

ASPECTS REGARDING THE ANALYSIS OF THE DIGITAL CONSUMER IN ROMANIA – oral presentation 0%

Prof. Cristian Bogdan Onete, Ph.D.¹

Ioana Teodorescu², Viorel Vasile³

^{1) 2) 3)} Bucharest University of Economic Studies, Romania

cristian.onete@com.ase.ro

ioanna.teodorescu@gmail.com; viorel.vasile@gmail.com

Abstract

This article is investigating the relation between the consumer and the online stores in the Romanian e-commerce environment and aims to reveal little known aspects of its behavior. Although the first e-commerce sites have begun to make their presence felt only since 2000, their spread has been accelerated in recent years and online market is at this time in Romania the only market with a double-digit growth. As the e-commerce market is maturing, we are also assisting in defining the behavior of the digital consumer and this article attempts to capture the main trends in online acquisition. Our study reveals an atypical European consumer, interested more in foreign acquisitions, influenced in the buying decision by the quality of the products and with a strong solid opposition regarding the new electronic payment methods. Therefore, the correlations made to determine the behavior of Romanian online consumer are based on various data series related to the volume and number of online shopping transactions in Romania between 2010 and 2014, the type of products and services that Romanians seek over the Internet and demographic aspects of Romanian online consumer. As a result we have drawn the portrait of Romanian digital consumer and have identified specific features that make him unique comparing with other EU consumers.

Keywords

E-commerce; online behavior; digital consumer; Romania.

JEL Classification

L81; D12.

¹ Contact author: Prof. Cristian Bogdan Onete, Ph.D. – cristian.onete@com.ase.ro

Introduction

The Internet had a remarkable impact on the exchange of information in many aspects of our daily lives and the electronic commerce is not an exception. According to Eurostat, buying over the Internet has become very popular in the EU, with 61 % of internet users in 2013 using it to buy or order goods or services for private purposes. Becoming a common activity of the Internet, online shopping or ecommerce attracted in short time the attention of several studies that began tracking the consumer behavior of the digital consumer. In this paper we reviewed the existing studies on the behavior of online shopping and we developed the analysis of the digital consumer in Romania. According to selected data we have portrayed the main features of Romanian online consumer.

In recent years there have been various studies on consumer behavior. However, these studies have focused on the mature markets of the West and not treated e-commerce in its early stages as occurs now in East. In this paper we will try to capture the digital consumer-online shop relation in the Romanian e-commerce market, an emerging market in which the consumer behavior is now being shaped.

Domestic and cross-border e-commerce

Online shopping behavior refers to the process of purchasing products or services via the Internet (Li, N., Zhang, P, 2002). Despite the phenomenal growth of the Internet in the West, the adoption rate of online shopping in the Eastern Europe is relatively low. Of course, national wealth obviously facilitates the adoption of Internet shopping, because investments are for the Internet access infrastructure, subscription of Internet services and online purchases but online shopping is affected also by cultural factors (Lim K. H., Leung, K., Ling S. C., Lee Matthew K. O., 2004). The specialized literature focused on two major cultural factors that have been extensively used in many studies (Schuler and Rogovsky, 1998; Tan et al., 1998; Husted, 1999; Whitman et al., 1999; Markoczy, 2000; Begley and Tan, 2001; Chui et al., 2002; Hofstede et al., 2002; Thomas and Au, 2002, Kai H. Lim et al, 2004): *individualism-collectivism* (the way people form trust) and *uncertainty avoidance* (the willingness of people to accept uncertainty).

The year of birth of the online commerce in Romania was 2000 when the first e-commerce sites have begun their activity but the accelerated growth was after Romania entered in the European Union in 2007. From that moment Romania began receiving funds and incentives to improve its infrastructure and this was a real benefit for the development of Romanian ecommerce market, growing every year. At this time, in Romania are registered approximately 5,000 online shops generating, according to a study performed by E-commerce Europe, a turnover of 1 billion €. In comparison, the according to the same study, Western states are far away regarding the e-commerce turnovers: United Kingdom 107 billion €, Germany 63 billion €, France 51.1 billion €.

