

CONSIDERATIONS REGARDING THE INTERNET PURCHASES BY INDIVIDUALS IN ROMANIA AND EUROPE

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ABSTRACT

Internet and E-commerce have witnessed a continuous development in recent decades, the share of individuals who use this method to purchase goods and services in some countries in Europe reaching values exceeding 60 percent of the total population (Norway 71%, United Kingdom 67 %, the Netherlands and Sweden 66%). Moreover, in some age groups this percentage, exceeding 80 percent. Unfortunately, in terms of Internet use by individuals in Romania for making internet purchases barely exceeds 5 percent. From this viewpoint we are detached in last place in the EU. Based on an analysis of the evolution of the percentage of individuals from EU countries who make Internet purchases, this paper presents situation in Romania, compared to 10 European countries, of percentage of Internet purchases by individuals in the last three month and in the last year.

Key words: Romania, E-Commerce, internet purchases

Jel classification: C19, O52

Abbreviations:

- IPI3 Internet Purchases by Individuals in the last three month
- IPI12 Internet Purchases by Individuals in the last year

1. INTRODUCTION

Together with the production of goods, trade accounted for over time, one of the very important work, in the beginning to purchase basic necessities products (e.g. trading with salt), and then, for the development of human society, having different types, from exchange of products (barter) to bills.

Since ancient times, the development of trade has been linked to constantly developing of methods of transport and communication, encouraging each other. An important moment, that facilitated the emergence the emergence of new forms of commerce, was the emergence and development of electronic computers in the mid 20th century. Based on this, the development of information technology (IT) in 1972 enabled the introduction of e-mail, which at the late 1980s is becoming accessible for commercial use, Internet access control being held till 1990, by the Department of U.S. defense.

After 1990 there is a rapid development of the Internet. In 1992 is founded by the private sector the Internet Society, and after the development of the service, WWW (World Wide Web), the Internet becomes ubiquitous. Developing a coherent information society based on the IT & C is one of the main actions in the EU. Directive 98/34/EC and Directive 98/84/EC defined

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information society services as: ‘Any service normally provided for remuneration, at a distance, by means of electronic equipment for the processing (including digital compression) and storage of data, and at the individual request of a recipient of a service

In Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce) specified that the development of electronic commerce within the information society offers significant employment opportunities in the Community, particularly in small and medium-sized enterprises, and will stimulate economic growth and investment in innovation by European companies, and can also enhance the competitiveness of European industry, provided that everyone has access to the Internet.

In the context of the application of the E-commerce Directive, the Commission commissioned two studies in 2007, one on the Economic Impact of the Electronic Commerce Directive and the other on the Liability of Internet Intermediaries, to improve and accelerate the development of electronic commerce in the EU. Based on these considerations, in the following chapters is carried out an analysis of how e-commerce has evolved, in particular Internet purchases by individuals in Romania and 10 other European countries.

The primary data used were taken from EUROSTAT databases, respectively *dataset = isoc_ec_ibuy*, data which underlying the graphs and the figures presented in the paper. For carrying out the analysis and the argumentation of the conclusions were performed statistical processing, Tomescu-Dumitrescu C, Bălăcescu A (2008), and econometric ,Caraiani P et al (2010) and Gogonea R.M, Zacharias M (2008), using the software EViews and Excel, Oprea C, Zaharia M (2011)

2. EUROPEAN TRENDS IN INTERNET PURCHASES BY INDIVIDUALS IN THE LAST THREE MONTHS

In the EU, the share of individuals who make purchases on the internet in all individuals, between 2007 and 2012 has increased continuously. E.g., share of those who used the Internet for this purpose in the last 3 months increased from 23% in 2007 to 35% in 2012, the most significant increase occurring in the period 2008-2009 (the from 24% to 28%). Although the economic crisis started in 2009 had major implications in most sectors, the number of individuals making Internet purchases continued to rise. This shows a change in the behavior of individuals, raising interest and the internet place in household activities of population in EU countries.

On the other hand, large differences in development between the EU countries and the gap between the levels of civilization lead us to conclude that the average values recorded IPI3 at EU level are not significant due to the high dispersion of indicator values of each country. This conclusion is reinforced by developments IPI3 from 11 European countries, shown in Figure 1.

