SUPPLY CHAIN MANAGEMENT IN THE CONDITIONS OF GLOBAL ELECTRONIC MARKET

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Abstract

Globalization today is one of the most significant changes in the environment. Global electronic market has characteristics of a free market and free participants in the supply chain. Strategic concept of the inter-organizational management in the global electronic market is conditioned by the technological innovations in supply chains. The participants of the supply chain internationalize their views on the global and electronic markets with the use of modern information technology. Information technologies contribute to the integration of the world economy and bring many benefits to management of supply chains. All this have the influence to the technological basis creation of the particular cultural integration in supply chains in the global market.

Key words: management, globalization, supply chains, electronic market

1. INTRODUCTION

Globalization today is one of the most important changes that have a major impact on the relationship between participants on the market. Today's world is becoming global market in which comes to the fore the interdependence of individual participants in supply chains. The participants in the supply chain internationalize their views on the global and electronic markets with the use of modern information technology. In order to define better supply chain management in terms of global electronic market, it is necessary to answer some of questions, such as:

- How the globalization of market influences the emergence of global supply chains?
- How to achieve supply chain efficiency in the global electronic market?
- What is the role of information technology in supply chain in the global electronic market?
- What are the specifics of supply chains of global electronic retailers?

Answers to these questions will provide solutions for supply chain management in terms of global electronic market. For this purpose it is necessary to start from the fact that the global electronic market corresponds to the global supply chain management, which suggests that access to on-line business needs to be global.
2. MARKET GLOBALIZATION AND INTERNACIONALIZATION OF SUPPLY CHAINS

Globalization has a major impact on the expansion of contemporary supply chains. Internationalization of supply chains increases the number of participants in the supply chain, relationships between participants are becoming increasingly complex, and the main goal is to achieve global performance efficiency of the supply chain, which becomes increasingly difficult to achieve. Supply chain is a set of institutions that move goods from the point of production to the point of consumption (Dunne, et al., 2014, p.178) on the global market. Table 1 shows some of the most efficient global supply chains, where it is noticeable that franchise systems have high efficient supply chains on the global market (such as McDonald's, The Coca-Cola Company, Starbucks, PepsiCo, H & M).

Table 1 Supply Chain Top 25 for 2013

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Peer Opinion</th>
<th>Gartner Opinion</th>
<th>Three-Year Weighted ROA</th>
<th>Inventory Turns</th>
<th>Three-Year Weighted Revenue Growth</th>
<th>Composite Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apple</td>
<td>3,203</td>
<td>470</td>
<td>22.30%</td>
<td>82.7</td>
<td>52.50%</td>
<td>9.51</td>
</tr>
<tr>
<td>2</td>
<td>McDonald's</td>
<td>1,197</td>
<td>353</td>
<td>15.80%</td>
<td>147.5</td>
<td>5.90%</td>
<td>5.87</td>
</tr>
<tr>
<td>3</td>
<td>Amazon.com</td>
<td>3,115</td>
<td>475</td>
<td>1.90%</td>
<td>9.3</td>
<td>33.60%</td>
<td>5.86</td>
</tr>
<tr>
<td>4</td>
<td>Unilever</td>
<td>1,469</td>
<td>522</td>
<td>10.50%</td>
<td>6.5</td>
<td>9.00%</td>
<td>5.04</td>
</tr>
<tr>
<td>5</td>
<td>P&amp;G</td>
<td>1,901</td>
<td>493</td>
<td>8.60%</td>
<td>5.8</td>
<td>3.60%</td>
<td>4.91</td>
</tr>
<tr>
<td>6</td>
<td>The Coca-Cola Com</td>
<td>1,775</td>
<td>278</td>
<td>11.70%</td>
<td>5.5</td>
<td>14.00%</td>
<td>4.33</td>
</tr>
<tr>
<td>7</td>
<td>Colgate Palmolive</td>
<td>794</td>
<td>324</td>
<td>18.90%</td>
<td>5.2</td>
<td>3.60%</td>
<td>4.27</td>
</tr>
<tr>
<td>8</td>
<td>Wal-Mart Stores</td>
<td>1,629</td>
<td>282</td>
<td>8.80%</td>
<td>8.1</td>
<td>4.90%</td>
<td>3.79</td>
</tr>
<tr>
<td>9</td>
<td>Nike</td>
<td>955</td>
<td>236</td>
<td>14.10%</td>
<td>4.2</td>
<td>10.60%</td>
<td>3.62</td>
</tr>
<tr>
<td>10</td>
<td>Starbucks</td>
<td>808</td>
<td>159</td>
<td>16.50%</td>
<td>4.8</td>
<td>11.50%</td>
<td>3.41</td>
</tr>
<tr>
<td>11</td>
<td>PepsiCo</td>
<td>810</td>
<td>314</td>
<td>8.60%</td>
<td>7.8</td>
<td>10.50%</td>
<td>3.41</td>
</tr>
<tr>
<td>12</td>
<td>H&amp;M</td>
<td>399</td>
<td>41</td>
<td>28.20%</td>
<td>3.7</td>
<td>6.70%</td>
<td>3.22</td>
</tr>
<tr>
<td>13</td>
<td>Caterpillar</td>
<td>714</td>
<td>247</td>
<td>5.80%</td>
<td>2.8</td>
<td>23.40%</td>
<td>2.91</td>
</tr>
<tr>
<td>14</td>
<td>Nestlé</td>
<td>679</td>
<td>112</td>
<td>13.30%</td>
<td>5.1</td>
<td>-0.60%</td>
<td>2.51</td>
</tr>
<tr>
<td>15</td>
<td>Johnson &amp; Johnson</td>
<td>730</td>
<td>144</td>
<td>9.60%</td>
<td>2.9</td>
<td>3.30%</td>
<td>2.35</td>
</tr>
</tbody>
</table>

