

## E-Commerce application and business profits

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### Abstract

This paper examines the main characteristics and bias behind the necessity of e-commerce in Albania, the socio-economic background of Albanian business and their readiness to support this new way of marketing. A survey and a subsequent analysis was conducted to examine organizations' current practice on web-based information systems requirement. A typical e-commerce application consists of a network of texts, graphics, images, and so on, each of which should have one or more definite purposes that are part of the system development strategy. To determine important features that contribute to the success of the requirement analysis, it is important to find a theoretical relationship between e-commerce features and the development of e-commerce applications. Efforts were made to give answer to the question: "Can e-commerce be used by businesses in Albania? Are businesses in Albania ready and convenient for the advantages of e-commerce use? In order to examine the e-commerce development and the actual situation within Albanian territory the method of questionnaire was applied in some business organizations selected from the main cities –Tirana, Shkodra , Durres. Statistical methods help to analyze and determine the conclusions .The conclusion is that the trend of the Albanian business is to get all benefits out of e-commerce.

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## **Introduction**

This study addresses the Albanian businesses and aims at presenting their state of affairs and providing them with on-line samples related to the establishment of their relationship with clients by offering them the possibility of designing programs that ensure client sustainability through a situation where they listen to the clients and become “the best” for them. Similarly, clients’ willingness to respond to these programs through the improvement of their attitude towards on-line buying, which is an outcome of their awareness of business and client mutual profits, is significant. In view of the current economic development and its potential tendencies in Albania, the presentation of an issue that has become a priority for the development of both consolidated businesses and those in development, has been considered of special interest. E-commerce must become a reality. It is being regarded as a source for the creation of competitive advantages of a company.

## **E-commerce and the Albanian businesses**

The World Trade Organization defines e-commerce as, "e-commerce is the production, distribution, marketing, sales or delivery of goods and services by electronic means"<sup>1</sup>. On-line marketing in Albania is a novice<sup>2</sup>. Originally, it was applied as a way of attracting foreigners to the Albanian market. Another novelty is that since 2010, the banks that operate in Albania have had the access to conduct transactions on-line. About 15 banks do have this access<sup>3</sup>. On-line market analyses reveal that the passwords related to Albania mainly pinpoint “Travel Albania” and “Accommodation Albania”, hinting to travel to and hotel accommodation in Albania. The prime reason is that the offer of the Albanian market erected upon imports mainly is of no special interests. Recently, many manufacturers have improved their image in the world network of information, whereas most Albanian businessmen, irrespective of the fact that they have company web sites, use free Internet Yahoo or Hotmail addresses that greatly

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<sup>1</sup> <http://www.hg.org/article.asp?id=6517>

<sup>2</sup> <http://www.forumistet.com/>

<sup>3</sup> Fullani.A Governor of the Bank of Albania. Meeting in Shkodra, 20 January 2011.

lead to the loss of their credibility<sup>4</sup>. However, thanks to the intensive meeting with Western European partners or clients, they have come to realize the special importance of the Internet. This is the reason why the number of those who are trying to have company websites to offer their products has been ever increasing. However, being on the net with the company or product name does not suffice. Viewership does not depend on the presence but on the promotion degree. On-line marketing and promotion of e-commerce application help out in this aspect. Electronic commerce is being developed in Albania and the Albanian companies are constantly becoming aware of this activity. Nevertheless, only few companies are employing e-commerce to conduct their national or international transactions. The fact that Albanian businesses are continually becoming aware of the profit from e-commerce is of special importance. This can be clearly seen in the analysis below.

### **Analysis of the questionnaires sent to businesses**

Businesses were delivered 200 questionnaires. They were sent to the leading personnel, namely, managers or administrators. It was administered through both emails and direct interviews. The number of the answered questionnaires was 158, which constitutes 79% of the total.

**Hypothesis:** The adoption of the e-commerce by the business brings forth profits in its activity. It is a competing advantage that makes them the best for their clients. The profits of the business by using the e-commerce can be viewed in six main directions: improvement, growth, updating, flexibility, speed, and cost reduction.