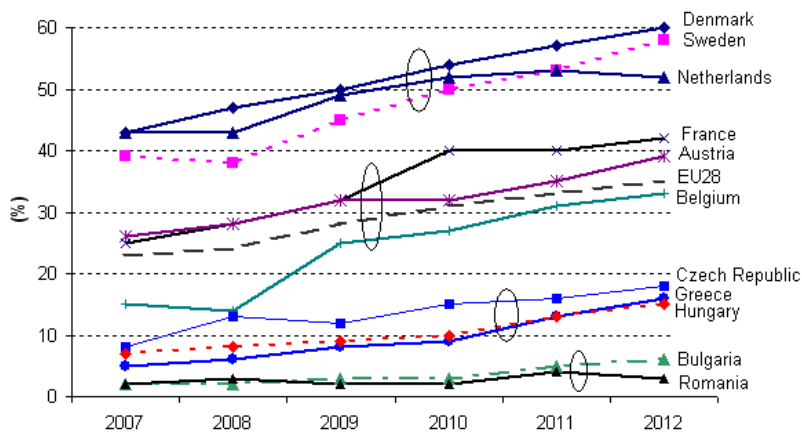


Figure 1 Evolution of the proportion of individuals, from 11 European countries, who have made Internet purchases in the last least 3 months

As can be seen, the 11 states studied, from the point of view of the indicator may be divided into four groups. The first group, with IPI3 values, well above the EU average includes Denmark, Sweden and the Netherlands. In Denmark, in the period, this indicator increased by 17 percentage points to reach 60% in 2012. Note, that the increase was linear, the economic and political developments of this period having no influence on IPI3 values. In Sweden, although IPI3 value recorded in 2012 is 58%, with 2 percentage points lower than Denmark, after a small decline, of 1 percentage point in 2008, it had the highest increase among all countries surveyed (20 percentage points). A somewhat different trend of IPI3 is registered in the Netherlands. Starting from 43% in 2007, after a maximum of 53% in 2011, IPI3 value decreases in 2012 to 52%, anyway a value higher than the EU average.

The second group includes France, Austria and Belgium. This is the group of countries with IPI3 developments around the EU average values. Note that the number of percentage points by which increased the IPI3 in these countries (17 in France, 18 in Belgium and 13 in Austria) is higher than that recorded at EU level (12 points). In this group of countries, in Belgium, IPI3 recorded during 2008 to 2009 the highest growth (9 percentage points), passing, as can be seen from Figure 1, from the third, in the second group value.

The third group comprises the Czech Republic, Greece and Hungary, countries in which, although IPI3 indicator values are below the EU average, in the analyzed period, showed significant increases (between 8 and 11 percentage points, in 2012 IPI3 being 18% in the Czech Republic, 16 % in Greece and 15% in Hungary). Note that these values are about half IPI3 value recorded in 2012 in the EU and the growth rate is below the EU.

The fourth group includes Bulgaria and Romania. In these countries, in analyzed period, the increase of IPI3 was 4 percentage points (from 2% in 2007 to 6% in 2012) in Bulgaria and only 1 percentage point (from 2% in 2007 to 3% 2012) in Romania. Value very low (disastrous) of IPI3 registered in Romania (11.6 times lower than the EU average) and the

pace of its growth, highlights the extremely low level of the knowledge and the use of IT&C by individuals and the low level of the civilization in general.

A very important conclusion that emerges from the presented up here is that in EU witnessing a divergent evolution of skills of individuals in using the Internet for purchasing goods and services. The gap between the countries where the Internet purchases by individuals is a mass phenomenon and those where this method of procurement is little used, increases continuously. If in 2007 the countries analyzed, the gap was 42 percentage points, in 2012 it reached 57 points.

3. EUROPEAN TRENDS IN INTERNET PURCHASES BY INDIVIDUALS IN THE LAST YEAR

If the resume analysis and reduce the frequency of use Internet by individuals for purchasing from 3 months to a year, in the 11 countries analyzed, we get to the developments presented in Figure 2. Although somewhat similar to IPI3 evolution, the evolution of the share of Internet use by individuals in the last year (IPI12) presents some particularities.