It may be that one of the reasons why online purchasing volumes are so low in Romania, when talking about online consumers' fear and safety issues and the lack of being informed about their online rights. The most important factor to pass Internet barriers is to gain trust in online transaction and online relationships. At the same time, online transactions have some special characteristics: the use of technology combined with a certain level of risk and insecurity. (Colesca, E. A., 2010) It seems that more than 62% of young educated consumers in Western Romania are not aware that "s" from "https" stands for guaranteeing security to consumer (Racolta-Paina, N. D., Luca T. A., 2011). But as digital commerce develops new rules and regulations have been discussed to protect his

online rights. European Commission has established that all traders must provide clear and precise information related to products' characteristics, price, taxes, delivery and the accepted mean of payment. (European Commission, 2014).

Even with the above presented large disparities in terms of turnover another aspect draws our attention on the consumer behavior in Romania which is atypical for the European Union: the Romanian consumer is using the Internet to make purchase mainly from sellers based in other countries rather than from domestic ones. According to the European Commission, (The Consumer Conditions Scoreboard, 2013) the European consumers engage in domestic online shopping in a proportion of 41%. However, according to date obtained by VISA Romania regarding the online payments seems that the Romanian online shopper is an exception to this pattern. As can be seen in Fig. 1, the Romanian consumers are more likely to purchase online from sellers/providers located in other countries rather from national ones.

Fig. no. 1 Domestic and cross-border e-commerce in Romania

Year	Ecommerce Domestic Transactions		Ecommerce Cross-Border Transactions				
	Volume (EUR)	No. of transactions	Volume (EUR)	No. of transactions	Top 10 Cross-Border Merchants		
					Country	Volume (EUR)	No. of transactions
2010	43,290,337.38	1,007,435.00	204,767,911.6	3,653,531.00	United Kingdom	92,065,957.84	2,048,642.00
					Hungary	31,400,070.72	239,919.00
					United States Of America	20,149,028.93	300,054.00
					Gibraltar	9,637,819.24	334,179.00
					Germany	8,650,609.07	129,178.00
					France	4,662,295.93	44,848.00
					Republic Of Ireland	4,207,853.02	64,874.00
					Italy	3,498,452.08	18,445.00
					Luxembourg	3,063,328.43	154,783.00
					Cyprus	3,007,305.55	54,441.00
2011	71,539,084.88	1,910,202.00	275,181,070.9	5,076,371.00	United Kingdom	118,608,984.38	2,691,576.00
					Hungary	45,409,078.14	317,937.00
					United States Of America	24,418,211.74	410,193.00
					Germany	11,917,588.98	221,227.00
					Gibraltar	11,673,409.31	387,627.00
					Republic Of Ireland	9,478,991.78	179,870.00
					France	6,406,586.32	56,451.00
					Luxembourg	5,974,726.58	400,194.00
					Cyprus	5,701,106.33	77,546.00
					Italy	4,805,322.28	21,941.00

Year	Ecommerce Domestic Transactions		Ecommerce Cross-Border Transactions				
	Volume (EUR)	No. of transactions	Volume (EUR)	No. of transactions	Top 10 Cross-Border Merchants		
					Country	Volume (EUR)	No. of transactions
2012	107,275,211.58	2,791,662.00	309,701,549.2	5,936,557.00	United Kingdom	130,460,302.35	3,005,466.00
					Hungary	44,960,585.82	316,838.00
					United States Of America	27,699,842.56	508,429.00
					Gibraltar	14,438,689.02	462,082.00
					Germany	13,365,496.93	229,322.00
					Republic Of Ireland	11,512,687.83	266,947.00
					Luxembourg	8,106,003.38	583,161.00
					France	7,373,642.63	66,088.00
					Netherlands	6,119,515.82	43,870.00
					Cyprus	5,929,495.08	84,156.00
2013	117,924,279.88	3,451,931.00	381,024,410.8	7,340,306.00	United Kingdom	151,250,991.92	3,554,699.00
					Hungary	59,167,720.86	408,458.00
					United States Of America	29,765,448.72	661,136.00
					Republic Of Ireland	21,969,651.13	600,656.00
					Germany	14,313,541.97	249,942.00
					Belgium	14,282,718.28	83,947.00
					Gibraltar	12,755,771.95	427,829.00
					Luxembourg	11,829,456.72	735,928.00
					France	7,961,188.34	80,415.00
					Netherlands	7,307,088.70	52,679.00
2014	147,423,357.78	4,389,319.00	442,963,695.7	8,262,891.00	United Kingdom	168,348,757.69	4,221,064.00
					Hungary	76,505,366.81	523,396.00
					United States Of America	31,196,584.89	609,596.00
					Republic Of Ireland	23,168,377.95	598,044.00
					Belgium	18,613,902.99	112,258.00
					Luxembourg	14,380,997.37	777,849.00
					Germany	14,190,642.85	216,223.00
					France	10,715,466.57	145,847.00
					Gibraltar	10,502,038.33	331,528.00
					Spain	9,583,196.04	82,936.00