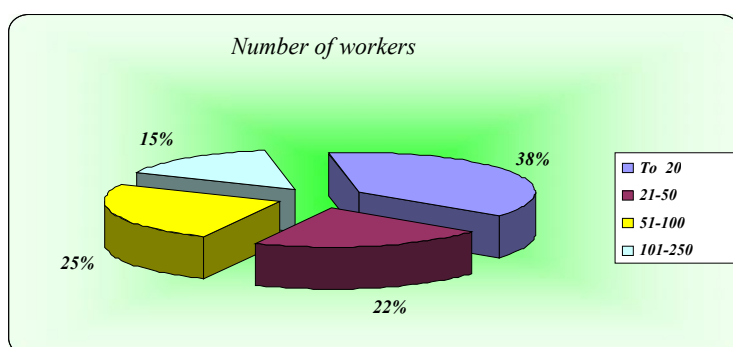
### **Demographic Variables**

To have a most realistic study, businesses that constitute the focus of the study are of various types and sizes, and include production, service, and trading in the gamut of their activities. With regards to the business type, it results that 43% of businesses are manufacturing entities, 32% trading entities, and 25% service entities. Based on the graph, businesses that use computers and the

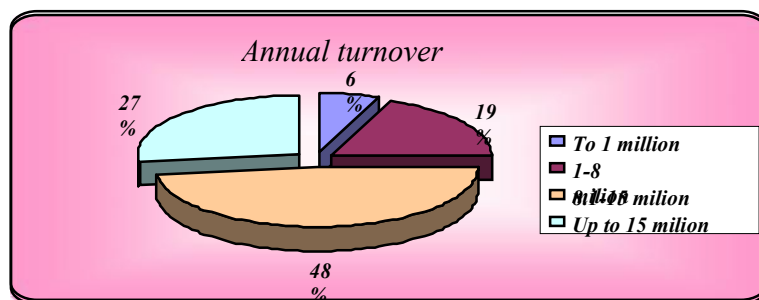
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<sup>4</sup> <http://www.forumistet.com/>

internet most are manufacturing and service entities, those that use them least are the trading ones. The graphs below provide information on the size of the businesses under observation. As regards the number of the employees, it results that businesses that have 20 workers, that is 38% of the total, are ranked first, those that have 51-100 workers or about 25% of the total number of the workers occupy second place. It goes without saying that in view of space those that have 101-250 workers are ranked last. This is typical for commerce in Albania where businesses that have a big number of workers are not numerous.

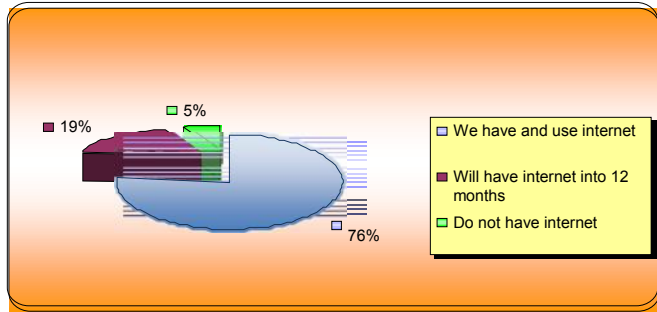


**Graph 1 : Number of workers in businesses**



**Graph 2. Business annual turnover**

Based on the graph above, opinion on the business size can be given. The graph that evidences the questionnaire results, evidently show that big and medium businesses are ranked first, they comprise 75% of the interviewed. The least interviewed are small businesses that constitute about 25% of the interviewers. It is the business size that may be decisive in the adoption of the e-commerce, because they are the very ones that have the professional and financial potential to do so. Consequently, they are more inclined towards the presentation of their businesses and the designing of personalized websites.