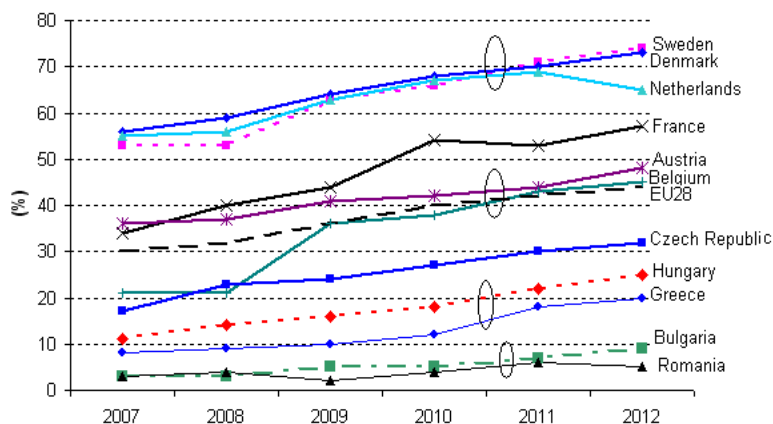


Figure 2 Evolution of the proportion of individuals, from 11 European countries, who have made Internet purchases in the last year

At EU level, IPI12 developments in the analyzed period, is more pronounced than that of IPI3 (14 percentage points, to 12 percentage points IPI3). With the exception of the groups' one and four, in the groups two and three there are some changes, France and the Czech Republic have tendency to pass into the higher value groups.

In the first group, Sweden recorded the highest value of IPI12 of all countries surveyed (74%) by 16 percentage points more than the value of IPI3 and only one percentage point more than the value of IPI12, registered in the same year in Denmark. In both countries, the increases in the IPI12 are above the EU average. In the case of the Netherlands, the year 2012 brings a decline in value IPI12 and increasing gap between it and the other two countries, from about 1 percentage point in 2011 to 8 percentage points in 2012, so in the entire period, IPI12 increased by only 10 percentage points versus 14 at EU level. If the

trend, registered in the Netherlands continues, the IPI12 approaching to the EU average, but evolving from top to bottom (decreasing).

In the second group, in Austria, IPI12 follow the development of the European average. A significant development is registered in Belgium. Although in 2007 IPI12 was with 9 percentage points below the EU average, in 2012 it reaches 45% (by 1 percentage point above the EU average). Also, a great evolution is registered in France. If in 2009, in terms of the value of IPI12, it could be considered as part of the second group, after 2009, the values recorded of IPI12, it departs from the other two countries from the group, recorded in 2012 an IPI12 value of 57%, with 9 percentage points more than Austria, respectively by 12 percentage points compared to Belgium.

Czech Republic, Hungary and Greece, which in the case of IPI3, formed a close group of developments, in the case IPI12, their developments, although relatively parallel, have the distinct value levels, the IPI12 values recorded in 2012 being 32% in the Czech Republic, 25% in Hungary and 20% in Greece. Note that in the analyzed period, while in the Czech Republic, the IPI12 increased by 15 percentage points (1 percentage point above the EU average); in Greece the increase was only 12 percentage points.

In the last value group, in the case of IPI12, are maintained the same countries Bulgaria and Romania, where the values recorded in 2012 was 9% in Bulgaria (by 6 percentage points more than in 2007) and 5% in Romania (by 2 percentage points more than in 2007).

In conclusion, taking into account the evolutions of IPI12 values recorded in the analyzed countries, in this case also, we have a divergent evolution trend. Thus, if in 2007 the gap between countries in which the IPI12 values of the first and last value group was 53 percentage points (maximum 56% in Denmark and minimum 3% in Romania and Bulgaria), in 2012 it reached 69 percentage points (maximum 74% in Sweden and minimum 5% in Romania).

Romania is far from average values recorded by IPI3 and by IPI12 at EU level, disparities continuing to rise. In Romania, in the 2012 year, 95% of individuals did not use any at least once a year the Internet for purchases of goods and services

4. ROMANIA'S PLACE, BETWEEN THE COUNTRIES NEAR BORDERS, REGARDING THE PERCENTAGE OF INTERNET PURCHASES BY INDIVIDUALS

To highlight further the extent to which the Internet is used by individuals for the purchase of goods and services, in this chapter we briefly present Romania's place between the countries near the borders for which data were available.

