

## USE OF ELECTRONIC RETAIL IN THE REPUBLIC OF CROATIA

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### Abstract

In the modern trade business the application of IT achievements has the great usage opportunities. Electronic commerce is a form of trade that includes commercial transactions that take place via electronic networks. The course of the sales process in the electronic commerce is almost identical to the conventional course of the sales process: initiative, business operations, contracting, product delivery and payment.

There are numerous advantages of electronic commerce: a huge selection of products, time availability, lower product prices due to high competition, shopping convenience. However, electronic commerce has its disadvantages such as cultural differences in business between different countries, legislation, the inadequacy of some products for this form of shopping, doubts about the security of payment...

Electronic retail or B2C (business to customer) is a computer store in which the entity aims at the ultimate consumer, whereat they notice a wide range of products and businesses engaged in trade new possibilities and advantages of this way of doing business.

With the increasing number of Internet users in Croatia, the question is whether they use the electronic shopping and to what extent? A survey on the use of e-commerce in Croatia was conducted in three counties for the purposes of this paper: Zagreb, Vukovar-Srijem and Šibenik-Knin county for belonging to different regions, different levels of economic development as well as because of the different structure of their population. The study was conducted on 150 examinees, by means of a questionnaire with structured questions. The examined sample of this

study will show the extent to which residents of the Republic of Croatia as the ultimate consumers of non-business consumption use electronic shopping, the reason why is not used, if they believe in the security of payment over the Internet, who the users of e-commerce according to demographic characteristics are, as well as differences in regional affiliation with regard to the use of electronic commerce, etc.

**JEL Classification:** L81

**Keywords:** electronic retail, electronic shopping, use of e-commerce

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## 1. INTRODUCTION

Retail e-commerce is becoming common way of doing business with the application of information technology due to its simple application and low costs compared to conventional retail. In the modern fast rhythm of life, online shopping doesn't take a lot of time and it is accessible at any time. The basic difference between conventional shopping and retail e-commerce is how the information is transferred from seller to buyer and vice versa. Online shopping uses e-forms (orders) and e-mails (confirmation of the order). The part that remains the same is the delivery of the product with its documentation. Payment can be made in different forms, usually credit cards.

The question is how much do the citizens of the Republic of Croatia use online shopping? Are there any differences in use of online shopping regarding the residence and demographical characteristics? If they don't use it, why is that?

## 2. E-COMMERCE

E-commerce is the process of shopping, selling or trading items, services or information using Internet with significant cost and transaction time reduction. (Panian, 2000). Online seller is a mediator between the manufacturer and ultimate buyer, so his position in the value chain is somewhere in the middle and usually determined by himself. (Babić et al, 2011).

E-commerce can be defined from for perspectives (Spremić, 2004):

- 1) communicational perspective; e-commerce enables the delivery of information, products/services or payment using public telephone lines, public computer networks or in any other electronic way.

- 2) business process; e-commerce represents the application of the new technology for automatisisation of business transactions and business improvement
- 3) provision of services; companies, users and managers use e-commerce to reduce provision costs and increase the quality level of goods and delivery speed
- 4) virtual perspective; e-commerce enables shopping and selling of products, services and information on the Internet

E-commerce consists of trading activities over the Internet and cannot be equated with the wider notion of e-business which performs all business activities electronically. (Andam, 2003)

E-commerce can be divided in two basic areas (Ružić et al. 262): trade between business entities - Business-to-business (B2B) and commerce oriented on the ultimate consumer market - Business-to-consumer (B2C). Retail e-commerce B2C is the computer commerce in which business consumer is aiming for the ultimate consumer. While consumers discover the whole new world of online shopping and payments, sellers – network providers discover insatiable infinite market because Internet gives them access to a wide range of demographic segments (Panian, 2000).

The advantages of e-commerce can be divided into advantages for sellers and advantages for consumers. Advantages for sellers are market expansion, improved marketing, product width, cost reduction and longer working hours. In the *offline world* it is hard to get the buyer's opinion on success of certain part of marketing mix. In *online world* buyers gladly share their opinion by e-mail so companies get feedback and can react faster and change unsatisfying components of marketing mix. Internet shops offer the unique possibility to take the direct marketing to a higher level – individual marketing. These shops have unlimited sales space since it's measured in bytes.

