

Attributes of Online Business in Romania during Economic Crisis

by

Eugen Remus Negoi, Liliana Nicodim
Bucharest Academy of Economic Studies

Constanta Ovidius University

remus.negoi@yahoo.com, nicodimlili@yahoo.com

Abstract. Any business seeks maximum profitability. Especially when the global economic crisis grows, a company must have both maximum profitability by reducing costs, and by finding new markets and new consumers. Due to economic conditions, companies have turned to online business, where operating costs, and marketing costs are much lower. Almost every company in the world, who noticed the trend, they promote, in one way or another, the own business on the Internet.

Key words: online business, economic crisis, business model, social media.

JEL classification: F18, M21

1 Introduction

The evolution of Romanian society in the last 10 years, in the business conducted through the Internet, was increasing exponentially. Following the qualitative and quantitative study through questionnaires, business in different areas of Romania, also using the Internet, we wanted to obtain information about trends in the Romanian business global economic crisis. Based on the information obtained, we can build a tendency of successful business models. The results obtained show that the business environment, even if it has enough gaps and crosses enough difficulties, it may revive by resorting to online business. Creating a business model that uses the Internet, as a basis for business promotion, involves the study of the impact on business partners, customers and their impact on costs and profits. Mastering all of this information can make the difference between success and loss of customers or markets.

Starting from the premises evolution of contemporary society, the project is to define the operating environment in commercial organization, which has online activities. An important premise is given by inconsistency of visibility of products and services sold online, which make it difficult entering and maintaining a company's position in a market. Promote traditional channels, as now perceived, can be replaced partially or totally by internet

environment, only in terms of finding more efficient business models. There are, however, the business models, in the same place and in the same company, using both traditional business techniques and e-business techniques.

2 Internet environment for businesses

With the advent and explosion of the Internet, businesses have emerged as the medium of the Internet action. The process was imperceptible at first, but grows exponentially as it moves. In the information society type, the communication, transfer and exchange of information takes place through technical systems. When talking about the information society and e-business, it is considered, above all, an unlimited number of computers connected via telecommunications networks, to transmit a huge amount of information.

With access to information on the Internet, consumers seek products or services, find, compare, make decisions more easily than in traditional trade. Hence the conclusion that the new information society brings with it a series of great opportunities: spatial and temporal constraints (borders and time) in communications have been greatly reduced, information can be processed, stored and transferred quickly, information services relating to the transfer prices are steadily decreasing.

As e-commerce sales volume in the Romanian market, annual total in 2010 was about 250 million euros, but is expected to grow rapidly in coming years, due to changes in consumer buying preferences, which migrate significantly to trade online.

In Romania, there is a need for future presence on the internet social media, although currently only about 9% of their business presence on these social media (Facebook, Twitter, YouTube, etc.), but approximately 82% have an own website.

Combining the market potential with exponential growth trend online business, as with a Romanian entrepreneurs desire to be present as much in the online environment, Romania can expect a steady increase in online business. Amid financial crisis and the preferences of Romanian buyers to purchase at low prices, Romanian business people will move, at least partially, their own business on the internet. But there are certain trends or reasons that make the Romanian entrepreneurs have doubts about their business online access. Basically, they understand that the amount presences on social media like Facebook, Twitter, LinkedIn, give positive impact on their corporate image, and not necessarily direct quantification of revenues from this presence.

3 Brief comparison of profitability in e-business and traditional business

To be profitable in a business, is not enough to have a great product, many customers or to have a turnover above average. To be profitable must to be:

- A design of e-business and technological architecture;
- Internet Marketing Strategies;
- Online brand management;
- Strategies for positioning of the products or prices on the Internet;
- Online advertising, Internet promotion, increase web traffic tactics;
- Solutions for customer relationship management and technical support;
- Market research and analysis of the effectiveness of the website;

- Services and strategies for choosing e-business partners;
- Online payment solutions and e-commerce strategy.

Compared with traditional businesses, e-business pace is sometimes suffocating, with which a company must adapt to changes is often crucial in achieving profitability.

Increasing competition and placing the Romanian economy on the principles of functional real market economy, have drastically reduced the profitability of a company's margins. If, now, do not invest in businesses with profit margins of less than 100%, in the future, margins of 10% - 20% will be very reasonable. Low productivity of employees, disturbance flows within a company and the lack of effective control mechanisms and control activities are the main internal causes of low profitability. Short-term profitability is affected by factors internal and external environment close to those (competitors, suppliers, distributors, etc.). In the long run, this indicator is influenced by external factors and the lack of clear vision.

The most visible areas where profitability rate dropped drastically, are traditional trade and telecommunications.

