

Aspects Concerning the Implications Brought by the E-Commerce Development on the Romanian Companies in the Context of the Economic Crisis

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Abstract

The economic reality of our country consists in the fact that the effects of the world economic crisis are already showing and the human crisis and the social instability created continue to have repercussions. Although the perspectives of the world economy are relative good, because of the governments' interventions, which have adopted immediate measures to save different banks and insurance companies but also to sustain the enterprises, they are not enough, and long term solutions are necessary in order to come off well from the crisis.

However, in the crisis context, the global e-commerce market has grown in a significant way. Although the revolution of the e-commerce was blocked by certain obstacles determined by the issues concerning the security of personal information, language issues, delivery costs, laws and taxes, the economic crisis represented a new stage in the e-commerce and the sales increased in Europe, United States and China.

In order to find new methods of reducing the consumption costs, Romanian customers started to achieve more and more products online. Therefore, the economic crisis has generated a significant increase of e-commerce in this period, fact which contributed to the creation of new real opportunities for the survival and development of many Romanian companies.

Keywords: world economic crisis, development, e-commerce, companies, crisis' effects.

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1. Introduction

Internet Revolution is an essential characteristic of knowledge-based economy. Promoting the Internet into a virtual space efficient distribution of goods, services and information, and a space for creativity and innovation which benefits the entire planet. Also, cyberspace has set up a communication network as easy and efficient for all performers of the global market. Therefore, the economic crisis effects on development of electronic commerce in Romanian companies are the major.

2. The economic crisis and Romanian e-commerce development

This global economic crisis is the context where manifested the Romanian companies. Romanian mentality greatly contributed to generating major impacts in all facets of economic and social life. So in the last months of 2008 our country also entered in crisis, making no discordant note to EU partner countries. In the following period, although various anti crisis measures were announced, the external borrowing from the International Monetary Fund (IMF), European Commission (EC) and the European Bank for Reconstruction and Development (EBRD), accessed by the government of our country in March 2009 and any budget adjustment in April of that year did not lead to positive results fight against the global crisis. As such, the level of our country continue to increase taxation measures, which involved, besides the increase in social contributions (decision taken in February 2009), introduction of flat tax and elimination of deductibility for value added tax (VAT) machinery, fuel and car maintenance expenses.

Although some experts felt that the major effects will be evitable in our country, and some politicians announced even the exit from the crisis, in the second quarter 2009 financial and economic year, crisis has manifested strongly in Romania, the effects were an increase in unemployment, small and medium enterprises (*SMEs*) **bankruptcy**, low purchasing power of population, reduce domestic production, etc. In this context the outlook for our country forwarded by experts from the German ZEW Economic Institute is bleak.

Global crisis affecting primarily automotive and light industry, which added buildings, while other sectors of Romanian economy was characterized by relative stability or even a slight increase. For example, according to data centralized by Business Standard (2008), in early 2009 announced substantial employment in some branch of the Romanian economy: retail, food industry, IT, security services and security, logistics and telecommunications. This is because these companies addressed to some needs that not disappear during a crisis, but rather amplified. Thus, people will opt to purchase consumer goods, security and information, but not durable goods and luxury, expensive various forms of entertainment.

Authorities in the field believe that retail and food are available 30-40000 jobs, while industry resists global crisis, logistics, showing relative stability compared to other niches. Also, Varban (2009) affirmed that **the economic crisis has generated a sustained development of electronic commerce**. *Electronic commerce stimulates competition and competitiveness by developing new products and markets, the emergence of new actors in traditional markets and new types of relationships between suppliers and consumers* (Popescu and Popescu, 2007). In the context of knowledge-based economy, which operates with new concepts and theories, development of electronic commerce is becoming a reality myth. The fact is that, regardless of definitions of electronic commerce by various experts, institutions or companies, e-commerce means "distribution, marketing, sale or delivery of goods and services by electronic means" (International Trade Center UNCTAD/WTO, 2000). Which means that electronic means can be traded both goods and services in any quantity, both individuals and legal entities. Thus, although developed as a form of free trade magazines, **electronic commerce (traditional and Internet) is a form of movement of goods, activities and relationships that all**

organized and conducted by units involved in selling products or services to final consumers or intermediaries (Popescu and Popescu, 2007).