E-commerce also has certain disadvantages like fast technology change, international problems, regulations, lack of marketing concept, inappropriateness of some products and digital divide. E-commerce technology is changing exceptionally fast and companies have to pay off their high investments in a short period of time. Other problem is the lack of IT experts. Cultural and linguistic differences cause international problems that are trying to be fixed by adding multilingual content in the online shops which causes additional expenses. Concerning the regulations, the main problem is that the documents cannot be found in written and a lot of

countries do not except digital signatures in court and it is difficult to make credit card payment in these countries. One of the problems is complicated shopping system. Some products were not suitable for selling over the Internet, but e-commerce is important for these products too. Ernst & Young discovered that 64% of the Internet users does a research on the product on web sites and then buys them in traditional shops. (Ružić et al., 2009).

### 3. RESEARCH RESULTS OF USING E-COMMERCE IN CROATIA

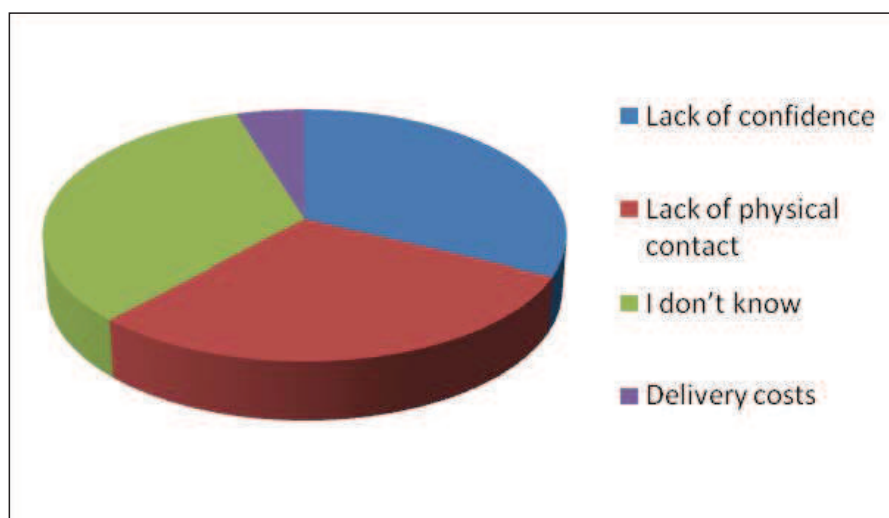
The research for this paper was conducted in May 2013 using questionnaire in three Croatian counties: Zagrebačka, Vukovarsko-srijemska and Šibensko-kninska. The research involved 150 examinees, 50 from each county. These three counties were chosen for their geographical position and their different economic growth rate. The questionnaire consisted of 13 questions.

The research involved 41,06% of men and 57,62% of women. 15,89% of them were aged 18-25, 39,74% were 26-40 years old, 23,84% of examinees were 41-55, 14,57% were 56-65 and finally 4,64% were 66 years old or more. According to their educational level, 2,65% of the examinees finished elementary school, 48,34% had secondary education, 26,49 had associate degree and 19,87% had university degree. 60,93% of the examinees were employed, 11,26% were unemployed, 14,57% were retired, 2,65% of the examinees were housewives and 9,27% were students.

To the question How do you assess your computer skills? 20,53% of the examinees answered they have poor Internet skills, 47,68% think they have good Internet skills and 29,80% think they have very good Internet skills.

To the question Do you use online shopping? 43% of the examinees had an affirmative response. From those who don't use it, 33,33% say they do not use it because they don't know how, 32,14% say they don't find online payments safe, 29,76% say it is because of lack of physical contact with the product and 4,76% don't purchase products online because of delivery costs.