Source: (Gartner, May 2013)

In terms of globalization, there is a change of the role of retailers in the internationalized supply chains. The retailer with the highest annual retail revenue in recent years is Wal-Mart, which operates in 28 markets (Deloitte, 2013, p. 11), and by the efficiency of the supply chain is in the thirteenth place. Special importance in the internationalization of retailer has efficient supply chain. The power and influence of retailers in marketing channels have been growing, so this trend follows three major developments: 1) increase in size and buying power; 2) application of advanced technologies, and 3) use of modern marketing strategies (Rosenbloom, 2013, p. 62). The position and role of global retailers become increasingly important in modern supply chains, bearing in mind that retail has direct contact with customers in different markets. With implementation of new marketing and management strategies retailers are positioning in the global market. To ensure the efficiency of the supply chain, retailers tend to equalize the way of business in all markets in terms of globalization and global competition. What is also recognized in the global supply chains is the power of global brands, which is reflected in the efficiency of their supply chains (Apple, Unilever, P&G, Coca-Cola, Colgate, Nike, Pepsi, Nestle, Johnson & Johnson).

There also need to be considered the position of Amazon.com that occurs in the electronic market and provides its customers high reliability of delivery of the product regardless of consumers’ location. Amazon.com, as a “click” electronic retailer, is on the list of largest retail companies in the global market, and in recent years recorded the highest growth in retail revenue compared to all retail companies in the world. Electronic retailing is characterized by the presentation of offers on a virtual market that is available globally and to everyone, regardless of location, but the development and efficiency of the supply chain is limited to the country where a particular electronic retailer delivers products. The most efficient supply chain in the global market and one of the most successful global companies is Apple, Inc., which owes its success to the efficient global supply chain by building its marketing channel at eleven world markets (Deloitte, 2013, p. 13).
A model of the supply chain of Apple Inc. was created under the influence of diverse Apple marketing channels, a large number of products, as well as the constant emergence of new innovative products in the supply chain. Apple sells its products through various marketing channels, offering products in its retail stores, through direct sales, as well as through e-retailing. As it is showed in Figure 1 the purpose of electronic retailing and its efficiency Apple performs particularly through storing and delivering by the FedEx, while in case of the retail stores, direct sales, and other types of sales, storing is performed in different storage.

The functioning of the global supply chain involves the effective integration of all participants in the supply chain which is an extremely difficult task. The global market involves complex relationships between participants. Participants are usually found in various countries, product that is necessary to deliver to customers is sometimes in another, and consumer is in third country. Therefore, it is crucial finding the optimal supply chain that will be effective and deliver the product to the end user regardless of where it is located. The existence on the global electronic market provides consumers with the opportunity to purchase products that they cannot find at the local market, and for the realization of such a purchase is necessary an efficient and accessible supply chain.

