

KATARZYNA BRENDZEL-SKOWERA

Politechnika Częstochowska, Poland

HELENA KOŚCIELNIAK

Politechnika Częstochowska, Poland

KATARZYNA ŁUKASIK

Faculty of Management, Czestochowa University of Technology, Poland

AGNIESZKA PUTO

Faculty of Management, Czestochowa University of Technology, Poland

THE CONDITIONS FOR DEVELOPMENT OF E-COMMERCE IN POLAND

Abstract:

The aim of the paper is the presentation of the e-commerce sector in Poland. It is a dynamically developing sector which mainly consists of microenterprises. The authors pay attention to the most important problems connected with the development of e-stores in Poland. These are, most of all, the low average values of shopping carts and a small number of clients. The reason of this situation is, among others, inefficient use of the contemporary IT tools, e.g. social media are treated by e-commerce as another carrier of advertising. There is no knowledge or understanding that it is a tool enabling the development of more advanced marketing activities. The data from the reports presented in the paper indicate some trends in the behavior of Internet users, which are favorable for e-commerce. On their basis, there can be expected an increase in the amount and frequency of online shopping. However, for this to happen, it is necessary to introduce changes in the functioning of Polish e-commerce. Most of all, there is required sales optimization. In the paper, there will be presented the most important elements of the marketing strategy and basic tools of sales optimization.

Keywords:

e-commerce, age structure, value of the shopping cart, marketing activities, sales optimization

JEL Classification: L19, R10, L81

Introduction

According to the World Trade Organization (WTO), e-commerce is the sale or purchase of goods or services conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders. Even though goods or services are ordered electronically, the payment and the ultimate delivery of goods or services do not have to be conducted online. An e-commerce transaction can be between enterprises, households, individuals, governments, and other public or private organizations. Orders made over the web, extranet or electronic data interchange are included in these electronic transactions. The type of transaction made is defined by the method of placing an order. Normally, orders made by telephone calls, fax or manually typed e-mails are excluded from e-commerce (World Trade Organization, 2013). According to the Central Statistical Office (CSO) e-commerce includes transactions which are conducted by networks based on the Internet Protocol (IP). Goods and services are ordered in a direct mode (online), whereas delivery and payment can be performed online or outside the Internet network (Central Statistical Office).

The market of e-commerce in Poland is a dynamically developing sector. All trends occurring in the Polish society are, most of all, favorable for that. According to the Public Opinion Research Center (CBOS), since 2010, Internet users have been constituting more than a half of all adults in Poland and the number of regular Internet users has been still increasing in recent years. In 2014, using the Internet at least once a week was declared by almost two thirds of the respondents (63% compared to 60% in 2013). Almost all Internet users (98%) have the Internet access at home (98%). In the last six years the popularity of online shopping has also been increasing. In 2008 the people declaring at least a single purchase via the Internet amounted to only a quarter of all adults, whereas in 2014 their number amounted to almost half of Poles (47%). Along with an increase in the number of Internet users, there is also an increase in the group of people with accounts in social media. In 2008 one fifth of Poles had such accounts (21%), and now – it is nearly two fifths (39%) (Opinion Research Center, 2014, p. 4). This is important information affecting the prospects for development of e-commerce in Poland and the scope of marketing activities performed in this sector.

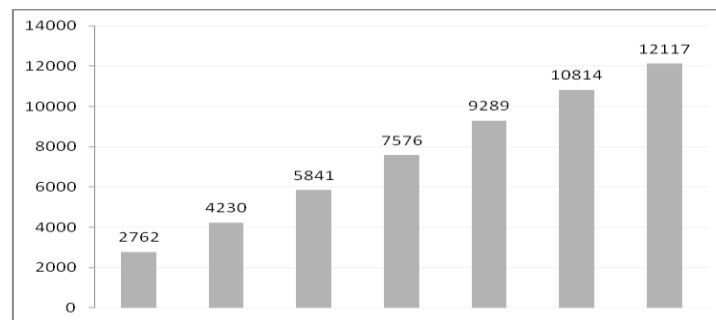
The sector of e-commerce in Poland

The research systematically conducted by the portal Sklepy24.pl¹ indicates that the Polish market of e-commerce is growing, which is reflected in the number of e-stores (Fig. 1). However, it should be underlined that the dynamics of this growth has been falling since 2010. This slowdown can be partially explained by the base effect, which is increasing year by year, but also the first signs of market saturation are noticeable, which

¹ In the Sklepy24.pl catalogue there are registered 8 660 e-stores. <http://www.sklepy24.pl/> [Accessed 6th March 2015]

is confirmed by the falling number of new shops in the last three years (*Raport ...*, 2012, p.8).

