in the future. This continued expansion of online retail will inevitably attract attention, but also likely will affect large businesses that it will affect the economy as a whole taking into account the fact that online shopping becomes mainly movement in the economy[5].

It is likely that established retailers will face with increased pressure from the many new businesses that are oriented to take their part of the electronic market. If anything has become clear from the first 15 years of online retail is that there is always areas for innovative and dynamic companies which are well studied the market and have developed an efficient business model. This companies can have strongly influenced with their work and to become very large and powerful companies very soon. The organization and experience of companies like Amazon and eBay emerged that the Internet can be very fertile business environment if companies have good ideas that are supported by appropriate set of high availability and flexibility.

Today at the Web 2.0 era in which social networking play powerful role, consumers will be less susceptible to the power that offers a "peer to peer" marketing. E-retailer will also face with increased pressure from consumers who require access to services that offered by the growing number of diverse mobile devices in order to be allowed to buy into motion. Overall, probably the power of consumers will continuously grow as it increases their desire and ability to seek and use information and then either directly or indirectly put pressure on vendors. As compared to this trend would also be likely that the power of electronic intermediaries will continue to grow given that consumers will increasingly depend on their ability to provide information.

3. Analysis of the condition and perspectives of electronic retail in Macedonia

The processes of internationalization, globalization and computerization have enabled the development of electronic trade in Macedonia. US and countries in Western Europe which are characterized by high living standards and high levels of education, have fueled the process of internationalization so that retailers for the first time expanded to the markets of the countries of their neighborhood that are close in culture, language and economic development, and with globalization processes disappeared national borders, so that today retailing takes place around the world without geographical or time barriers. Informatisation speed up these processes and can now talk about the electronic retailing as a new way of meeting the needs of consumers regardless of which parts of the world are or what time of day they want to shop

Following the example of European countries, members of the European Union, the Republic of Macedonia promote electronic business as a new way of doing business operations with using of ICT and create a legal framework to regulate these flows.

According to the legal framework (Law on Electronic Commerce, Law on Electronic Data and Electronic Signature Act, the Electronic Communications Act, the Consumer Protection Act, the protection of personal data, etc.) as a condition for the development of electronic retailing, today in Macedonia can be freely set up and to start work online merchants without any special requirements such as minimal - technical requirements or number of employees.

3.1. Empirical research on electronic retailer in Macedonia-case study Ohrid region

The research of electronic retail in the Macedonia included groups of participants in the Ohrid region. In the group are consumers - individuals who are Internet users that access the Internet at home through any type and any connection. It involves having hardware or mobile device and active internet service. Given that respondents from this group use the Internet every day and for different purposes (social networks, network games, news) represent potential online buyers. This group included 100 respondents. This provides information on how individuals are informed about certain products and services via the Internet, or what are their buying habits on the Internet and how often and for what purpose they do. Data were collected through a survey and main goal of the research is to gain informations about the electronic retailer in the country particularly in the Ohrid region, for opportunities and limiting factors of development of electronic retail. The survey results show the actual state of electronic retail in this region in Macedonia.

Due of the limited size of the paper, in the analysis will be included those answers who are significant for the research

The survey for electronic retail covered 100 respondents customer-individuals divided into three groups. Buyers have the following age structure: 27% aged 18-30 years, most of them or 50% are aged 30-50 years and 20% aged over 50 years.

How often you follow informations about products and services on the Internet?

The answers to this question are given in the following table:

Table 1. How often you follow informations about products and services on the Internet?

Daily	60%
Weekly	10%
Monthly	10%
Several times a year	10%
Never	10%
Total	100%

According to responses can be concluded that the majority or 60% of respondents are regular users of the Internet because every day follow information relating to products and services offered through the Internet. The rest of the

respondents or 30% are only occasional users of the Internet, while only a small part or 10% did not use the Internet. All this leads to the conclusion that most customers use the Internet, among other things, and for collecting informations about products and services that are offered via Internet.

How often do you buy products and services online?

Through answer to this question can be concluded that 78% customers are Internet customers. 35% of them buy products or services at least once a month, and 43% buy only a few times a year. 22% respondents do not buy a product or service over the Internet and this is correlated with previous question with number of respondents who never use Internet, or those who use Internet very rarely. The results are presented in the following figure.