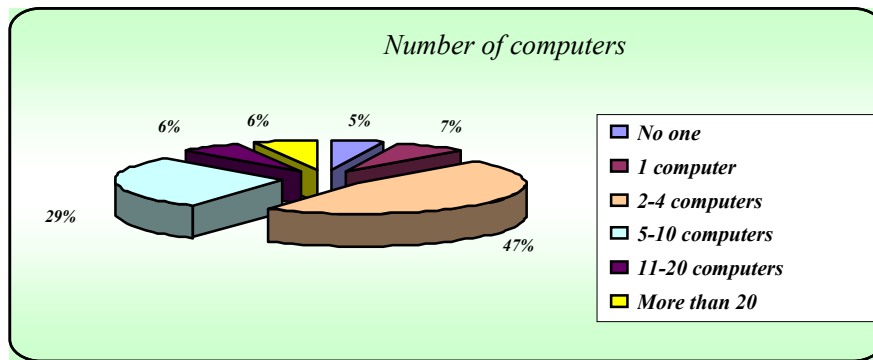
**Graph 3. Internet connection in business**

Managers are so far-sighted and erudite that they can manage to reach conclusions and exact logical evaluation. What hinders them from the wide scale Internet application (5%) is the absence of monetary means or fear to undertake risks. Why are these facts mentioned?

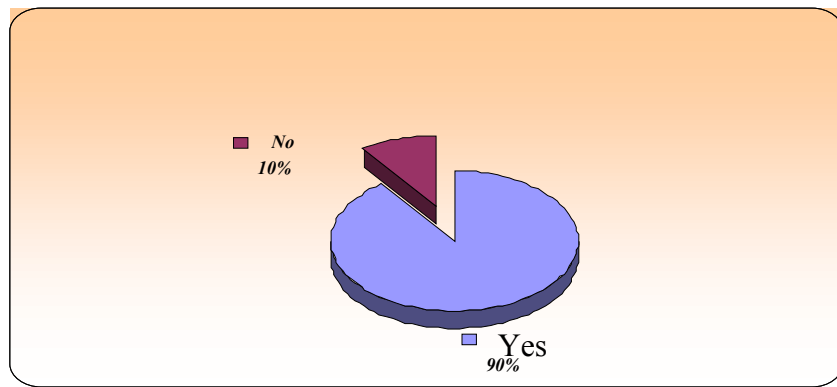
The results presented in the graph above are very positive because they reflect the fact that 76% of the interviewed have access to the internet. Based on the questionnaire, it is evident that banks, tourist agencies, hotels and some of the manufacturing businesses use the internet regularly.

The fact that 19 % of the people interviewed are very optimistic about the internet use should not be neglected (they intend to have internet connection within a period of 12 months). They have heard about the amazing uses of the Internet and the wonders firms abroad are making through their on-line activity and as such, they are aware of its importance and optimistic about its application.

Whether businesses own computers as an indispensable prerequisite for internet use and e-commerce adoption, a direct question was included in the questionnaire. The resulted answer was that only 5% of the interviewed businesses have no computers.



**Graph 4. Number of computers that have internet access in businesses**

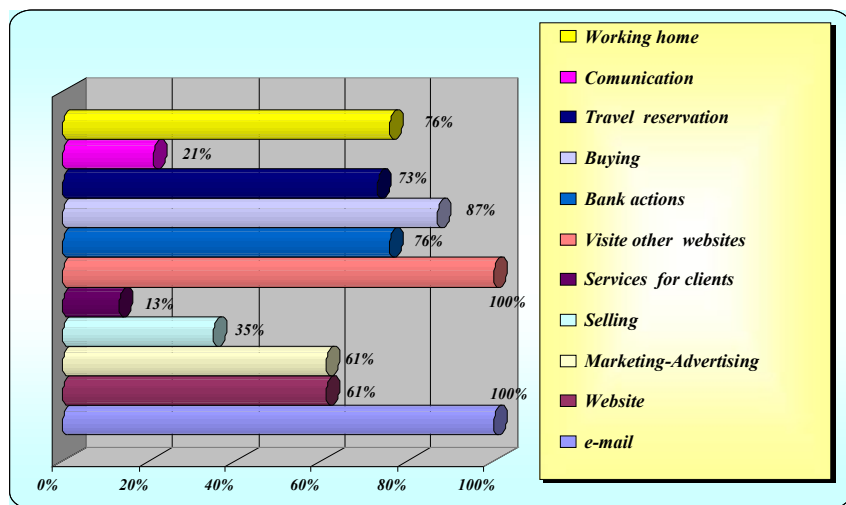


**Graph 5. Do you have skilled personnel to use the Internet and e-commerce?**

Concerning the main computer users in firms, an expected result has been obtained: economists are ranked the first among computer users. Those ranked second are the managers, secretaries and last ranked users are workers. The result displayed in the graph above is satisfactory. 90% of the interviewed state that their personnel is skilled in computer and e-commerce use, however, this answer is slightly fictitious because the trend among businesses is not to admit the fact of computer use ignorance.