4 Solutions to maintain profitability in e-business

In areas affected by external factors that lower profitability, such as trade (traditional or e-business), companies should make their plans more long term business and analyze the market well before launching a business. Also, a solution to obtain higher profits than the average, would be to identify and create niche markets in these areas.

Influence of customer loyalty campaigns on profitability, depends very much on the specificities of each market area. For markets where resale cycle is reduced, a campaign can stimulate repurchase loyalty, with beneficial effects on profitability, if loyalty and campaign costs are lower than resale made. In other areas, a loyalty campaign may not have any effect or have a negative effect if campaign costs are very high and re-purchase rate is very low.

Taking into account the wishes of consumers over time, one of the largest online electronics stores in Romania, eMag.ro, opened in major cities the traditional shops. This is because working in the field of electronic equipment, customers wanted to have quick and warranty services and post-warranty equipment. In other areas such as delivery of gifts or flowers, for example, online stores have kept only work online.

In online marketing, the whole process of developing a keyword strategy is based on questions about consumer behavior, about what they're looking consumers, what consumers want.

In terms of channel promotion, many focus only on television or magazines, although there may be other more effective platform. Successful companies are those who realize what channel and what channel combinations are best for target audience. The Online Marketing can opt for PPL (pay per link), organic optimization or Social Media Optimization. A PPL campaign can be effective for some clients, but not for others, it depends on several factors.

Many large companies turn to two, three or four different advertisers, so it is difficult to reach a common denominator in terms of promoting the product or company. An SEO and web design agency will know best how to create a website to live up to customer expectations and to be, at the same time, well indexed by search engines. For example, the social network Facebook is a dynamic environment that allows interaction with other members, keeping up to date with news and events selected contact group, change information and find out their opinions about products or services.

5 Traditional business models and e-business models

The online competition, the assertion of new business models and the focus attention on consumer, have the effect of increasing consumer power.

It can say therefore that the Internet gives consumers more power. To compete in this new economy, companies are forced to adapt to a world where digital information will contribute

with a significant percentage to the value of economic proposals.

For some Romanian businessmen interviewed (by self study), who have online business, the escape from economic crisis "may come when people will adjust their expectations (and in particular the time horizon of these expectations)", and for others the economic crisis is "more work for the same money."

Based on some results of the survey of Romanian entrepreneurs, the focus was on their vision on their internet business. As shown in Figure 1, the expectations of Romanian entrepreneurs for their business are not too optimistic: 57% of them believe that their businesses (including online) will suffer in 2012 because of difficult economic conditions. Only 28% of Romanian entrepreneurs believe that their business will not suffer at all because of economic crisis.

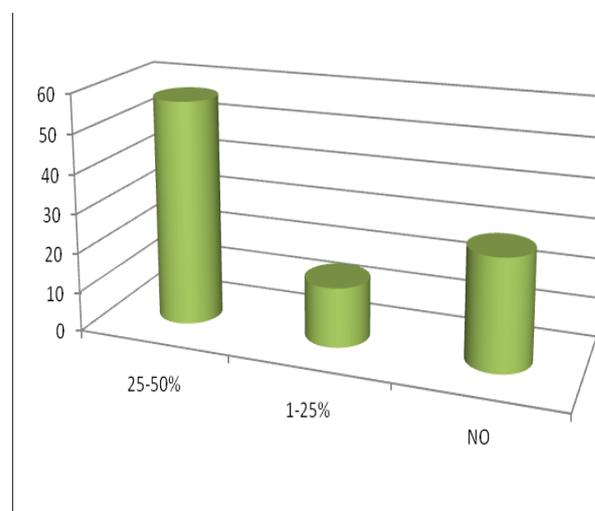


Figure 1: Estimation of the negative impact of economic crisis on online business in 2012"

This estimate shows the low level of optimism of Romanian businessmen and difficulty (especially in terms of facilities) business environment in Romania.

Although it is difficult business environment, operating costs are high, the purchasing power of customers has decreased, however, businesses have not felt totally, timeliness of the online business environment. As shown in Figure 2, only 28.6% of them are present in the social environment on the Internet (Facebook,

LinkedIn, Twitter), while the remaining 71.4% said they are not present on social media over the Internet.

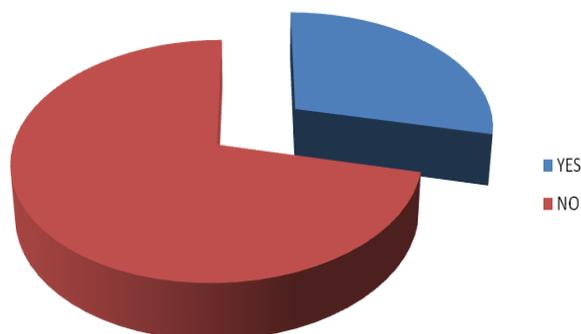


Figure 2: The presence of companies that operate online, in social media on the Internet”

This conclusion indicates a low concern for promoting revolutionary. Most Romanian entrepreneurs are still anchored in old habits to promote, not taking into account the advantages of online promotion, primarily in terms of costs. As long as the economic crisis conditions, competitive advantage is measured in costs, but also in the number of customers, business presence on the Internet is absolutely necessary.