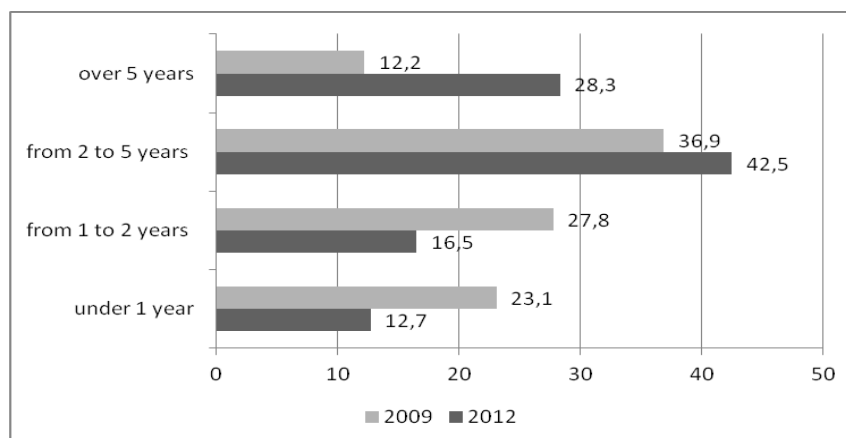
Figure 1. Number of e-stores in Poland in years 2006-2012



Source: *Raport eHandel Polska 2012. (2012) Wrocław: Dotcom River, p. 6*

A falling number of new stores affects the changes in the age structure of Polish e-stores. E-commerce in Poland is still a young market. As the data indicate (Fig. 2), in 2012 more than 71% amounted to e-stores with experience shorter than 5 years. Nevertheless, compared to previous years, the share of very young companies is decreasing. In 2009 every other Polish e-store had operated for less than 2 years whereas in 2012 e-stores with such experience already amounted to only slightly more than a quarter of the population (29.2%). The changes in the age structure of e-stores may be favorable for consumers who have an opportunity to come across an experienced and operational well prepared merchandiser. Moreover, as the data of the portal Sklepy24.pl indicate, more mature salesmen have a wider range of products/services. It is the result of years of experience, contacts with clients and optimization of inventory (*Raport...*, 2012, p. 10).

Figure 2. Experience of e-stores in Poland in 2012 (%)

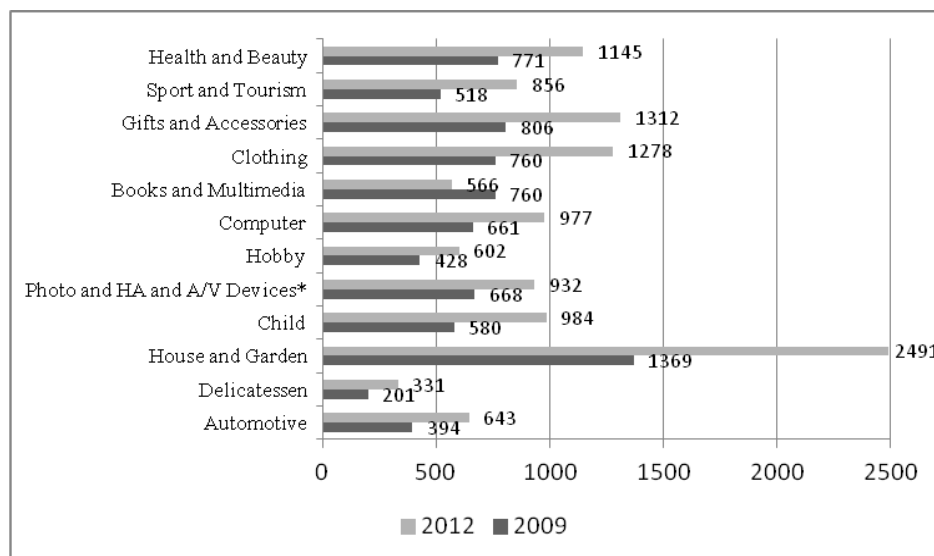


Source: *Raport eHandel Polska 2012. (2012) Wrocław: Dotcom River, p. 8*

The most numerous in Polish e-commerce is the sector of House and Garden with nearly 2.5 thousand of stores and the most humble one is Delicatessen with slightly more than

330 stores (Fig. 3). This situation is not surprising if trade margins and the degree of difficulty of sales of individual products are taken into consideration. Particularly, with reference to trade in fresh products, logistically, it is not the easiest competition. Also, in the sector of House and Garden there was the largest increase in the number of stores, nearly by 82%, compared to 2009. Similarly, there was a significant increase in the categories: Child (by 69%), Clothing (by 68%) and Delicatessen (by 64%). The only sector in which, in years 2009 – 2012, there was a fall in the number of online stores is Books and Multimedia.