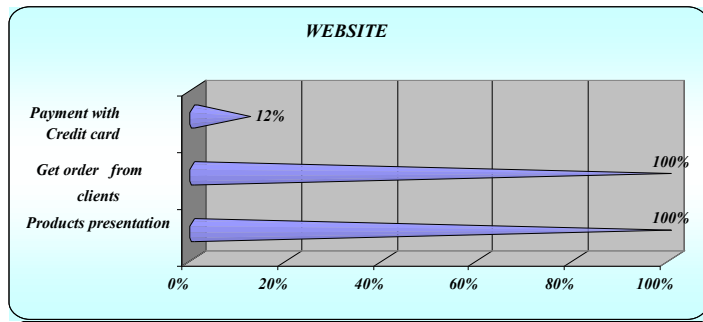
With reference to the possible internet applications, the graph below displays in percentage the reasons why internet is used in the interviewed businesses. As stated below, all (100%) use the internet to communicate fast and free via email. The email communication takes place both among the company personnel and between the company personnel and persons or units out of the company. Besides, they use the internet to visits the websites of the companies which they are interested to get information from on the latest news, to establish business ties and to buy and sell on-line. About 61% of the

interviewed use the internet to introduce the website of their company, which they employ to carry out marketing by advertising and opening new perspective to the online trading of company products. This practice is quite new since about 35% of businesses have begun to sell their products online, whereas only 87% of the businesses buy on line to meet the needs of their business. These experiences have provided them with a positive perspective, which has been displayed in the analysis of the profits made by the use of e-commerce below.



**Graph 6. Cases of the internet application**

The graph below displays data exclusively for the businesses that have a personal website. It also asserts what they use it for. Out of the 158 interviewed businesses, about 96 have their personal website and entirely use it to advertise their products and get orders from clients. However, only 12 % of the clients pay by credit cards and this corresponds to 11 businesses. This is not a big figure, however, it constitutes a significant data that shows that this experience is actual in Albania too and comprises a good representation of the sample interviewed. Thus, Albanian businesses use e-commerce.



**Graph 7. Use of company website**

To prove the hypothesis above, a table that raises the issue of the estimation of the profits made by the application of e-commerce has been included in the questionnaire. The table includes 12 pondered affirmations which are the result of the adoption of e-commerce. To rank the results, the interviewed were asked to apply the Likert scale (1-I don't know, 2-no profits, 3- some profit, 4-many profits) concerning the degree of the acceptance or the refusal of the 12 affirmations. To do this, the method of factor analysis by using SPSS approach with the aim of complying with the main objectives of the study based on the hypothesis above has been used. On account of this analysis, 6 main components that reduce the complexity of the data by using the 6 components instead of the 12 original variables have been estimated. Initially, we notice whether the data meet the determined criteria to realize the scientific analysis. Thus the first criterion, the Kaiser-Meyer-Olkin criterion (that measures the adaptability of the sample in order that the analysis can be realized) should be as close as possible to 1, the closer it is to 1, the more appropriate are the data for factor analysis. The value 0.873 that has been displayed in the table below is considered to be excellent to realize the analysis of the factors with these data. Furthermore, Barlett's test of sphericity of 0 significance (which should be smaller than 0.05) has been considered as excellent and even valid to perform factor analysis.



N	Valid	158
	Missing	0

Tab. 1 Number of the interviewed businesses

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		<b>0.873</b>
Bartlett's Test of Sphericity	Approx. Chi-Square	<b>3266.116</b>
	df	<b>66</b>
	Sig.	<b>.000</b>

Tab. 2 KMO and Bartlett's Test

Further on, the analysis of the main components through the rotation matrix Varimax with Kaiser Normalization has been used. This method minimizes the number of variables which have a big load for each given factor. Through this analysis, the six main components which reduce the complexity of the data by using these 6 variables instead of the 12 original ones have been evaluated.