Global economic crisis represented another step in electronic commerce, with sales rising in Europe, the United States and China. Although e-commerce revolution has been blocked due to some border security an issue regarding personal information, language problems, costs delivery issues and tax laws, Organisation for Economic Cooperation and Development (OECD) has shown that once consumers have sought ways to cut costs by buying items online, the **economic crisis has provided a significant increase in online commerce**.

Worldwide, electronic commerce has become a major component of economic development policies of governments of developed countries (Japan, USA, European Union countries, etc.) And by measures taken at government level by these countries to establish unique regulations regarding the transactions electronic commerce, *electronic commerce has become an essential component of world trade*.

In Romania, according to a survey conducted by Polish research company Gemius Research, Internet penetration is 36 per cent and about **50 per cent of Internet users have used the Internet at least once for online shopping**, more than 22 per cent of 2006 (Varban, 2009).

2007, in which the economic crisis is already manifest in the U.S., Romania, developments in electronic commerce was a success because it was the year when it recorded the highest volume resulting from online payment card, i.e. 35 million Euro. In fact, in 2007 there were 918 stores, compared with just 589 stores in the year 2006, which means an increase of 55.86 per cent. In 2008, the number of stores has grown to 2215 stores (Radu and Taloi, 2008) an increase of 141.29 per cent compared to the number of shops registered in 2007. But an analysis made by publication Link 2 eCommerce regarding online stores, which are active on the Internet, already operating normally, showing that in 2007 there were 640 such stores, their number increasing to 875 in 2008. Fact is, under part number, nearly 5 per cent of sites are operating in Romania for e-commerce activities. Those electronic shops registered in the crisis, an increasing trend in terms of the transaction. Thus, if the average number of transactions each month of 2007 was approximately 37,400 transactions, in 2008 their number increased to nearly 51,000 transactions per month (Radu and Taloi, 2008).

A social analysis of the reasons for the occurrence of online stores confirmed that they were less economic by 2006, next year there was a revolution of the phenomenon, based on economic criteria, determined as the financial results of virtual actors. Of course, improving the public availability of computers has greatly contributed to success of e-commerce in time of crisis. Also, people's mentality towards purchases on the Internet has changed in a positive way. Therefore, according to Trafic.ro, e-commerce growth was 250 per cent in 2008 compared to 2007. Thus, regarding RomCard statistics requested by the only publication of electronic commerce in Romania Link 2 eCommerce, in the first half of 2008 amount from the online payment card security in the 3D secure system was almost 26 million.

Regarding areas recorded the highest transactions are: travel services, booking tickets, paying bills by mobile ICT products, electronics and appliances. During the period 2007-09 is noted increasing consumer interest in certain product segments,

namely: notebooks, stationery, software, toys, car audio and video (2007), computers, telephones, movies, art, industrial, automotive and clothing (2008), computers, phones, industry, apparel (2009). In fact, most online stores are the IT assets. They mainly sell computer accessories, office supplies, consumables, copiers, laptops. Products are delivered to clients through the Romanian Post, the fastest runners, or by their means of transport.

Year 2009 brought positive results on all card transactions, both in number and value issue. But the average value of orders fell by 8 per cent following the purchasing power of population decline and also increased the rate of payment cards in about 20 per cent to 5-8 per cent in 2008.

This indicates that Romanian electronic commerce a trade future is online, meaning that it will increase legislative impediments, mindset and infrastructure. Online e-commerce grew in the early years (2001-04, 3 times each year), for the crisis to double from one year to another. Obviously, this trend will not continue in the future, but electronic commerce will still remain a dynamic sector. Thus, estimated RomCard corresponding online payments, will end 2010 at a value of 135 million Euros and 2011 were completed at a value of 202.5 million Euros. But representatives online stores appreciate that e-commerce market will reach in 2010, only retail area threshold of 1 billion Euros (Radu and Taloi, 2008).