Figure 3. Number of e-stores in individual sectors taking into account the dominant assortment in years 2009-2012

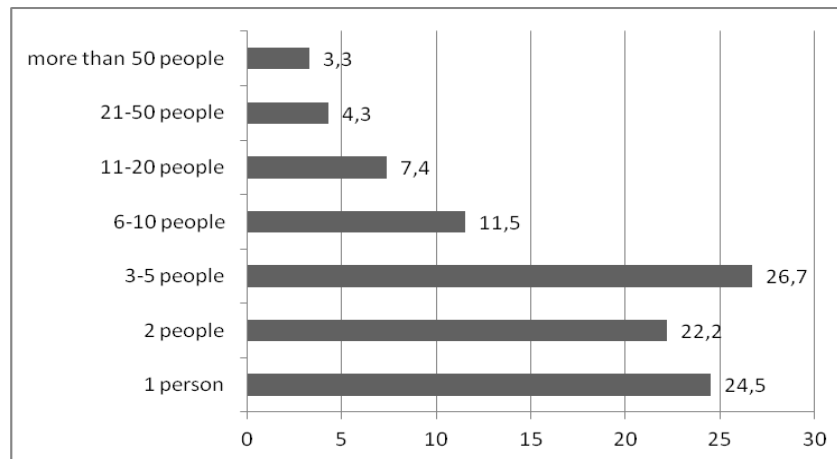


* Foto i RTV-AGD- Photo and Household Appliances and Audio/Video Devices

Source: *Raport eHandel Polska 2012. (2012) Wrocław: Dotcom River, p. 8*

In Poland, the most numerous group of enterprises is microenterprises. According to the data by CSO, in 2013, the microenterprises (i.e. the companies employing up to 10 people) amounted to more than 95% of Polish business entities (Central Statistical Office, 2014). It is also reflected in the sector of e-commerce. Almost every other e-store is operated by one-man (24.5%) or two-man (22.2%) companies. Totally, the microenterprises in this sector amount to 84.90%. On the other hand, the companies employing more than 50 people constitute a margin among salespeople (3.3%) (Fig. 4).

Figure 4. Online stores by employment in 2012 (%)



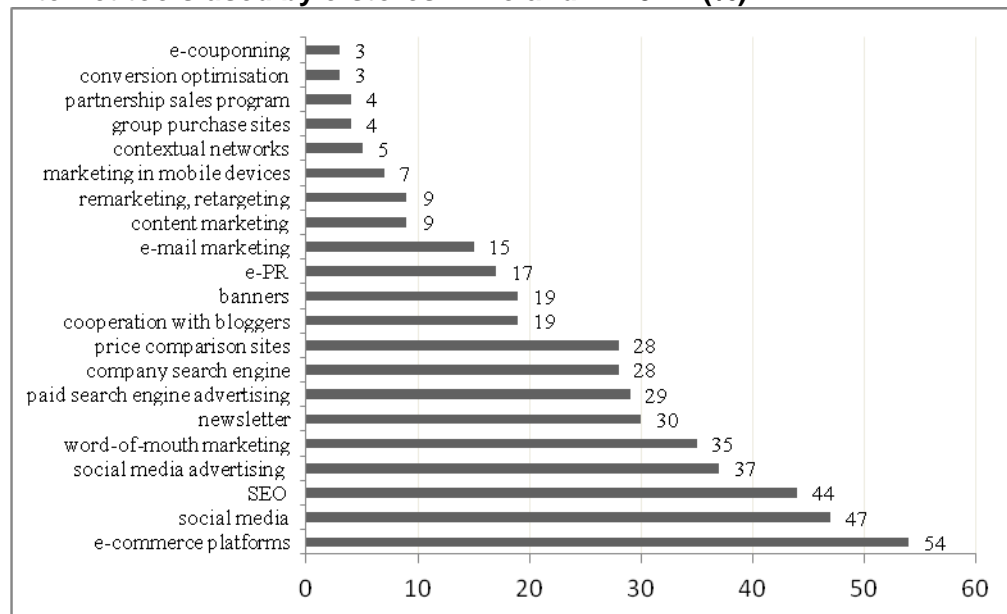
Source: *Raport eHandel Polska 2012*. (2012) Wrocław: Dotcom River, p. 9