	Components					
	1	2	3	4	5	6
Improvement of company profile	.566	.303	.212	.198	.260	<b>.645</b>
Sale increase	.157	<b>.817</b>	.253	.320	.245	.215
Improvement of the relations with clients	.099	.322	.174	.250	<b>.860</b>	.158
Improvement of the relations with suppliers	.193	.615	.182	-.046	.293	<b>.657</b>
Process speed-up e.g. transactions, recruitment ,marketing	.495	.270	.202	.148	<b>.766</b>	.130
Cost Reduction	.376	.311	.174	.271	.230	<b>.776</b>
Improvement of internal communication	<b>.477</b>	.393	.398	.442	-.048	.450
Product, service and market upgrading	.141	.196	.149	.237	.288	<b>.871</b>
Competitors upgrading	.293	.272	<b>.857</b>	.179	.166	.172
Flexibility in activity	.465	.336	.379	<b>.526</b>	.278	.328
Facility in activity	.212	.390	.327	.378	<b>.694</b>	.167
Increase of client number	.355	.192	.336	.482	<b>.674</b>	.160

Tab. 3 Analysis of the main components  
The method of Rotations : Varimax me Kaiser Normalization.

The table below displays total Variation Explanation. It can be noticed that the total percentage of the explained variation is 97.039 % (the summation value of the factor 6). This means that these six components explain about 97% of the variation in the 12 original independent variations. As factors are named in conformity with the hypothesis of this study, then the result obtained proves this hypothesis, and it can be said that it is true.

Component	Extract of the sum of the load squares			Rotation of the sum of the load squares		
	Total	% e Variance	%	Total	% e Variance	%
			Cummulative			Cummulative
<b>1 Improvement</b>	9.242	77.017	77.017	3.515	29.294	29.294
<b>2 Increase</b>	.987	8.226	85.243	3.166	26.386	55.681
<b>3 Upgrade</b>	.582	4.850	90.093	1.442	12.016	67.696
<b>4 Flexibility</b>	.367	3.054	93.147	1.399	11.659	79.355
<b>5 Speed</b>	.249	2.077	95.224	1.135	9.461	88.816
<b>6 Reduction</b>	.218	1.815	97.039	.987	8.224	<b>97.039</b>

Tab. 4 Explanation of total variances

## Conclusion

Based on the Albanian reality and the issues related to Albanian businesses, it can be pointed out that:

- Most Albanian businesses own one or more computers but the staff is not well-trained and modestly makes use of them.
- The main computer users are economists and the most used computer programs are Word and Excel, this is to reduce computer function to that of the calculator or writing machine.
- Albanian businessmen are interested in the information about IS, however, this information is insufficient and does not meet their needs.
- If information systems are effectively used by a business organization, then their costs will be negligible versus the profits it makes.
- Nowadays, in the frame of the globalization, the success of the economy and different organizations depends on the IT and the internet use.
- It seems that the main reason is not the lack of the informational culture, though this may be a potential reason. What really worries Albanians related to having internet connection at home is the rate of internet service

with the family income. Thus, the culture of internet use is conditioned by the simple calculation of how much to spend to live on.

- Each business should design a personalized website. The users could “virtually” be in the organization environments, whereas other businesses can establish rapports through links.
- By pointing out the problems evidenced in the questionnaire, constant training and qualification of the staff and organizations are recommended.
- Creating computer networks is a must not only for real-time information circulation but also for data access on the part of different users.
- Creating data bases and data management systems constitutes the most important aspect of the issue because it facilitates data access, data manipulation and data modification or saving. Data bases and data management systems ensure information safety and privacy.
- Establishing contacts with clients via e-mail, phone calls and programmed appointments is also recommended
- Businesses should making deals of mutual interests with the fixed phone Altelecom company to facilitate the contact with clients through the “green number”.
- To avoid worry about the use of safety credit cards online and to ensure consumer education, product sites may feel the need to put together efforts of the industry through internet users and issuers of credit cards.
- The websites should be clear to understand and easy to use by different age-groups with different education levels
- Chambers of Commerce should open new horizons to the manufacturing firms in order that they could successfully use the internet. Besides, they should explain their members the importance of e-commerce.

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