3. DEVELOPMENT OF ADVANCED INFORMATION TECHNOLOGIES ON THE ELECTRONIC MARKET

An e-marketplace is a virtual market in which sellers and buyers meet and conduct different types of transactions (Turban, et al., 2012, p. 85). The development of modern information technology in the electronic market is conditioned by technological developments and activities of the participants in the supply chain. Intermediary efficiency is disappearing through the time and local function because of distance elimination, time homogenization and location unimportance (Končar, 2008, p. 41).

Modern business through the supply chain, thanks to the new power of interactivity, has the ability of better differentiation of products and services through the rapid flow of information and the development of modern information technology. Technology is changing the nature of retailer-customer and retailer-supplier interactions (Berman, et al., 2013, p. 71).

Technological innovation in the supply chain ensures the efficiency of information exchange. Smooth flow of information through the supply chain requires a unique data exchange between all participants in the supply chain, all the way to the end consumer. Thanks to the standardization of data exchange more efficient delivery of products through the supply chain is provided, together with inventory tracking, increasing the efficiency of distribution and transportation of products in the supply chain and safe delivery of products to the consumer at the global level.

Participants in the supply chain use different forms of wireless connectivity and data exchange, where technology is developing in the field of hardware and software for data management. Particular importance is given to mobile applications, as the mobile, PDAs and smart phones are becoming in mass usage by consumers. With the development of e-commerce and implementation of global supply chain, mobile commerce is developing, which is becoming increasingly attractive way of ordering products by consumers in the global electronic market.
Also global supply chains lead to the development of technologies for the purpose of locating products in the supply chain. One of the innovative technologies used in the global supply chains is RFID (radio frequency identification). Thanks to RFID, products are tracked through the supply chain, regardless where the production and products are, in storage or in transport, and gives accurate information about where the products were previously. The application of RFID technology in supply chains is standardized so that is applied globally, regardless in which country each individual participant of the supply chain has its operations. Providing accurate information about the product and its location, RFID technology is applied in order to increase supply chain efficiency and customer satisfaction, taking into account the privacy and consumers’ data protection. Further development of the technology in the supply chain will go towards increasing the speed of data exchange, greater standardization and protection of consumers’ data and data of other participants in the supply chain.

4. CONCEPT OF INTER-ORGANIZATIONAL MANAGEMENT IN CONDITIONS OF GLOBALIZATION OF ELEKTRONIC RETAILING

Supply chain management in the global market requires adequate inter-organizational management. At the global electronic market, in addition to electronic retailers “clicks”, perform also retailers which have a retail network (“bricks and clicks”), and usually their operations are based on internationalization. Differences between these retailers are noticeable in the supply chain and the concept of inter-organizational management. Hence, Amazon.com as the largest electronic retailer, with the highest increase in annual revenue compared to all retailers (both electronic and traditional), has a specific supply chain since it operates in a global market and has a number of local websites, while traditional retailers, such as Tesco in Europe and Wal-Mart in the U.S., adapt their electronic retailing to already existing supply chain.

Amazon’s global strategy is to offer products at low prices, wide and deep range of products and reliability. What is crucial for the efficiency of the supply chain of electronic retailer is the location of its distribution centre. Amazon.com determines the location of its distribution centres in line with the costs that are influenced by the distance of customers, or legislative requirements of each individual country in terms of taxes and fees, levels of salaries, etc. A large number of products, offered at several local websites, make Amazon’s supply chain and inter-organizational management complex, but necessarily integrated in the global market. Amazon.com on its website has products that are autonomously delivered to the end customer, and provides a range of products of other suppliers, with a role of electronic broker, while delivery of ordered product leaves to the supplier.