Source: own adaption upon data from VISA Romania

This data from VISA reveal that even though domestic e-commerce has a remarkable annual growth rate, the Romanian consumer prefer to purchase goods and services from other countries. In 2014, only 25% of the acquisitions in terms of turnover were made in domestic online stores, Romanian consumers buying more from e-commerce sites registered in United Kingdom (168 mil. EUR) than they do from websites located in their country (147 mil. EUR). The next position is held by the neighbor country – Hungary, which can be explained by the fact that one of the main airlines operating in Romania (Wizz Air) is based in Hungary, followed by USA, Ireland, Belgium, Germany, France etc.

The main questions derived from the above statistics that this article attempts to elucidate it refers to the factors that influence the Romanian consumer decision when he is looking for when he is buying online and he cannot find at the e-commerce local stores.

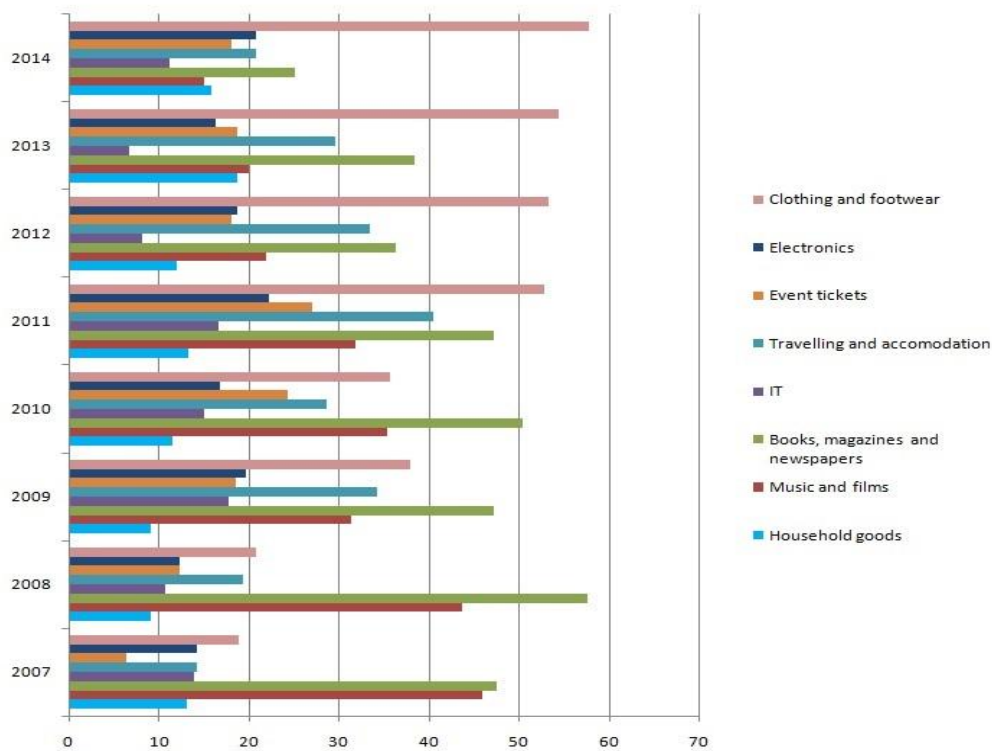
The Romanian Digital Consumer

Online shopping behavior explains the orientation of a customer to buy products and services on the Internet. The digital consumer is different from a traditional one, because he likes to explore and to change his preferences. Usually a classic buyer is constant and prefers certain brands. (Belinger, D., Cantemir C. A, 2011). The new feature online vendors have to deal with is that of a customized client. According to market research, factors like internet skills, level of education, income and demography influence Internet purchase.