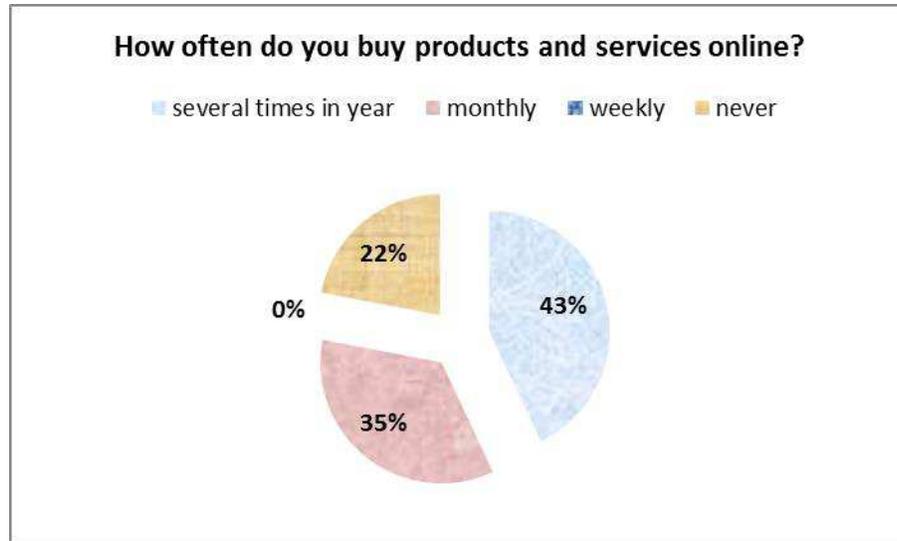


Figure 2. How often do you buy products and services on-line

I buy online because it is cheaper

This question offers the answer why customers often decide to buy through Internet. One reason for buying it online is lower prices. It confirmed and 70% of respondents. 10% of respondents believe that the products and services offered on the Internet are not cheaper, while 20% think it is the case only for certain products. Results are given in Figure 3:

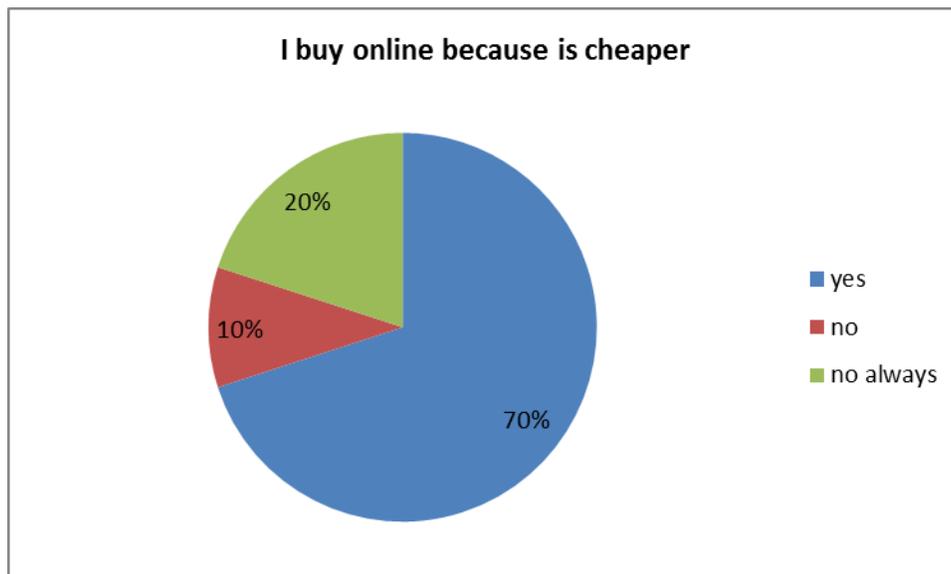


Figure 3. I buy on-line because is cheaper

I prefer buying products and services through Macedonian website

The majority of respondents, or 76% do not prefer to buy products and services through Macedonian website. Perhaps one reason for this is that Macedonian companies mostly do not offer the option of buying their products over the Internet. The remaining 24% said that just sometimes buy products and services through the Macedonian website. From the answer of this question can be concluded that online shoppers in Macedonia usually buy from foreign websites. The results are shown in Table 2:

Table 2. I prefer buying products and services through Macedonian website

Always	0
Never	76%
Sometimes	24%
Total	100%

How many order you are done through the Internet in the last year?

According to the research results in the last year, more than five orders made 40% of respondents, while 30% of them made less than five orders. Remaining 30% did not purchased products over the Internet last year. This percent of 30% of respondent who not committed purchase over the Internet in the past year, closely correspond with previous questions where approximately 20% respondents do not use the internet or use the internet very rarely. The results are shown in Figure 4.

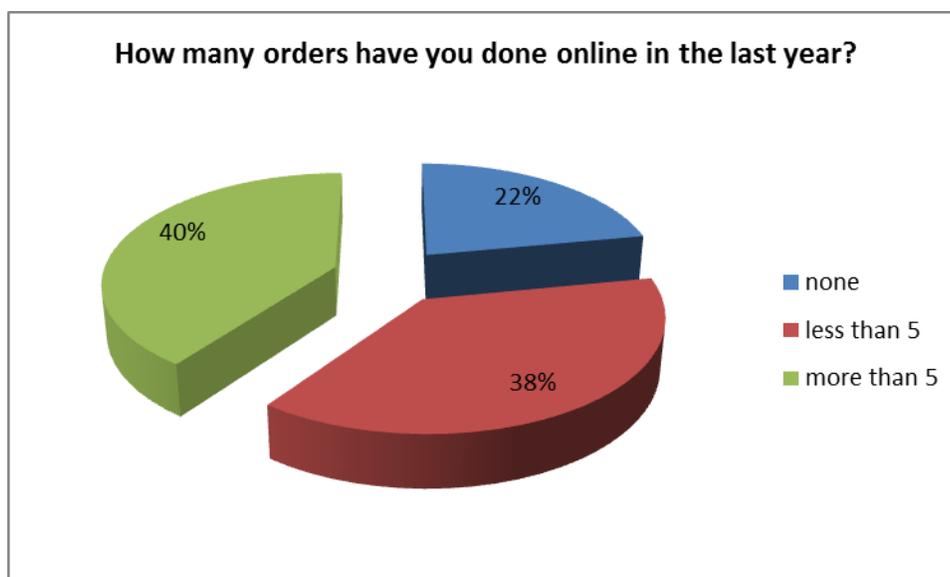


Figure 4. How many orders have done on-line in the last year?