**Picture 1.** Reasons for not using online shopping – Lack of confidence in online payments, lack of physical contact with the product, I don't know how, Delivery costs

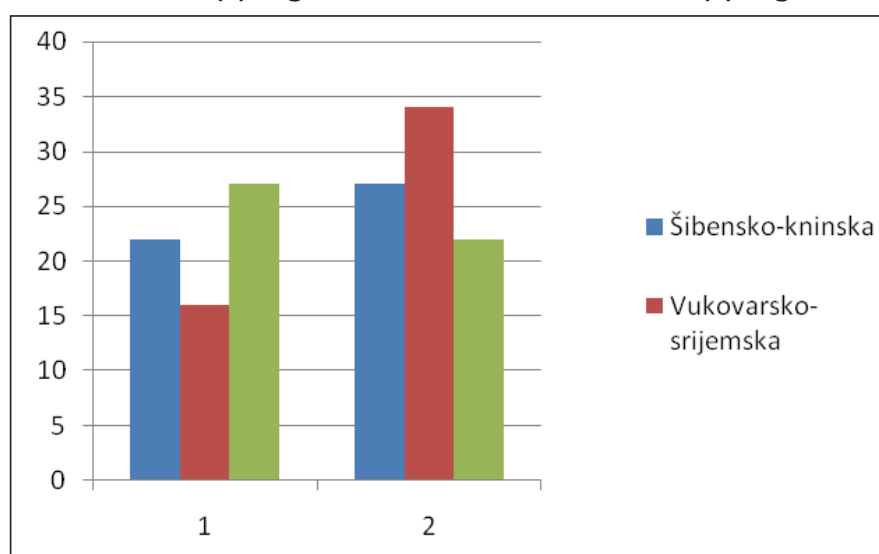


Source: Author

As presented in Picture 2, the majority of users of the online shopping live in the county Zagrebačka (56% of the total number of examinees); in the county Šibensko-kninska 46% use online shopping, and in Vukovarsko-srijemska 32% of the examinees County use online shopping.

**Picture 2.** Use of online shopping in counties Zagrebačka, Šibensko-kninska and Vukovarsko-srijemska

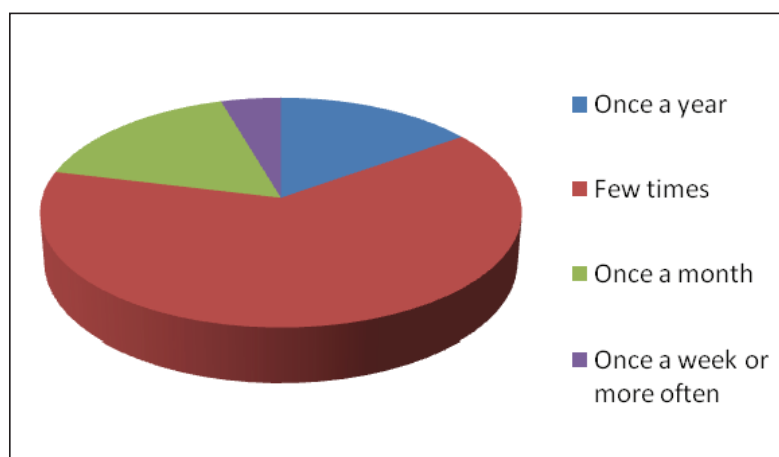
1-Use online shopping 2- Do not use online shopping



Source: Author

Picture 3. shows how often the examinees use online shopping. 63,64% of the examinees use online shopping few times a year, 16,67% once a month, 15,15% once a year and 4,55% use it once a week or more often.

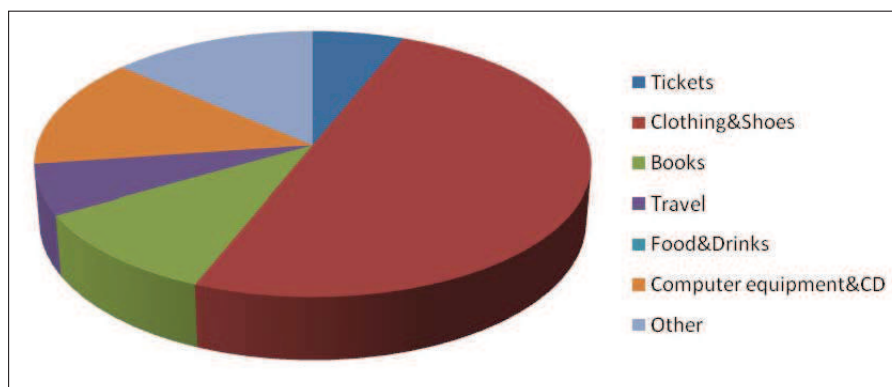
**Picture 3.** Frequency of the use of online shopping – Once a year, Few times a year, Once a month, Once a week or more often.