In Figure 2 is showed the structure of ordering process and implementation of the ordered products in Amazon’s supply chain in a situation where the product delivers Amazon.com. Inter-organizational management activities are divided into groups of ordering, warehousing and transportation operations. Products that are in Amazon.com distributive centres are sorted according to frequency of ordering and the intensity of demand of certain product. Products that are usually bought on the website, independently of seasonal fluctuations in demand, such as books, magazines, CD and DVD are in a separate section, because it is extremely important to have effectiveness in delivery of products that have great demand. These products are important to have always in stock, so that inventory level is always known and ready for quick response, in order to require on time new quantities from suppliers. Modern information technologies, used by Amazon.com in the supply chain, provide adequate inventory tracking, movement in demand and forecasting changes in demand. Amazon.com has the ability to adequately predict changes in demand and adjust its business activities.
Transportation of ordered products, depending on where it is necessary to carry out the delivery, is done in the most possible economical way, by summing up the ordered product in a particular territory, then deliver to each individual customer, which sometimes is not as easy, since the most important thing is customers’ satisfaction and putting products available to consumers in the shortest possible time.

When it comes to global retailers, which implement electronic retailing in existing marketing channels, there are certain characteristics of supply chains in global electronic market. Traditional retailers, by relying on their existing retail network, have a choice of several multi-channel strategies, which are (Laudan & Traver, 2012, p. 736):

1) **on-line order, in-store pickup** – where consumers find offers on the website, order products and take products to the nearest retail store, without wasting time on shopping in store;

2) **online order, store directory and inventory**;

3) **in-store kiosk, Web order home delivery** – consumer goes in the store but do not waste time in shopping, so shopping is done in electronic kiosk, and the products are shipped to home address;

4) **in-store retail clerk, Web order, home delivery** – ordering performs certain sales staff on orders of customer, and products are delivered to home address;

5) **web order, in-store returns, and adjustments** – ordering products via the web, and going to the retail store for the purpose of changing or adapting products;

6) **online Web catalogue** – complete electronic purchase and delivery of products, with view to the whole range of products;

7) **manufacturers use online Web site promotions to drive customers to their distributors’ retail stores**;

8) **gift card, loyalty program points can be used in any channel**.

Tesco is one of the first retailers which have introduced electronic retailing for foods and consumer products. As one of the biggest European retailers, Tesco is the second in retail revenue and has a retail network in thirteen countries (Deloitte, 2013, p. 11). In the electronic retailing of consumer products is of great importance to ensure the freshness of the product when the product reaches the consumer, or until the consumer is using it. Electronic retailer Tesco relies on its retail network, such as identifying location of consumer and shipping product from the nearest Tesco’s store. For Tesco, retail store is also distribution centre for consumer products, while sales of most non-food items, such as books and discs, are made from specialized distribution centres. Location of the customer is automatically determined, so consumers can choose goods that are available in their nearest Tesco store. Given the fact that delivery is performed around the world, the number of products are limited because orders placed online are automatically redirected to a retail store located on the shortest distance from the consumer. When the target retail store receives an order, employees of Tesco automatically find the location of the requested products on the shelves in the store, collect them and scan. After all items are collected, they are stored in temporary storage, then commissioned and placed in special trucks that ordered products deliver to consumers’ home. For the transportation of food products are used trucks with separate compartments for different temperature storage.
For the efficient exchange of information, that is crucial in this specific electronic retailing, is necessary efficient inter-organizational management, information system, a system for data processing and data mining techniques, which aim to link all retail stores with electronic retailing. Tesco’s efficiency of the supply chain is reflected in the fact that the number of its customers increased in the global electronic market. Individual purchases of consumers who buy online in Tesco electronic stores are much higher than in traditional stores, and by this the performance on the electronic market. Many consumers who have never visited a Tesco retail store began to buy electrically, also the presence on the global electronic market increased retail revenue in stores, and the fact is that Tesco is among the leading retail companies year after year shows the success of its multi-channel strategy.

Wal-Mart is the largest retailer in the world by retail revenue and its success is based on the efficiency of the supply chain, as it is evident by its ranking among the most efficient supply chains. Inter-organizational management in the Wal-Mart’s supply chain provides effective coordination between all participants in its supply chain. Suppliers of Wal-Mart ensure availability of the products in stores. Wal-Mart is a retailer that is characterized with high consumers’ loyalty and trust, as well as reliability. Regardless of the manner in which the consumer completes its purchase, the product will be available to consumers. In the case of Wal-Mart the process of delivery of the product is carried out based on the intensity of demand, as well as in the case of Amazon.com. A key component of Wal-Mart's supply chain is distribution centres located in different markets. When it comes to the location of the distribution centre, Wal-Mart takes care of the structure and position of the retail network and demand for products. Figure 3 shows three models. The concept of warehouse replenishment Wal-Mart uses for products that have high demand. Assembly replenishment/cross dock concept of inter-organizational management is used for products that have a medium volume of demand, while the concept of direct-to-store replication is used for products with low demand and bulky products.