From this point of view, analyzing Romania's situation regarding online purchasing it is still not developed enough. Although Internet access and technology infrastructure are no longer a problem, online consumption is low compared to the European average for individuals who ordered goods and services over the Internet.

Studies demonstrate that 81% of Romanian online consumers like paying cash on delivery and only 33% make a payment using a credit card. The decision of online purchasing is connected to psychological factors. The choice to order online is related to home delivery, smaller prices than in traditional stores, wider range of products and services, more information about products and comparing offers. When it comes to problems for online shopping, most of consumers reported problems for high delivery costs, delivery time and warranty. (Gemius, E-commerce Romania 2014).

Fig. no. 2 Percentage evolution of online purchasing in Romania between 2007-2014



Source: own adaptation based upon INSSE, Tempo-Online

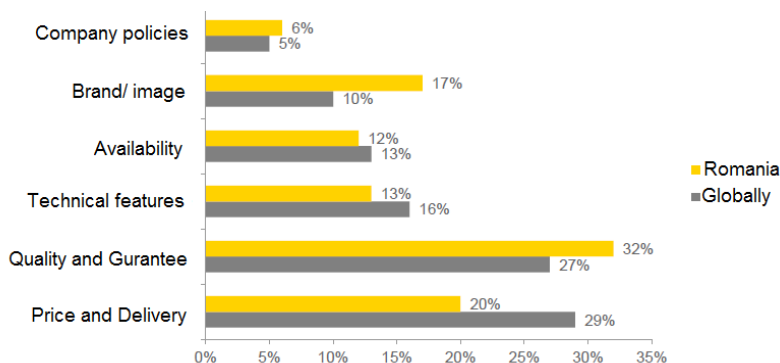
In the past years, Romanian online consumption increased for clothing, footwear and sport items. At the same time, Romanians are interested to buy books, electronic goods, accommodation and travelling services and event tickets. According to occupation/job, a Romanian employee likes to order from Internet clothes, electronic equipment, books, and trip services. Usually, a Romanian entrepreneur is interested to book online travelling and accommodation as national scoreboard reveals. The peak was in 2011, when more than 87% of business owners paid online for travelling and accommodation services. All of the following categories love to shop online for clothing in 2014: entrepreneurs (60.6%), freelancers (54.2%), unemployed persons (63.3%), and students (66.9). Retired individuals enjoy spending their time on the Internet to search for books, music, films and event tickets. It is interesting that in Romania, e-shopping for clothes, footwear and sport items has decreased from 54.6% in 2013 to 27.5% in 2014 in cities area and has increased to 59,4% in rural regions. Romanian women are more interested to buy clothes online than men with 9.4% in 2014. According to statistics, a person that graduated primary school buys more books, magazines and newspapers over the Internet, than secondary school or high school graduates. Youngsters enrolled in higher education are those who seek the most online books.

It is notable there is a strong correlation between the volume and number of transactions with credit card for online purchasing which suggests that online card payment started to be on an upward trend. Still, many Romanian consumers are used to pay cash on

product delivery. In 2014, online sales amount has reached 147.423.357.78 mil Euros and consumers have made 4.389.319 mil online transactions using a credit card.

In our approach to investigate the appetite for cross-border online shopping of the Romanian consumer we searched to see which factors influence the buying decision. In this case we used a study performed by Ernst & Young performed to analyze the Romanian digital consumer buying experience and we discovered that they are influenced most by the **quality and guarantee** of a product/ service (32% in Romania, 27% globally). In Romania, the most important factor seems to be the quality and the guarantee of a product, while globally respondents are influenced most by price and delivery (29%). **Price and delivery** terms ranks second in the opinion of the Romanian respondents (20% in Romania, 29% globally), while the **brand /image** is also a decisive factor that consumers take into consideration (17% in Romania, 10% globally).