It is true that an estimate of the Romanian market online is difficult because there is no authority in the field requiring data on the virtual market. Currently, the National Authority for Management and Regulation in Communications of Romania (ANCOM) worked both in the virtual market regulation, market regulation in the context of electronic communications and postal services. But it is difficult to quantify the electronic trading market in our country, since many online stores do not always declare the real figures and statements for electronic payment processors are not enough relevant analysis regarding actual and potential online market.

3. Consequences of electronic commerce development on the Romanian companies in crisis.

Is known that in financial crisis, many SMEs with all the sustainable growth potential offered throughout Romania's EU integration, will continue to disappear from the market (early failures being in October of 2008) and because Romanian SMEs development is directly influenced by the investments made by firms that acting on the European and global market. After the year 2007 the number of SMEs increased by over 18 per cent compared to 2000 (Sava, 2009).

Macroeconomic instability, insufficient capitalization of SMEs, dependence on large industrial companies and the lack of horizon faced by other SMEs without viable business plans fully contribute to reducing the number of SMEs in our country. Save to SMEs is mainly in accessing European funds, because other forms of financing will not be possible, given that operators will exercise caution regarding investment of any kind. There is hope that some countries affected by financial crisis will provide facilities that will benefit including some Romanian SMEs. This will lead to relocation activities SMEs

in those countries. But accessing European funds for Romanian companies is possible due to communicational technology development. Using the Internet allows a communication cheaper, faster and efficient, and the marketing information products with lower expenses.

With known in is that, *in terms of steps needed for the transactions*, with few exceptions, *electronic commerce does not differ greatly from traditional trade* (Popescu and Popescu 2007). Therefore, it is noted that, today, more and more **enterprises from different countries, electronic commerce has become synonymous with profit growth**. This is because electronic commerce is developing a business as value-generating activity, with Internet support and use of specific software packages.

Moreover, the *Internet is a resource for all companies of strategic communication*, which allows the development of a consistent relational storage. Development of information and communications technology in companies contributing to facilitating access to real opportunities for development worldwide. Using the Internet by all businesses, regardless of activity, to strengthen business and relationships with partners is a major consequence of the development of electronic commerce.

Development of electronic commerce leads to substantial changes in company management in order to strengthen the role of strategic communication in achieving its objectives.

It also notes that the *development of electronic commerce increase the interactivity global economic agents*, which means that firms have new opportunities to diversify the supply and sales markets, to attract new customers loyalty existing ones, and the selection and training of employees.

In our country, specialists believe that online market begins to take shape both quantitatively and qualitatively. Over time, online shop owners understand that a functional electronic storage means to provide potential clients a pleasant experience and to keep up his interest to products sold by that store, for his loyalty.

In the current economic context, the decreased purchasing power and time available for making purchases, while the number of products and services in the virtual environment have increased, more and more interest in the Romanian online market is taking to meet the requirements. Especially since the online prices are competitive, quality products do not differ from traditionally purchased and delivery is to address customer.

Conclusions

The fact is that the global economic crisis, electronic commerce is a market opportunity rather unknown. Although our country, electronic commerce is not sufficiently regulated, this market has become the collective mind as a real alternative to traditional trade because online stores have lower costs and maintain contact with their partners: consumers, giving them quality products and services at competitive prices. But electronic commerce is more than an alternative to the traditional, it represents a real source of opportunity for all Romanian companies, increase their stock networking to promote products, customer loyalty and, in general, increase profit.

Reality confirms that the global situation creates both opportunities and threats for actual Romanian market. So companies will need to adopt policies to survive, either by taking advantage of opportunities generated by the crisis, either by reducing the activity or find new sources of funding. And **realizing the opportunities suggests firms entering the online market**. Therefore, electronic commerce, domain the outlook for the Romanian market, should be considered to identify ways to develop businesses.

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