The data concerning the value of the shopping cart and the number of performed transactions are rather alarming. According to Sklepy24.pl, the average value of the cart amounts to slightly more than 260 PLN (about 62 Euros)², but only every other salesperson is able to exceed the barrier of 150 PLN (about 36 Euros) (*Raport...*, 2012, p.14). Cart values amount to store revenues but their profitability and profits depend on the trade margin they are able to achieve. With low cart value, taking into account payment costs, purchase and storage costs, costs of packaging and customer service it is difficult to maintain profitability with the prices which are acceptable for customers. According to the research conducted by IAB Poland, nearly 40% of e-stores, in the first quarter of 2014, processed less than 500 orders, i.e. less than three orders a day (IAB Polska, 2014, p.17). This creates the image of Polish e-commerce, which mainly consists of small stores with a small number of clients and low value of sales.

Marketing tools used in e-commerce

The problem which the Polish e-stores face is the necessity to increase sales. This goal can be achieved due to appropriate offer of products/services at competitive prices and due to marketing activities. Building own identity in the fragmented and dynamically changing environment is expensive and requires a coherent and consistently implemented strategy. As the results of the research by IAB Poland indicate, online stores use, most of all, e-commerce platforms in their marketing activities (Fig.5). Marketing strategies are developed on the basis of search engine optimization and the presence of e-stores in social media. The data below indicate the use of both traditional and modern e-marketing tools in e-commerce. The basic ones, among others, include: online advertising (also banners), SEO, e-mail marketing and newsletter. On the other hand, the contemporary forms, used in marketing strategies are: cooperation with bloggers, e-coupons or conversion optimization.

² According to the average rate of NBP (Polish National Bank) for 16 March 2015

Figure 5. Internet tools used by e-stores in Poland in 2014 (%)

Source: IAB Polska. (2014) *E-handel w polskich małych i średnich przedsiębiorstwach*, Warszawa: IAB Polska p. 13

Social media are used by e-stores mainly to signal their presence. As Sklepy24.pl report, according to e-stores, social media do not sell. Only 10% of e-stores declare “direct sales” as the objective of the presence in social media (IAB Polska, 2014, p.28). On the other hand, the most popular objective of the presence in social media is informing on new products (87% of the surveyed companies), spreading news on the life of the company (62%), informing on special promotions or competitions (57%) (IAB Polska, 2014, p.28). The data indicate lack of understanding of the essence of social media, which amounts to lack of use of their potential. Placing the above information on the e-store profiles does not lead to the involvement of clients and creating the community. To achieve this, it is essential to deliver some attractive messages which, with the help of viral and word-of-mouth marketing may reach a wide range of recipients.

The strategy of e-commerce marketing activities should be based on three pillars: (Bzik, 2014, pp.36-42)

- needs-based marketing,
- growth measures,
- customer lifetime value.

Needs-based marketing means reaching the client at appropriate moment of the maturity of their need with the properly selected offer. Classic marketing assumes the activities generating demand. On the other hand, the contemporary marketing amounts to reaching the client at the time when they are the closest to the purchasing decision or conducting the client gradually through the path of maturing to purchase. Each of the needs usually has different levels of detail/intensity.

Another important element is to select appropriate growth measure. In e-commerce there are usually used the indicators connected with sales effectiveness and the effectiveness of marketing tools. The key indicators are sales volume, conversion factor, costs of conversion/order. Looking at marketing, apart from conversion, there is also measured the scope, advertising click-through rate, marketing unit cost. With reference to social media, a frequently used indicator is the number of 'likes' of the presented information. These are indicators which enable the control of the development of an e-store. However, this group of measures should be extended to a number of new clients, repeat purchase rate and the number of recommendations of an e-store and, in case of social media, the amount of information disclosure.

The last element is customer lifetime value, at this point, understood as the analysis of the shopping habits of clients in a particular e-store. The analysis of customer lifetime value allows to find out the answers to the following questions: (Bzik, 2014, pp.38-39)

- how much can be maximally invested in attracting a new client?
- what is the shopping retention of clients, i.e. how many new clients and returning ones are there?
- which clients are the most valuable and where are they from (the source of traffic)?
- what is the long-term return on marketing channels, i.e. how much revenue can be generated by the attracted customer in the future?

Summing up, the e-store marketing strategy should be based on a range of appropriately selected tools, which will allow for the implementation of the efficient sales and image campaign. The starting point for this structure is the properly identified client. This will allow for creating appropriate contents, their effective distribution, attracting the attention and gaining the involvement of clients (Stawarz, 2014, pp.260-261).