Source: Author

50,03% of examinees who use online shopping say that their shopping depends on the web site design and 46,97% says that the web design does not matter to them. 59,00% of the examinees use payment services such as PayPal. 43,94% of the examinees use online shops, 36,36% use auction sales, and 19,7% use online advertisements. Most often, the examinees buy online (Picture 4): clothes, shoes and accessories (50%), computer equipment (13,64%), books (10,61%), tickets (6,06%), travel (6,06%) and other (13,64%).

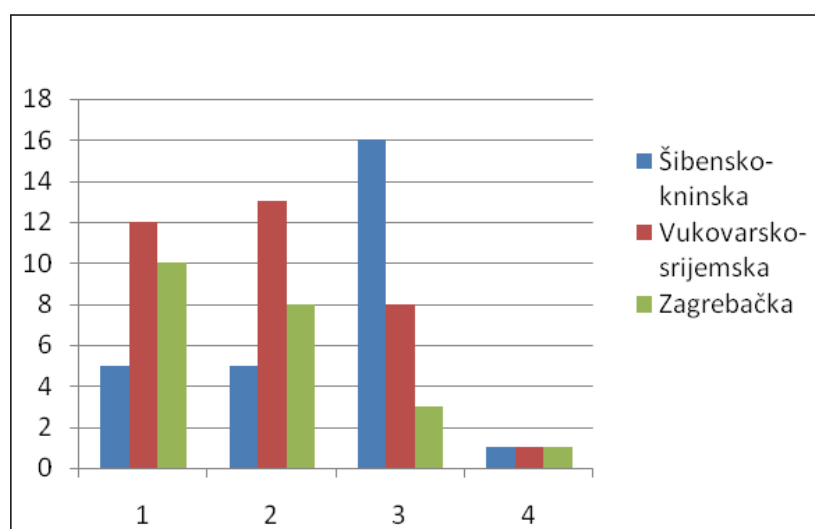
**Picture 4.** Products bought online Tickets, Clothes, shoes, Books, Travel, Food and drink, Computer equipment, CDs, Other



Source: Author

We used Ficher's exact test for statistical data treatment. The results of the survey point out that there is statistically significant difference ( $p=0.027$ ) between counties in answers to why examinees do not use online shopping (Picture 5). 60% of those who do not shop online in county Šibensko-kninska say they do not use online shopping because they do not know how; 38% of those who do not shop online in Vukovarsko-srijemska say it is because of lack of physical contact with the product, 45% of the examinees in the county Zagrebačka say they do not shop on line because of the lack of confidence in online payments.

**Picture 5.** Reasons for not using online shop in different counties



1-I don't think online payments are safe

2-I can't touch of feel the product

3-I don't know how

4-Delivery costs

Source: Author

The results show a statistically significant difference between type of purchased product depending on the gender ( $p=0.001$ ). 69% of women using online shopping for buying clothes, shoes and accessories while most of the men (39%) buy food and drink computer equipment and CDs (Picture 6).



#### 4. CONCLUSION

Modern lifestyle, lack of time, technology development and other numerous advantages make online shopping acceptable solution for buyers and is becoming the most profitable aspect of commerce. E-commerce has enabled the appearance of new type of selling space- virtual stores.

The research for this paper was conducted in tri counties in Croatia: Zagrebačka, Vukovarsko-srijemska and Šibensko-kninska and indicates the difference in use of online shopping; online shopping is most common in countie Zagrebačka and Vukovarsko-srijemska, the least developed county has the lowest number of online shopping users. Of the total number of the examinees, last than half (43%) purchase products online. This research also indicates the interdependence of demographical characteristics (age, gender, professional education) of the examinees and the frequency of online shopping. The common reasons for not using the online shopping are lack of internet skills and lack of confidence in payments made online.

It is necessary to bring e-commerce closer to the as bigger number of users as possible to Croatian market and in that way to increase profitability of commercial companies on our market.

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