Fig. no. 4 Factors that influence the online buying decision



Source: Ernst & Young, The Purchasing Experience in the Digital Consumer Era (2014 p. 27)

Another aspect that drew our attention on the Romanian digital consumer is the overwhelming presence of cash in online commerce. According to a study performed by Gemius (E-commerce Romania, 2014), the referred payment method of the Romanian internet users is by far the cash payment: 4 out of 5 users indicate cash on delivery as their favorite option when they want to do an online purchase. The lack of trust of the Romanian consumer in electronic transactions is also confirmed by the statistic of The National Bank of Romania regarding ATM cash withdrawal vs. POS transactions.

Fig. no. 5 Cash withdrawal vs. POS transactions in Romania

Year	Cash withdrawal at ATMs in the country with cards issued in Romania (Mil. Romanian LEI)	POS transactions in the country with cards issued in Romania (Mil. Romanian LEI)
2014	122,860.79	23,577.30
2013	114,672.86	20,635.44
2012	106,409.09	17,967.89
2011	96,435.25	14,854.54

Source: www.bnro.ro

Conclusions

Romanian online consumer is atypical from other European consumers because of his interest for cross-border shopping. Although the European trend is to purchase online from local vendors, Romanians are still beginners when it comes to online transactions as the level of online consumption penetration in Europe is higher. Moreover, online shopping has not become yet a part of Romanians lifestyle. Nowadays, in developed countries buying products and services over the Internet have become a way of living and individuals treat it as a usual habit. The most popular items that Romanians seek on the Internet to buy are related to fashion retail products.

The most important aspect in Romanian online consumers is linked to the mean of payment, preferring to use cash rather than an electronic mean of payment. This is due to their perception regarding online transactions. Most likely, as studies demonstrate, this lack of online payment habit comes from uncertainty and fear issues.

References:

- Belinger, D., Cantemir C. A., 2011. Comportamentul consumatorului digital. *Analele Universitatii Constantin Brancusi*, Seria Economie, nr. 2/2011, pp. 26-33.
- Colesca, E., S., 2010. Online consumer protection. Theories of human relativism. *Amfiteatru Economic*, Vol. 12, No. 28, pp. 694-699
- Ernst & Young, 2014. Studiu EY Romania. Experiență a de cumpărare în era consumatorilor digitali. Available at: [http://www.ey.com/Publication/vwLUAssets/Digital_Consumer_Survey_RO_5_Aug_2014/\\$FILE/EY_Experienta%20de%20cumparare_RO_Final.pdf](http://www.ey.com/Publication/vwLUAssets/Digital_Consumer_Survey_RO_5_Aug_2014/$FILE/EY_Experienta%20de%20cumparare_RO_Final.pdf)
- European Commission, 2013. Consumer conditions scoreboard. Consumers at home in the single market, 9th Edition. Available at: http://ec.europa.eu/consumers/consumer_evidence/consumer_scoreboards/9_edition/index_en.htm
- European Commission, 2014. Buying services everywhere in the EU - A practical guide for consumers. Available at: http://europakonsument.at/sites/europakonsument.com/files/Services%20Directive_en_0.pdf
- Gemius, 2014. E-commerce Romania. Available at: https://docs.google.com/forms/d/1h-EbG8CvYtx9omafCVZ2_eyvMAI5y51K6fn4_pU0w-g/viewform?c=0&w=1
- Li, N., Zhang, P., 2002. Consumer Online Shopping Attitudes and Behavior: An Assessment of Research, Syracuse University, 2002. Available at: web.syr.edu/~nli/AMCIS_2002_Li_Zhang_Online%20shopping.pdf
- Lim, K. H., Leung, K., Ling, S. C., Lee, Matthew K. O., 2004. Is eCommerce Boundary-Less? Effects of Individualism-Collectivism and Uncertainty Avoidance on Internet Shopping. *Journal of International Business Studies*, Vol. 35, No. 6 (Nov., 2004), p. 545-559.

Onete, B., Constantinescu, M., Filip, A., 2008. Internet buying behavior. Case study: research of AES students' behavior regarding online shopping. *Amfiteatru Economic*, X(Special issue 2), p. 18-24.

Racolta-Paina, N. D., Luca T. A., 2011. Nowadays online consumer rights and interests. Case study - The Romanian Educated Online Young Consumer. *Management & Marketing Challenges for the Knowledge Society*, 2011, Vol. 6, No. 2, p. 255-272.