Depending on the frequency of demand of products that are available in electronic stores, Wal-Mart carries realization of ordered products from its distribution centre or directly contacts the supplier. Electronic marketing channel becomes a way of positioning retailers and building loyalty. In doing so, thanks to the electronic ordering a product, the consumer is no longer unknown, but it is possible to identify and personally contact each individual consumer. In this way, the consumer becomes a distinctive and active participant in the supply chain. Individual consumers can be approached on an individual basis, offered a personalized offer, and all with delivery of the product to the consumers’ home. Approach “face-to-face” can be an effective approach to the consumer, creating an offer in accordance with the requirements and adequately and promptly respond to claims, and by that predicting future demand. Building long-term relationships with customers should be the basis for building long-term relationship with all participants in the supply chain in the global electronic market.

5. CONCEPT OF SUPPLY CHAIN MANAGEMENT IN THE CONDITIONS OF GLOBAL ELECTRONIC MARKET IN REPUBLIC SERBIA

Electronic market in Republic Serbia is developing from year to year, influenced by the increasing adoption of this method of purchasing products by customers. Chances in the electronic marketing channel in the Serbian market are recognized by retailers with a developed retail network, as well as by new businesses that base their strategy only on the electronic channel. Therefore, we can say that on the electronic market in Serbia exists electronic retailers “clicks” and “clicks and bricks”. Depending on the type of the electronic retailing, retailers are creating and operating their supply chain.
Companies engaged primarily in electronic sales need to be registered for this activity, and strategies of “click” electronic retailers have 98 registered entities in Serbia, according to data from 2011 (Agencija za privredne registre, available at: http://www.apr.gov.rs/). These electronic retailers offer a variety of products from technical equipment, to baby accessories, cosmetic products, toys, etc. Electronic retailers in the electronic market in Republic Serbia deliver products to the customers’ home, with different options to pay for the product (electronic payment cards, payment on delivery, etc.). But there is a problem in the implementation of the ordered products, considering that most electronic retailers don’t have integrated system of monitoring stocks with the ordering process, and often products on the website are not really available, which leads to customer dissatisfaction during the purchasing process. In addition, retailers with a retail network are extending their supply chain by delivering products to customers from their retail stores, and retailers participating only electronically have a shorter supply chain.

What is the limitation for the development of global electronic market, in which Serbia would be involved, is limited payment system of products that have been ordered by customers from abroad. With the implementation of the PayPal payment system in the electronic market there is possibility for electronic payments of the ordered products from abroad, but it has not yet easier of purchasing and paying products of domestic suppliers in the global electronic market.

Successful participation in the electronic market in Serbia has retailers with retail network and distinctive name in which customers trust. The most common are electronic retailers “click and brick” that sell electronic equipment and appliances connected to the computer, baby equipment, toys, products for home, garden and tools, and so on.

In recent years, electronic sales of goods of daily consumption is evolving by retail chains such as “Univerexport” (“Elakolije”, www.univerexport.co.rs), “Idea” (online.idea.rs), “Maxi” (shop.max.rs), and it is in preparation by “Mercator” in Serbia (already successfully represented in Slovenia with the concept “click and collect”). For daily consumer products, there are a number of specific features of the supply chain, and the introduction of electronic channels is necessary to ensure reliability and efficiency in the delivery of the product to the customer.