Which products and services usually you buy over the Internet ?

Commonly purchased products and services through the Internet are clothing, shoes, jewelry, hotel and plane tickets. Respondents reported that 81% of orders made via the Internet are relating to clothing, shoes and jewelry, and 12% of tourism services. A small number of respondents, only 2% buy digital products such as computer software and mobile applications. A small part or only 2% relating to the on-line books purchased and the remaining 2% are purchased products in group technical products. The results are presented in the following figure:

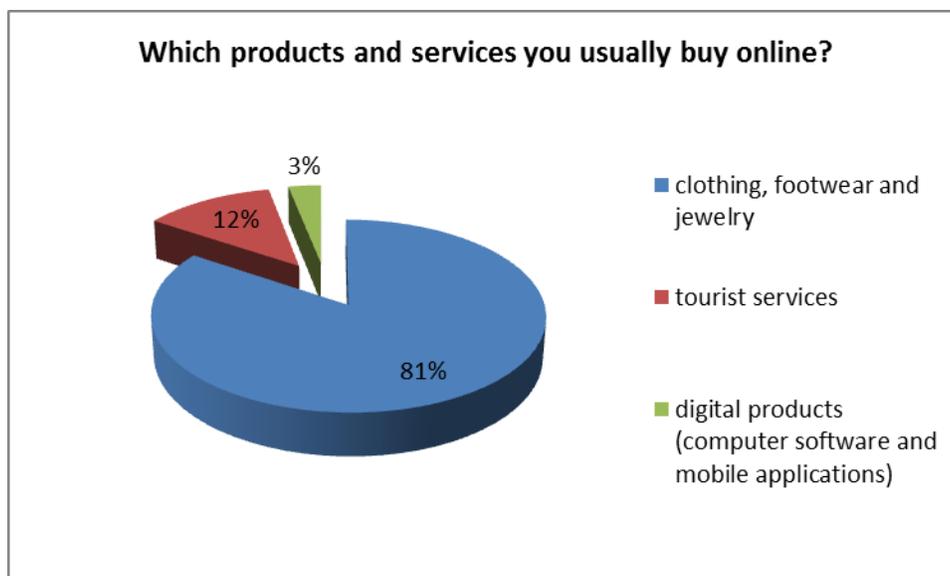


Figure 5. Which products and services usually buy on-line?

What type of retail channel do you use?

From the answer of this question can be concluded that the most widely used electronic retail channel's is website. 60% of respondents said they use this retail channel, while 20% of them use mobile applications and 20% email. With the increasing development of mobile devices is expected in the future more to use mobile applications through which customers will purchase any product or service. The results of this questions are shown in Table 3:

Table 3. What type of retail channel respondents use?

Web page	60%
Mobile applications	20%
E-mail	20%
Total	100%

Generally from the results of this research can be seen that on the one hand Macedonian consumers are frequent users of the Internet and want to shop online. On the other hand consumers rarely purchases products from Macedonian companies. The reasons for this may be different that could be the subject of future research. Lack of trust, Macedonian companies do not offer the opportunity to purchase products online, low awareness for the benefits of electronic retail etc. perhaps are just some of the reasons for the small supply of products offered online by Macedonian companies.

Conclusion

Electronic retail is trend and simultaneously challenge for Macedonian companies, especially today when the Internet is the biggest wave of the information revolution. Internet retailer from hobby moves towards everyday life.

According to this research can be concluded that the electronic business as a way of doing business operations by applying ICT is present in Macedonia, but electronic retailing was less present compared to the existing knowledge and needs. There are online stores, the use of the Internet as a medium for communication increases, and also the use of payment cards is growing. People want to shop online and take advantage of this kind of buying and doing this mostly from foreign online stores where big supply of products and the opportunity to buy at reduced prices is one of the main reasons for this. Accordingly, in Macedonia only thing that could attract customers to buying products and services through the Internet would be enriched range of products and services that would be offered through the Internet. It is requires more sophisticated innovative and comprehensive web sites, and application of software tools or applications. Also, because of the low purchasing power of citizens, it is necessary products and services to be offered at lower prices.

Although it can not be predict the development of electronic retail in the Republic of Macedonia, following the European and world trends, we can say that the development of online retail will be necessarily, to include Macedonian companies in the processes of globalization and achieving greater competitive advantage. Also consumers prefer the use Internet as a flexible tool to locate stores, search and use information, purchase and use of other benefits offered by electronic retailer.

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