Sales optimization

Marketing strategy of e-stores amounts not only to appropriately selected marketing tools. The starting point should be a deliberate and thorough structure of the website. Optimization of an e-store is, most of all, supported by: (Bzik, 2014, p.40)

- appropriate structure of website category tree,
- using the potential of the website,
- care about product webpages,
- graphics – product photos,
- access to opinions on products.

The appropriate structure of the website category tree is one of the most essential things which needs to be remembered while building from scratch or optimizing the website.

Planning the website structure is important due to usability and information flow. Too deep structure of the category may lead to users' getting lost and, at the same time, bring about their discouragement and leaving the website. A popular solution, recommended with a large amount of products presented in an e-store, is the filters, which allow for the replacement of too developed category tree. Moreover, the filters allow to use very precise attributes which are inappropriate for different separate sub-categories. The nomenclature of individual categories on the website itself should also be remembered. Sometimes, only a slight change in the name or using a synonym may increase the potential of the website (Bzik, 2014, p.34).

The potential of the website consists in products and categories which provide great opportunities for optimization and use of unique keywords. There are available the tools of web analytics which support the processes of the analysis of keywords. These tools provide the information on the popularity of a specific keyword and, more precisely, an average amount of monthly searching for a specific phrase. Another step, after isolating a group of vocabulary is using it on the website. Most of all, a URL is important in e-commerce. A transparent form of the address and using keywords in it (e.g. the name of the category) may positively affect click-through rate (CTR). An important element is also meta title and meta description which, next to URL, are also in the search results and influence CTR. On the other hand, 'breadcrumbs', which is a navigation element, enabling users navigation through the site, allows for using keywords in the form of the optimized names of categories.

Apart from category webpages, an important starting point on the list of places for optimization in e-commerce are product webpages. Depending on the sector, they may generate a significant percentage of traffic. Additionally, an Internet user searching for a specific product, is more willing to do the shopping when they come across the product website immediately than in case of reaching the category website. Unfortunately, many e-store owners choose a shorter way and download the list of products and their descriptions from the manufacturer's database, at the same time, buying the whole product contents and lowering the value of such websites for search engines.

In most sectors, the client decides on the purchase of the product on the basis of the graphics, e.g. photos. Therefore, the appropriate optimization of product photos is necessary on websites where the product image is the priority. To put it simply, the image file should be given, in the alternative text, the information concerning its contents, e.g. the alternative text of the photo of a clothing product should include the name of the product, size and color. A good solution is also to place a watermark on the image. This activity may positively affect an increase in click-through-rate (CTR) and recognition of the website.

The activity meeting the clients' needs is providing them with opinions on products and services by e-stores. With the development of the e-commerce sector there have come

into being the services providing opinions on e-stores and products and services offered by them. One of the most popular one in Poland is Opineo.pl which, at present, cooperates with 35 797 e-stores and has 5 761 414 opinions added by the users, which refer to 11 064 255 products (Opineo.pl). E-commerce services, while not making the opinions on products available, lose some of the users who may become their clients.

Conclusions

E-commerce is the future of trade, and we buy almost everything online, books, clothes, high-tech goods, medicines, tickets and food. It is estimated that the global value of online shopping will exceed 1.7 billion dollars in 2015 to reach the level of 2.4 trillion dollars as early as in 2018. Against this background, Central Europe is still marginal (respectively 64.4 and 73.1 billion dollars) (Statista.com), but in the local realities it is a huge amount of money. Polish market is an increasingly attractive place not only for local start-ups but also for large global concerns. However, it does not mean that the e-commerce market in Poland is characterized only by growing results and a huge potential. As it has been shown in the paper, it is the market of high competitiveness with strong price pressure. It is mainly created by small enterprises of the little content of the shopping cart. It is disturbing, most of all, on account of maintenance of the profitability of e-stores. To encounter these difficulties, e-stores in Poland should, above all, care about a wide range of assortment of products/service while maintaining good prices for clients. Sales optimization does not involve the application of complex tools. Constructing the appropriate website may be sufficient. Also, marketing activities, which should concentrate on the effective use of marketing tools also become increasingly important.

A huge challenge for the e-commerce market in Poland is the issues connected with building own brand and the awareness of its existence. Sponsored links or SEO allow to expand the scope but dependence on these channels constitutes a big risk for the conducted business and, consequently, may become its burden. Therefore, it should never be forgotten that all the conducted activities should place the user and care about their satisfaction in the center of attention. Only in this way it is possible to build competitive advantage and increase the share in a dynamically growing market of e-commerce.

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