We chose to compare Hungary, Bulgaria, Serbia, Romania's neighbors, Croatia (the 28th member state of the EU) and Turkey (possible future candidate). Since the last data available for Turkey were for 2010, for comparison, were used data of this year. The results are shown in Figure 5.

From the point of view of individuals who have made Internet purchases in the last three months, in 2010, on the first place is Hungary, where IPI3 was 10% of all individuals. Only at 1 percentage point difference was Croatia (9%), followed by Turkey (4%), Bulgaria and Serbia (3%). With an IPI3 value of only 2%, Romania is the bottom of the list. The percentage of individuals who make Internet purchases, Romania is about 5 times lower than Hungary or Croatia, and half of Turkey. For individuals who have made Internet purchases in the last year, the hierarchy is maintained: Hungary 18%, Croatia 14%, Turkey, Bulgaria and Serbia 5% and, least, Romania 4%.

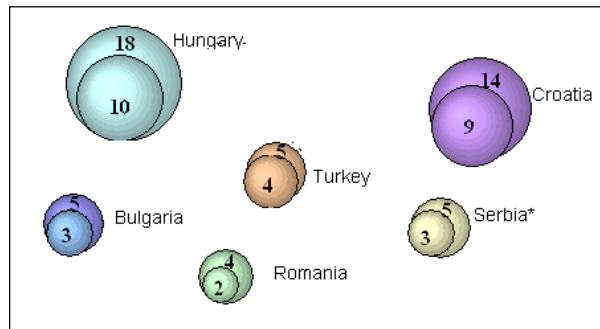


Figure 3 Share of individuals from some countries around Romania who made Internet purchases in 2010 in the last three months and in the last year (* for Serbia have used data from 2009)

Situation of the individuals using the Internet for purchases of goods and services in Romania continues to move away even the situation in neighboring countries. For example, if IPI3 in Romania was 2%, 5 times lower than in Hungary and 1.5 times lower than in Bulgaria, the gap being 8 and respectively 1 percentage point, the gap in 2012 reached 12 points (a increase of 50%) when Hungary, and 2 percentage points in the case of Bulgaria.

Regarding IPI12 indicator, the lag are even greater, from 14 percentage points in 2010 to 20 percentage points in 2012, in Hungary, respectively, from 1 percentage point in 2010 to 4 percentage points in 2012, case of Hungary.

5. CONCLUSIONS

Internet and implicitly E-commerce in recent decades have witnessed continuous development. In the EU, the percentages of individuals who make internet purchases in all individuals, between 2007 - 2012 have increased continuously. Although the economic crisis started in 2009 had major implications in most sectors, the number of people making internet purchases continued to rise, which shows increasing interest and the internet place in current housework purchases of EU population.

The big differences in development between the EU countries and the discrepancies between the levels of civilization led to a large dispersion of the percentage of individuals who make Internet purchases in every country. Moreover, we see still, diverged evolution from the habits of Internet use by individuals for the purchase of goods and services. The

gap between countries regarding the percentage of Internet purchases by individuals is a mass phenomenon, and the countries in which this method of purchase is little used, continuously increases. If in 2007 the countries analyzed, the gap was 42 percentage points, in 2012 it reached 57 percentage points for those who made Internet purchases in the last three months, and from 53 percentage points in 2007 to 69 percentage points in 2012, for those who use the Internet to purchase in the last year.

Romania is far from average values recorded at EU level respect to individuals using the Internet for purchases and continually increasing gap. Given that in 2012, in Romania 95% of individuals who, in the last year, not used the Internet for purchases of goods and services, will require sustained action both in the popularization of this service and to develop the necessary infrastructure.

In recent years the situation of Internet use by individuals in Romania even worsened compared to Bulgaria with which we shared last place in the EU in this regard. Thus, if compared to 2007, the year in which the two countries were on a par at both values of IPI3 (2%) and IPI12 (3%) in 2012, Bulgaria was significantly ahead of Romania, recording practically almost double values of Romania both to the IPI3 indicator (6% in Bulgaria compared to 3% in Romania) and to the IPI12 indicator (9% in Bulgaria, compared to 5% in Romania).

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