6 Conclusion

An internet business, at least the same as a traditional business, requires continuous optimization and IT strategies (order processing, manufacturing, billing, collection).

An internet business has the advantage of lower costs than a traditional business, which is reflected in lower prices for the same type of product or service, while maintaining at least the same profit margins.

The companies surveyed have business in Romania, including different fields, vast territorial area (including all geographic areas of Romania), they experience on the market from under 5 to over 15 years, annual turnover from 100,000 EURO to 500,000 EURO.

Only 3% of interviewed entrepreneurs believes that online business is not required; however, of these, 94% work in industry and have a turnover

of over EUR 500,000 (which would cause traditional marketing campaigns, which involve large costs).

100% of the surveyed companies, the Internet is associated with its own website, just for a company presentation.

96% of entrepreneurs interviewed work even in traditional business field, so that one of the disadvantages of online presence ("de-humanizing") can then be annihilated by direct contact with customers or potential customers.

It revealed that 83% of Romanian interviewed entrepreneurs spend less than 25% of turnover for online advertising.

As advantages of their business presence on the internet, entrepreneurs told:

- greater openness to a wide range of potential customers;
- Ease of presenting their products or services;
- Reduced cost of sales and marketing staff;
- Almost instantaneous feedback of quality products, and services.

As disadvantages of their business presence on the internet, they include:

- almost any client or potential client is more attracted to comment on a product or another, on the Internet (website or company selling specialized forums).
- Virtual interaction with potential business partners, there are non-human interaction.

Following analysis of responses, it is creating at least one business model that:

- combines the traditional with the presence on the Internet.
- has at least web-site presentation.
- tends to be present increasingly more on Internet.
- has increased optimism that will enable increasingly more online.
- see the importance of lower operating costs of the Internet activity.
- shows the internet as a means of promoting business.
- would operate online for more than 60%.

References:

- Benson V., Tribe K. (2008), *Business Information Management*, London, Ventus Publishing.
- Onete B., Bob C., Brad S. (2008), *Business information management systems*, Bucharest, Uranus Publishing.
- Shuen A. (2008), *A strategy guide: Business thinking and strategies behind successful implementations*, Cambridge, O'Reilly Publishing.
- Lachtnain O. Antoin (2007), *Making an impact online*, London, A&C Black Publishers Ltd.
- Baran Roger, Zerres C., Zerres M. (2011), *Customer relationship management*, London, Ventus Publishing Aps, Holstebro.
- Lytras M., Damiani E. (2008), *Understanding the new online business models, trends and technologies*, Oxford, Praeger Publishing.
- Funk T. (2009), *The Business Models*, New York, Springer Publishing.
- Bernanke B.S. (2004), *Essays on the Great Depression*, Princeton, Princeton University Press.
- Greener S. (2008), *Business research methods*, Aarhus, Ventus Publishing ApS.
- Negoi E. R., Voinea L. (2011), *Trends in business development using the Internet, in economic crisis conditions, in Romania*, 7th International Conference on "Management of Technological Changes", Alexandroupolis - Greece.
- Romanian Association of Online Stores - ARMO (2010), Code of Practice for online commerce in Romania <http://www.armo.ro/codul-de-bune-practici-pentru-comertul-online-din-romania-2011/>
- www.zooku.ro, Online Consumer Behavior (2011), www.zooku.ro/blog/2010/01/comportamentul-consumatorului-online
- Blog SEO (2011), Search engine optimisation, <http://optimizare-site-google.blogspot.com/p/seo-search-engine-optimization.html>
- Press Events (2009), Global internet audience 1 billion, www.comscore.com/Press_Events/Press_Releases/2009/1/Global_Internet_Audience_1_Billion

Author description:

Negoi Eugen Remus is PhD student at the Bucharest Academy of Economic Studies. His research converge to analyse in online business field. Expected results converge towards finding internet business models, which have an above-average profitability, in the context of economic crisis.

Nicodim Liliana is PhD professor at the Faculty of Economics at the Ovidius University of Constanta. His research and teaching university emphasizes the importance of culture and ethics in business, especially. Scientific papers and edited books emphasize the importance of business based on science, in which ethics and fairness to exist at all levels of business.