One of the most successful concepts of electronic hypermarkets in Serbia is “Elakolije”, offering over 10,000 items in the product group of goods of daily consumption, that on the performance of functions related to the operation of the electronic store have employed 50 people, and the delivery of ordered goods is done at the same day within two years of operation, this electronic store generated 100,000 sales with the limit values of individual purchase orders (not less than 1,500 dinars), which is higher than the average value of individual purchases in the store of this retail chain (available at: http://www.univerexport.co.rs/online.php). Delivering of products from this website is available only in major cities in Serbia, where this retailer has its own larger format stores, like Belgrade, Novi Sad, Vrsac and Subotica. Preparation of ordered products is made immediately via mobile applications, from which is taken account for commissioning, then the list of products that are ordered with exact information are checked, and after control the product is sent to the home of the customer. As the products are often perishable and require special conditions during transport and handling in delivery, quality and freshness of the product is provided in the vehicles according to the HACCP standards, in special refrigerated chambers taking into account the fact that the ordered products require different treatment on delivery. The process of preparing goods for delivery is carried out after half an hour and most orders are received in the late afternoon and evening, mostly on weekends, when there are the largest crowds in the hypermarkets, and it is necessary to do the weekly shopping in greater value.
Following retailer that has implemented an electronic store of consumers good is “Idea”. Delivery of products purchased on this electronic store is made at the time that consumer determines. For the purpose of delivering products to the customer's home company uses its vehicles, only in the territory of Belgrade and certain parts of the city, and the service is free for an amount higher than 3,500 dinars, although the delivery services is not available 24 hours, but only up to 21 p.m., while in the weekends service is limited to 15h (available at: www.idea.rs). Also, ordered products from this electronic store are shipped the next day or a few days in advance if consumer determines that.

Third retailer of goods of daily consumption that has an electronic sale is “Maxi”. The opportunity to purchase in this online electronic store is available to consumers in Belgrade (in certain municipalities), Novi Sad and Nis (and to a distance of 20km from store) (available at: http://shop.maxi.rs/maxi-online-76-uslovi-kupovine). Delivery of ordered goods is done on the same day if the order is carried out to 12 p.m. The order is confirmed by calling customer, who needs to certify the goods order, and to determine the exact time when he wants the goods to be delivered.

When we talk about products which are easier to delivery to consumer than the consumers goods, in Serbia are most often ordered and delivered clothing, IT equipment, household appliances, kitchen appliances, devices for video surveillance, watches, jewellery, toys, health supplements etc. “WinWin” Computer Shop sells products from these groups, and has its retail network in Bosnia and Herzegovina, Montenegro and Serbia, which allows operation on the electronic market in these countries. With the widespread retail network of stores in Serbia, “WinWin” offers an electronic shopping and delivery on the same day with the option to pay cash on delivery, and delivery services is free for the amount of goods exceeding 5,000 dinars (available at: http://www.winwin.rs/rokovi-isporeke.html). This service is available to customers in Belgrade, while for customers from other cities delivers purchased products through the involvement of an intermediary. In this group of products, as is the case with the product groups that require similar treatment in the delivery of products, supply chain is similar with minor variations in some electronic retailers.

6. CONCLUSION

The expansion of contemporary supply chains is increasingly influenced by contemporary global trends. Internationalization of supply chains increases the number of participants in the supply chain, and as a consequence the relations between the parties have become more complex, so it is more difficult to achieve the efficiency of the global supply chain. The position and role of global retailers in modern supply chains is gaining increasing importance as a growing number of retailers have development strategy based on the
internationalization of business. To position themselves in relation to global competition, global retailers implement new marketing and management strategies. For the efficiency of the supply chain of great importance is finding the optimal supply chain that will be effective and deliver the product to the end user regardless of where it is located. Further development of the technology in the supply chain will go towards increasing the speed of communications and data availability, greater standardization and protection of consumers and other participants in the supply chain. Global electronic market is characterized by “clicks” electronic retailers and retailers that have their retail network. Amazon.com on its website has products that autonomously deliver to the end customer, and provides a range of products of other suppliers. Depending on the relationship with suppliers, Amazon.com creates its supply chain in the electronic market. Electronic market in Serbia is being developed under the influence of the increasing adoption of this method of purchasing products by customers and retailers. The most common are electronic retailers “click and brick” that sell electronic equipment and appliances connected to the computer, baby equipment, toys, and in recent years is developing electronic retailing of consumer products. Retailers in Serbia still have higher costs in the supply chain by implementing electronic retailing, but electronic retailing has positive impact on business on traditional grounds.

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